



Rubicon Organics Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 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	March 31, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents	18	7,600,477	8,294,117
Accounts receivable	5	4,319,556	4,781,328
Prepaid expenses, deposits, & other	6	1,307,344	1,554,366
Inventories	7	10,795,145	10,509,052
Cannabis plants	8	1,967,524	2,154,431
Derivatives	14	381,339	401,230
		26,371,385	27,694,524
Non-Current			
Property, plant and equipment	9	25,567,610	25,955,764
Right-of-use assets	11	41,276	74,663
Intangible assets	10	2,381,749	2,381,749
Total assets		54,362,020	56,106,700
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	12	6,297,568	7,202,325
Interest payable		—	352,765
Current portion of lease liabilities	11	17,434	58,999
Current portion of loans and borrowings	13	757,848	758,464
		7,072,850	8,372,553
Non-Current			
Non-current portion of loans and borrowings	13	9,663,280	9,401,052
Total liabilities		16,736,130	17,773,605
Shareholders' equity			
Share capital	15	107,610,759	107,610,759
Reserves	16	20,289,750	20,421,908
Deficit		(90,274,619)	(89,699,572)
Total shareholders' equity		37,625,890	38,333,095
Total liabilities and shareholders' equity		54,362,020	56,106,700

Approved on behalf of the Board:

(Signed) "David Donnan"
 Director

(Signed) "Margaret Brodie"
 Director, Interim CEO 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	
		March 31, 2023	March 31, 2022
Revenue			
Product sales		11,633,694	6,655,234
Excise taxes		(2,833,754)	(1,507,020)
Net revenue		8,799,940	5,148,214
Cost of sales			
Production costs	9	2,678,604	2,372,820
Inventory expensed to cost of sales	9	2,934,894	1,920,330
Inventory written off or provided for		157,424	110,740
Gross profit before fair value adjustments		3,029,018	744,324
Fair value adjustments to cannabis plants, inventory sold, and other charges	8	139,463	1,746,098
Gross profit		3,168,481	2,490,422
Operating expenses			
Consulting, salaries and wages		2,058,978	1,795,294
General and administrative		847,739	702,778
Share-based compensation	16	(132,158)	666,446
Sales and marketing		610,369	377,096
Depreciation and amortization	9	88,050	78,017
		3,472,978	3,619,631
Loss from operations		(304,497)	(1,129,209)
Interest on loans	13	269,580	246,485
Foreign exchange (gain)		(18,921)	(127,904)
Fair value loss on derivatives	14	19,891	243,749
Net loss for the period		(575,047)	(1,491,539)
Loss per share, basic		(0.01)	(0.03)
Loss per share, diluted		(0.01)	(0.03)
Weighted average number of shares outstanding, basic		56,424,994	56,231,383
Weighted average number of shares outstanding, diluted		56,858,327	56,231,383

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

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, 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	16	—	—	666,446	—	666,446	—	666,446
Net loss for the period		—	—	—	—	—	(1,491,539)	(1,491,539)
Balance, March 31, 2022		55,983,327	107,205,007	10,723,035	7,481,313	18,204,348	(87,335,264)	38,074,091
Balance, January 1, 2023		56,124,994	107,610,759	12,692,956	7,728,952	20,421,908	(89,699,572)	38,333,095
Share-based compensation	16	—	—	(132,158)	—	(132,158)	—	(132,158)
Net loss for the period		—	—	—	—	—	(575,047)	(575,047)
Balance, March 31, 2023		56,124,994	107,610,759	12,560,798	7,728,952	20,289,750	(90,274,619)	37,625,890

