



Rubicon Organics Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2022

Expressed in Canadian dollars



The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
Expressed in Canadian Dollars



	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents	17	6,837,839	11,583,443
Accounts receivable	5	4,498,818	4,155,708
Prepaid expenses and deposits	6	2,229,336	694,292
Inventories	7	11,306,371	8,440,868
Cannabis plants	8	3,989,370	2,173,833
Derivatives	13	813,286	125,881
		29,675,020	27,174,025
Non-Current			
Security deposits		—	483,000
Property, plant and equipment	9	25,802,210	25,094,303
Right-of-use assets	10	108,053	208,215
Intangible asset		1,881,749	1,881,749
Total assets		57,467,032	54,841,292
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	11	6,173,405	5,793,520
Interest payable		—	332,904
Current portion of lease liabilities		99,189	152,073
Current portion of loans and borrowings	12	712,764	659,256
		6,985,358	6,937,753
Non-Current			
Lease liabilities		—	58,999
Non-current portion of loans and borrowings	12	9,804,843	8,945,356
Total liabilities		16,790,201	15,942,108
Shareholders' equity			
Share capital	14	107,257,509	107,205,007
Reserves	15	19,961,282	17,537,902
Deficit		(86,541,960)	(85,843,725)
Total shareholders' equity		40,676,831	38,899,184
Total liabilities and shareholders' equity		57,467,032	54,841,292

Approved on behalf of the Board:

(Signed) "Dave Donnan"
 Director

(Signed) "Margaret Brodie"
 Director and CFO

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)
Expressed in Canadian Dollars, except for share information


	Notes	For the three months ended		For the nine months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue					
Product sales		13,647,819	9,726,994	31,899,435	19,972,329
Excise taxes		(3,104,680)	(2,636,527)	(7,373,287)	(4,175,708)
Net revenue		10,543,139	7,090,467	24,526,148	15,796,621
Cost of sales					
Production costs	9	2,850,646	2,118,908	7,924,820	7,090,011
Inventory expensed to cost of sales	9	3,377,239	3,044,544	8,274,785	6,560,197
Inventory written off or provided for		201,478	148,694	624,765	1,371,281
Gross profit (loss) before fair value adjustments		4,113,776	1,778,321	7,701,778	775,132
Fair value adjustments to cannabis plants, inventory sold, and other charges	8	1,889,334	(1,821,571)	3,975,755	(1,485,752)
Gross profit (loss)		6,003,110	(43,250)	11,677,533	(710,620)
Other Income		—	85,872	—	117,322
Operating expenses					
Consulting, salaries and wages		1,849,406	1,724,821	5,906,260	5,905,657
General and administrative		852,604	870,450	2,263,822	2,395,252
Sales and marketing		242,098	414,046	907,979	1,436,124
Share-based compensation	15	773,769	579,940	2,228,243	1,367,794
Depreciation and amortization	9	83,255	71,933	242,423	190,304
		3,801,132	3,661,190	11,548,727	11,295,131
Profit (loss) from operations		2,201,978	(3,618,568)	128,806	(11,888,429)
Interest on loans	12	275,456	241,145	756,187	1,007,755
Gain on modification of Debenture	12	—	—	(238,068)	—
Warrants issued relating to modification of Debenture	15	—	—	247,639	—
Foreign exchange loss		559,993	110,450	748,688	157,754
Fair value (gain) loss on derivatives	13	(659,003)	(123,628)	(687,405)	(123,628)
Net profit (loss) for the period		2,025,532	(3,846,535)	(698,235)	(12,930,310)
Profit (loss) per share, basic		0.04	(0.07)	(0.01)	(0.24)
Profit (loss) per share, diluted		0.04	(0.07)	(0.01)	(0.24)
Weighted average number of shares outstanding, basic		56,249,994	56,032,984	56,242,882	54,495,751
Weighted average number of shares outstanding, diluted		56,733,327	56,032,984	56,242,882	54,495,751

The accompanying Notes form an integral part of these condensed consolidated interim financial statements (unaudited).

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
Expressed in Canadian Dollars, except for share information


	Notes	Number of Shares	Share Capital	Share- Based Reserves	Warrant Reserve	Reserves	Deficit	Total Shareholders' Equity
Balance, January 1, 2021		49,395,131	86,349,350	8,675,960	5,139,555	13,815,515	(71,322,985)	28,841,880
Share issuance – prospectus offering		6,052,631	19,492,019	—	1,731,383	1,731,383	—	21,223,402
Share issuance – options exercised		535,565	1,363,638	(759,553)	—	(759,553)	—	604,085
Warrants issued with Debenture	15	—	—	—	610,375	610,375	—	610,375
Share-based compensation	15	—	—	1,367,794	—	1,367,794	—	1,367,794
Net loss for the period		—	—	—	—	—	(12,930,310)	(12,930,310)
Balance, September 30, 2021		55,983,327	107,205,007	9,284,201	7,481,313	16,765,514	(84,253,295)	39,717,226
Balance, January 1, 2022		55,983,327	107,205,007	10,056,589	7,481,313	17,537,902	(85,843,725)	38,899,184
Share-based compensation	15	—	—	2,228,243	—	2,228,243	—	2,228,243
Vesting of RSUs		16,667	52,502	(52,502)	—	(52,502)	—	—
Warrants issued with Debenture	15	—	—	—	247,639	247,639	—	247,639
Net loss for the period		—	—	—	—	—	(698,235)	(698,235)
Balance, September 30, 2022		55,999,994	107,257,509	12,232,330	7,728,952	19,961,282	(86,541,960)	40,676,831

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
Expressed in Canadian Dollars



		For the nine months ended	
	Notes	September 30, 2022	September 30, 2021
OPERATING ACTIVITIES			
Net loss from operations		(698,235)	(12,930,310)
Adjustments to reconcile net loss to cash used in operating activities			
Fair value adjustments to cannabis plants, inventory sold, and other charges	8	(3,975,755)	1,485,752
Depreciation and amortization	9,10	2,260,055	1,682,558
Share-based compensation	15	2,228,243	1,367,794
Interest on loans	12	756,187	1,007,755
Foreign exchange loss		728,316	189,013
Fair value gain on derivatives	13	(687,405)	(123,628)
Gain on modification of Debenture	12	(238,068)	—
Cost associated with warrants issued relating to Debenture	15	247,639	—
Changes in non-cash working capital items	17	(1,508,288)	(3,611,247)
Cash used in operating activities		(887,311)	(10,932,313)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(3,126,963)	(4,666,606)
Cash used in investing activities		(3,126,963)	(4,666,606)
FINANCING ACTIVITIES			
Net proceeds from equity financing	14	—	21,223,402
Repayment of loans and borrowings	12	—	(13,855,010)
Net proceeds from loans and borrowings		—	9,834,185
Interest paid		(667,732)	(2,331,176)
Proceeds from stock options exercised	14	—	604,085
Repayment of lease liabilities		(128,101)	(128,558)
Prepaid financing costs		—	—
Cash (used) provided by financing activities		(795,833)	15,346,928
Effect of exchange rate changes on cash		64,503	87,609
Net decrease in cash and cash equivalents during the period		(4,745,604)	(164,382)
Cash and cash equivalents, beginning of period		11,583,443	12,136,459
Cash and cash equivalents, end of period		6,837,839	11,972,077

The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



1. NATURE OF OPERATIONS

Rubicon Organics Inc. (the "Company", "Rubicon", or "ROI") is a British Columbia registered company incorporated on May 15, 2015.

The Company's principal business is the production and sale of cannabis in Canada. The Company produces and processes organic cannabis at its wholly owned, federally licensed 125,000 square foot facility in Delta, British Columbia (the "Delta Facility") which it sells under its wholly owned and other licensed brands.

The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the trading symbol "ROMJ" and on the OTCQX Best Market under the symbol "ROMJF".

The address of the Company's registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2. The Company's head office is unit 505, 744 West Hastings Street, Vancouver, British Columbia V6C 1A5.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretation Committee ("IFRIC") have been omitted or condensed. As a result, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021 ("Annual Financial Statements").

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

Comparative balances

The Company has presented the fair value adjustments to cannabis plants under a single financial statement caption termed fair value adjustments to cannabis plants, inventory sold, and other charges in the statement of loss and comprehensive loss. This is a change from the 2021 presentation. Note 8 contains further details of the fair value adjustments to cannabis plants including a breakdown that follows the comparative period presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those disclosed in the Company's Annual Financial Statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgements made in the preparation of these condensed consolidated interim financial statements are the same as those used in preparing the Company's Annual Financial Statements.

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***5. ACCOUNTS RECEIVABLE**

	September 30, 2022	December 31, 2021
	\$	\$
Trade receivables	4,485,587	4,138,791
Other receivables	—	—
Sales taxes recoverable	13,231	16,917
Total accounts receivable	4,498,818	4,155,708

Trade receivables arise from sales of cannabis to distributors and retailers in Canada. As at September 30, 2022, 98% of trade receivables were with provincial government cannabis distributors (December 31, 2021: 90%). Trade receivables are net of a \$794,096 provision for returns (December 31, 2021: \$499,344).

For the three and nine months ended September 30, 2022, the Company had four customers (September 30, 2021: four customers) that individually represented more than 10% and together constituted 98% and 97% (September 30, 2021: 97% and 94%, respectively), of the Company's net revenue. For the three and nine months ended September 30, 2022, direct sales to provincial government cannabis distributors accounted for 99% of revenue (September 30, 2021: 99% and 95%, respectively).

6. PREPAID EXPENSES AND DEPOSITS

	September 30, 2022	December 31, 2021
	\$	\$
Prepaid expenses	478,181	438,983
Deposits	899,734	158,854
Security deposits	483,000	—
Deferred excise tax expense	273,815	—
Other	94,606	96,455
Total prepaid expenses and deposits	2,229,336	694,292

As at September 30, 2022, \$163,863 of the deposits balance was related to property, plant and equipment (December 31, 2021: \$26,238).

7. INVENTORIES

Inventory as at September 30, 2022 and December 31, 2021 consisted of consumable inventory used in the propagation and transformation of the Company's cannabis plants, work-in-process ("WIP") inventory and finished goods.

	September 30, 2022	December 31, 2021
	\$	\$
Consumable inventory	2,363,680	2,029,498
WIP inventory	7,302,760	5,546,737
Finished goods	1,639,931	864,633
Total inventories	11,306,371	8,440,868

At September 30, 2022, WIP inventory and finished goods include \$6,095,143 of non-cash fair value of cannabis plants transferred upon harvest (December 31, 2021: \$3,932,748).

At September 30, 2022, \$685,906 of consumable inventory is expected to be utilized more than twelve months after the reporting period (December 31, 2021: \$1,090,137).

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***8. CANNABIS PLANTS**

The changes in the carrying value of cannabis plants was as follows:

	\$
Balance, December 31, 2021	2,173,833
Change in fair value of cannabis plants	14,073,069
Transferred to WIP inventory upon harvest	(12,257,532)
Balance, September 30, 2022	3,989,370

The fair value of cannabis plants was determined using a valuation model that estimates the expected harvest yield per plant and applies this to the estimated fair value less costs to sell per gram of dried cannabis flower. These fair value measurements have been categorized as Level 3 of the fair value hierarchy because there is currently no actively traded commodity market in Canada for cannabis plants.

The significant assumptions applied in determining the fair value are as follows:

- expected average yield of approximately 88 grams per plant (December 31, 2021: 87 grams per plant);
- comparable selling price of wholesale dried cannabis flower ranging from \$1.28 to \$2.21 per gram (December 31, 2021: \$0.86 to \$2.35 per gram);
- post-harvest processing costs of \$0.49 per gram (December 31, 2021: \$0.49 per gram); and
- stage of plant growth.

The selling price used in the valuation is based on recently quoted prices of wholesale dried cannabis flower from licensed Canadian wholesalers and varies based on THC content. Expected yields for cannabis plants are subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. Estimates of future yields are based on the historical weighted average of actual yields.

The Company periodically reassesses the significant assumptions applied in determining the fair value of cannabis plants based on historical information as well as the Company's planned production schedules. When there is a material change in any of the significant assumptions, the fair value of cannabis plants is adjusted.

For the period ended September 30, 2022, the Company determined the weighted average fair value less costs to sell was approximately \$1.92 per dried gram (December 31, 2021: \$1.76 per dried gram).

The Company has quantified the sensitivity of the significant unobservable inputs used to calculate the fair value recorded. A decrease in the average selling price per gram of 10% would result in a decrease in the value of cannabis plants of \$398,900. A decrease in the harvest yield per plant of 10% would result in a decrease in the value of cannabis plants of \$398,900.

The number of weeks in the growth cycle is twelve to fourteen weeks from propagation to harvest. As at September 30, 2022, the cannabis plants were estimated to be, on average, 43% complete (December 31, 2021: 40% complete).

The fair value adjustment to cannabis plants, inventory sold, and other charges for the three and nine months ended September 30, 2022 and September 30, 2021, is comprised of the following:

	For the three months ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2022	2021	2022	2021
Unrealized gain on changes in fair value of cannabis plants	6,047,126	1,628,034	14,073,069	6,901,883
Realized fair value of inventory sold	(3,980,791)	(3,164,125)	(9,200,148)	(5,610,224)
Adjustment to net realizable value of inventory on hand at period end	(177,001)	(285,480)	(897,166)	(2,777,411)
	1,889,334	(1,821,571)	3,975,755	(1,485,752)

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***9. PROPERTY, PLANT AND EQUIPMENT**

Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At December 31, 2021	14,766,194	13,013,356	2,040,722	342,782	30,163,054
Additions	2,569	239,730	—	2,640,692	2,882,991
Commissioned during the period	1,944,911	376,811	—	(2,321,722)	—
At September 30, 2022	16,713,674	13,629,897	2,040,722	661,752	33,046,045

Accumulated depreciation

At December 31, 2021	1,628,447	3,440,304	—	—	5,068,751
Depreciation	554,681	1,620,403	—	—	2,175,084
At September 30, 2022	2,183,128	5,060,707	—	—	7,243,835

Net book value

At September 30, 2022	14,530,546	8,569,190	2,040,722	661,752	25,802,210
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Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	\$	\$	\$	\$	\$
At December 31, 2020	13,169,383	9,317,918	2,040,722	307,227	24,835,250
Additions	424,774	859,923	—	4,043,107	5,327,804
Commissioned during the year	1,172,037	2,835,517	—	(4,007,554)	—
At December 31, 2021	14,766,194	13,013,358	2,040,722	342,780	30,163,054

Accumulated depreciation

At December 31, 2020	936,602	1,725,815	—	—	2,662,417
Depreciation	691,845	1,714,489	—	—	2,406,334
At December 31, 2021	1,628,447	3,440,304	—	—	5,068,751

Net book value

At December 31, 2021	13,137,747	9,573,054	2,040,722	342,780	25,094,303
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For the nine months ended September 30, 2022, depreciation of \$1,481,967 was included in production costs (September 30, 2021: \$1,168,237) and \$305,092 was capitalized to inventory (September 30, 2021: \$476,609).

During the three and nine months ended September 30, 2022, the total amount of depreciation recognized in cost of sales was \$102,062 and \$252,917, respectively (for the three and nine months ended September 30, 2021: \$190,504 and \$324,017 respectively).

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***10. LEASES**

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

Cost	Office leases	Equipment and vehicles	Total
	\$	\$	
At December 31, 2021	358,914	97,396	456,310
Additions	—	—	—
At September 30, 2022	358,914	97,396	456,310
Accumulated depreciation			
At December 31, 2021	199,397	48,698	248,095
Depreciation	89,727	10,435	100,162
At September 30, 2022	289,124	59,133	348,257
Net book value			
At September 30, 2022	69,790	38,263	108,053

Cost	Office Leases	Equipment and vehicles	Total
	\$	\$	
At December 31, 2020	358,914	97,396	456,310
Additions	—	—	—
At December 31, 2021	358,914	97,396	456,310
Accumulated depreciation			
At December 31, 2020	79,759	34,785	114,544
Depreciation	119,638	13,913	133,551
At December 31, 2021	199,397	48,698	248,095
Net book value			
At December 31, 2021	159,517	48,698	208,215

a. Lease payments recognized in profit / loss from operations

The Company leases trailers for office space and natural gas generators for supplemental power on a short-term basis. The lease costs for the three and nine months ended September 30, 2022, of \$426,569 and \$1,285,965 respectively (September 30, 2021: \$660,868 and \$1,846,455, respectively) were expensed on a straight-line basis over the lease term.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
	\$	\$
Trade payables	1,414,232	1,572,864
Accrued liabilities	3,376,577	2,740,851
Excise taxes payable	1,382,596	1,479,805
Total accounts payable and accrued liabilities	6,173,405	5,793,520

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***12. LOANS AND BORROWINGS**

The changes in the carrying value of current and non-current loans and borrowings are as follows:

	September 30, 2022	December 31, 2021
	\$	\$
Opening balance	9,604,612	13,641,223
Principal repayments	—	(13,855,010)
Additional loans and borrowings, net	—	9,223,810
Interest on loans	756,187	1,255,093
Interest payments	(334,828)	(885,727)
Foreign exchange gain	793,606	225,223
Other changes:		
Modification gain on loans and borrowings	(238,068)	—
Capitalized borrowing costs on modification	(63,902)	—
Ending balance	10,517,607	9,604,612
Less: current portion	712,764	659,256
Non-current loans and borrowings	9,804,843	8,945,356

On June 29, 2021, the Company issued a \$9,907,200 (US\$8,000,000) principal amount debenture (the “Debenture”). The Debenture is collateralized by the Company’s Delta Facility, matures on June 29, 2023, and bears interest at 6.5% per annum (compounded and paid semi-annually). In connection with the Debenture, the Company issued 907,000 warrants. Each warrant is exercisable for one common share with an exercise price of \$4.00 per common share and expiry date of June 29, 2024.

On initial recognition, the Debenture was accounted for as a compound instrument with separate components, being the debt and the warrants. The debt component has been classified as a financial liability and the warrants have been classified as equity. On initial recognition, proceeds were allocated between debt and equity first by determining the fair value of the liability component using a 10% discount rate, and then allocating the residual value to the equity component. Transaction costs were allocated to the liability and equity components in proportion to the allocation of proceeds. The warrants issued as part of the compound instrument were valued at \$610,375 and transaction costs incurred were \$73,015.

On June 15, 2022, the Company extended the maturity date of the Debenture by approximately 18 months, from June 29, 2023, to December 31, 2024. The interest rate of the Debenture will increase from 6.5% to 7.5% effective July 1, 2023. The Company adjusted the carrying amount of the Debenture at the date of modification. In connection with the extension of the Debenture, the Company paid a cash fee of US\$40,000 and issued 882,000 warrants. Each newly issued warrant is exercisable for one common share with an exercise price of \$1.34 per common share and expiry date of December 31, 2025. The warrants issued as part of the extension of the Debenture were valued at \$247,639 (Note 15). Transaction costs incurred with the modification were \$65,941.

Total interest on loans for the three and nine months ended September 30, 2022, was \$275,456 and \$756,688 respectively (September 30, 2021: \$241,145 and \$1,007,755, respectively). All interest payments due within twelve months have been translated to the Company’s functional currency at the period end exchange rate and classified as current.

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



13. DERIVATIVES

In July 2021, the Company entered several foreign exchange swap contracts (together the “Derivatives”) to offset the future foreign exchange impact of the principal and interest payments on the Debenture. The foreign exchange swaps were due to settle on June 27, 2022, (settled) December 28, 2022, and June 27, 2023, at rates that range from 1.2589 to 1.2640 CAD/USD, which reflects the fixed exchange rate of 1.2580 CAD/USD plus spreads of 8.5 to 60.0 basis points.

In June 2022, as a result of the amendment and extension to the Debenture (Note 12), the Company amended certain existing and placed new foreign exchange swap contracts to match the revised payment amounts and timings of the Debenture. The Company has swaps to settle on December 28, 2022, June 27, 2023, December 29, 2023, and June 28, 2024, at rates that range from 1.2640 to 1.2885 CAD/USD.

The fair value of the Derivatives was determined using prices obtained from the Company’s foreign exchange broker on the measurement date. These fair value measurements have been categorized as Level 2 on the fair value hierarchy.

The change in the fair value of the Derivatives was as follows:

	\$
Balance, December 31, 2021	125,881
Change in fair value of the Derivatives	687,405
Balance, September 30, 2022	813,286

14. SHARE CAPITAL

a. Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

b. Issued and fully paid

Common shares	#	\$
December 31, 2020	49,395,131	86,349,350
Prospectus offering, net of financing costs	6,052,631	19,492,019
Stock option exercises	535,565	1,363,638
December 31, 2021	55,983,327	107,205,007
Vesting of RSUs	16,667	52,502
September 30, 2022	55,999,994	107,257,509

15. RESERVES

a. Options

Under the Company’s Equity Incentive Plan and Deferred Share Unit Plan (together the “Equity Plans”), the Board of Directors may grant stock options, restricted share awards, restricted share units and deferred share units (“Equity Awards”) to eligible directors, officers, employees, and consultants of the Company and its subsidiaries. The Equity Plans provide for the issuance of Equity Awards that shall not exceed in aggregate 9,146,774 common shares of the Company.

The exercise price of stock options issued pursuant to the Equity Plans is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option on the date of grant. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

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The Company has granted options to purchase common shares under the Equity Plans as follows:

	Number of options #	Weighted average exercise price \$
Outstanding, December 31, 2020	4,261,583	\$3.31
Granted	169,000	\$2.61
Exercised	(637,333)	\$1.39
Forfeited	(236,167)	\$3.34
Expired	(30,000)	\$1.29
Outstanding, December 31, 2021	3,527,083	\$3.51
Granted	774,600	\$0.86
Forfeited	(28,401)	\$1.33
Expired	(954,333)	\$2.16
Outstanding, September 30, 2022	3,318,949	\$2.72

The following table provides information on stock options outstanding and exercisable as at September 30, 2022:

Expiry Date	Options outstanding			Options exercisable	
	Exercise Price	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
November 15, 2022	US\$2.00	5,000	0.13	5,000	0.13
January 21, 2023	US\$2.00	30,000	0.31	30,000	0.31
July 31, 2023	\$3.25	1,387,083	0.83	1,387,083	0.83
September 24, 2023	\$8.15	350,000	0.98	350,000	0.98
May 28, 2024	\$3.25	20,000	1.66	20,000	1.66
July 12, 2024	\$3.25	83,333	1.78	83,333	1.78
September 20, 2024	\$3.25	3,333	1.98	3,333	1.98
December 31, 2025	\$0.85	726,000	3.25	—	3.25
July 13, 2027	\$0.86	714,200	4.79	479,533	4.79
		3,318,949	2.25	2,358,282	1.69

On May 25, 2022, the Company amended the terms of 778,500 stock options (the “Amended Options”) for employees of the Company, pursuant to the Company’s Equity Plans. The Company amended the exercise price of the Amended Options to \$0.85. The total incremental fair value of the options at the date of the modification was determined to be \$209,576. The incremental fair value will be recognized as an expense over the period from the modification date to the end of the vesting period.

The fair value of the modified options was determined using the Black Scholes option pricing model using the following estimates, judgments, and assumptions:

	Pre-modification	Post-modification
Expected stock price volatility	63.4% – 129.1%	64.5% – 67.5%
Expected life of options	0.2 – 4.5 years	3.6 – 4.5 years
Risk free interest rate	2.48% – 2.58%	2.58%
Expected dividend yield	0%	0%
Exercise price	\$2.60	\$0.85
Fair value per option at date of modification	\$0.01 – \$0.18	\$0.35 – \$0.37

On May 25, 2022, the Company granted an aggregate of 40,000 stock options to employees of the Company, pursuant to the Equity Plans. The options are exercisable at \$0.85 per share for a period of three years from the date of grant. The options vest over two years.

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On July 13, 2022, the Company granted an aggregate of 734,600 stock options (the "Options") to directors and officers of the Company pursuant to the Equity Plan. The options are exercisable at \$0.86 per share for a period of five years. The Options have been issued in lieu of cash compensation to directors and officers of Rubicon where their cash compensation has been partially or fully reduced in order to reduce cash spend in Rubicon in fiscal 2022. The Options vest over the remainder of 2022.

The fair value of stock options is determined on the grant date. In order to compute this fair value, the Company uses the Black-Scholes option pricing model using the following estimates, judgements, and assumptions to determine the fair value of the stock options granted for the nine months ended September 30, 2022:

Expected stock price volatility	67.5% – 67.6%
Expected life of options	3 – 5 years
Risk free interest rate	2.54% – 3.17%
Expected dividend yield	0%
Exercise price	\$0.85 – \$0.86
Fair value per option granted	\$0.35 – \$0.50

During the three and nine months ended September 30, 2022, the Company recognized an aggregate amount of \$204,820 and \$464,021 respectively, in share-based compensation expense pertaining to options (September 30, 2021: \$66,446 and \$340,806, respectively).

b. Warrants

The Company's outstanding warrants consisted of the following:

Issue Date	Expiry Date	Exercise Price	Number of Warrants	
			September 30, 2022	December 31, 2021
April 25, 2019	April 25, 2022	\$4.50	—	671,000
May 28, 2019	May 28, 2022	\$4.50	—	1,000,000
July 12, 2019	July 12, 2022	\$4.50	—	100,002
February 26, 2021	February 26, 2024	\$5.30	3,026,315	3,026,315
June 29, 2021	June 29, 2024	\$4.00	907,000	907,000
June 15, 2022	31 December, 2025	\$1.34	882,000	—
			4,815,315	5,704,317

Each warrant is exercisable into one common share of the Company upon payment of the exercise price.

On June 15, 2022, as part of the extension and modification of the Debenture, the Company issued 882,000 warrants. Each newly issued warrant is exercisable for one common share with an exercise price of \$1.34 per common share and expiry date of December 31, 2025. The warrants were valued at \$247,639 and were expensed immediately.

The Company used the Black-Scholes option pricing model to calculate the fair value of the share purchase warrants issued, using the following estimates, judgments, and assumptions:

Expected stock price volatility	67%
Expected life of warrants	3.5 years
Risk free interest rate	3.18%
Expected dividend yield	0%
Exercise price	\$1.34
Fair value per warrant	\$0.28

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***c. Restricted Share Units (“RSUs”)**

During the three and nine months ended September 30, 2022, the Company recognized an aggregate amount of \$568,949 and \$1,719,972 respectively, in share-based compensation pertaining to RSUs (September 30, 2021: \$513,494 and \$1,026,988, respectively). As at September 30, 2022 there were 2,723,333 RSUs outstanding (December 31, 2021: 2,740,000).

d. Deferred Stock Units (“DSUs”)

During the three and nine months ended September 30, 2022, the Company recorded \$nil and \$44,250 in share-based compensation pertaining to DSUs (three and nine months ended September 30, 2021: \$nil and \$nil). As at September 30, 2022 there were 250,000 DSUs outstanding (September 30, 2021: nil).

16. RELATED PARTY TRANSACTIONS**a. Related party transactions**

Accounts payable and accrued liabilities at September 30, 2022, included \$12,932 (December 31, 2021: \$57,357) owed to executives and directors of the Company for expenses paid on behalf of the Company.

b. Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. Key management compensation for the nine months ended September 30, 2022, was comprised of:

	September 30, 2022	September 30, 2021
	\$	\$
Salaries and accrued salaries	409,289	969,750
Bonuses in accrued liabilities	150,000	—
Termination benefits	450,000	—
Share based compensation	1,924,186	1,094,785
Total compensation of key management personnel	2,933,475	2,064,535

17. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items for the three months ended:

	September 30, 2022	September 30, 2021
	\$	\$
Accounts receivable	(343,110)	(2,918,112)
Prepays and deposits	(1,397,419)	603,479
Security deposits	483,000	17,486
Inventory	(687,917)	(1,507,789)
Accounts payable and accrued liabilities	420,940	168,221
Deferred revenue	—	(4,531)
Interest on lease liabilities	16,218	29,999
Change in non-cash working capital items	(1,508,288)	(3,611,247)

As at September 30, 2022, accounts payable and accrued liabilities include \$417,304 related to capital asset additions (December 31, 2021: \$523,651).

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Cash and cash equivalents consist of the following:

	September 30, 2022	December 31, 2021
	\$	\$
Cash	3,356,594	2,634,610
Cash equivalents	3,481,245	8,948,833
Total cash and cash equivalents	6,837,839	11,583,443

Cash equivalents consist of redeemable guaranteed investment certificates that are immediately convertible to cash.