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 three months ended	
	Notes	March 31, 2023	March 31, 2022
OPERATING ACTIVITIES			
Net loss from continuing operations		(575,047)	(1,491,539)
Adjustments to reconcile net loss to cash used in operating activities			
Fair value adjustments to cannabis plants, inventory sold, and other charges	8	(139,464)	(1,746,098)
Depreciation and amortization	9	744,783	692,426
Share-based compensation	15	(132,158)	666,446
Interest on loans	12	269,580	246,485
Foreign exchange loss		(4,069)	(134,336)
Fair value gain on derivatives	13	19,891	243,749
Changes in non-cash working capital items	17	9,007	(41,568)
Cash from / (used) in operating activities		192,523	(1,564,435)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(486,332)	(886,411)
Cash (used) in investing activities		(486,332)	(886,411)
FINANCING ACTIVITIES			
Interest paid	17	(352,765)	(332,904)
Repayment of lease liabilities		(43,013)	(42,308)
Cash (used) by financing activities		(395,778)	(375,212)
Effect of exchange rate changes on cash		(4,054)	(6,598)
Net decrease in cash during the period		(693,640)	(2,832,656)
Cash and cash equivalents, beginning of period		8,294,117	11,583,443
Cash and cash equivalents, end of period		7,600,477	8,750,787

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, 2022 (“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.

These financial statements were authorized for issuance by the Board of Directors of the Company on May 19, 2023.

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.

5. ACCOUNTS RECEIVABLE

	March 31, 2023	December 31, 2022
	\$	\$
Trade receivables	4,296,031	4,768,221
Sales taxes recoverable	23,525	13,107
Total accounts receivable	4,319,556	4,781,328

Trade receivables arise from sales of cannabis to distributors and retailers in Canada. As at March 31, 2023, 99% of trade receivables were with provincial government cannabis distributors (December 31, 2022: 97%). Trade receivables

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



are net of a \$599,735 provision for returns (December 31, 2022: \$524,992).

For the three months ended March 31, 2023, the Company had four customers (March 31, 2022: four customers) that individually represented more than 10% and together constituted 99% (March 31, 2022: 97%), of the Company's net revenue. Direct sales to provincial government cannabis distributors accounted for 99% of revenue (March 31, 2022: 99%).

6. PREPAID EXPENSES, DEPOSITS, & OTHER

	March 31, 2023	December 31, 2022
	\$	\$
Prepaid expenses	329,391	530,314
Deposits	679,672	625,922
Deferred excise tax expense	298,281	303,526
Other	—	94,604
Total prepaid expenses and deposits	1,307,344	1,554,366

As at March 31, 2023, \$71,703 of the deposits balance was related to property, plant and equipment (December 31, 2022: \$84,160).

7. INVENTORIES

Inventory as at March 31, 2023 and December 31, 2022 consisted of consumable inventory used in the propagation and transformation of the Company's cannabis plants, work-in-process ("WIP") inventory and finished goods.

	March 31, 2023	December 31, 2022
	\$	\$
Consumable inventory	2,100,380	2,232,228
WIP inventory	7,445,972	7,051,759
Finished goods	1,248,793	1,225,065
Total inventories	10,795,145	10,509,052

At March 31, 2023, WIP inventory and finished goods include \$5,876,528 of non-cash fair value of cannabis plants transferred upon harvest (December 31, 2022: \$5,550,158).

At March 31, 2023, \$1,366,004 of consumable inventory is expected to be utilized more than twelve months after the reporting period (December 31, 2022: \$770,565).

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, 2022	2,154,431
Change in fair value of cannabis plants	3,083,913
Transferred to WIP inventory upon harvest	(3,270,820)
Balance, March 31, 2023	1,967,524

The fair value of cannabis plants was determined using a valuation model that estimates the expected average 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 60 grams per plant (December 31, 2022: 58 grams per plant); and
- comparable selling price of wholesale dried cannabis flower ranging from \$0.80 to \$1.80 per gram (December 31, 2022: \$1.05 to \$2.12 per gram).

The comparable 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 average 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 March 31, 2023, the Company determined the weighted average fair value less costs to sell was approximately \$1.51 per dried gram (December 31, 2022: \$1.74 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 comparable selling price per gram of 10% would result in a decrease in the value of cannabis plants of \$196,752. A decrease in the expected average yield per plant of 10% would result in a decrease in the value of cannabis plants of \$196,752.

The number of weeks in the growth cycle is twelve to fourteen weeks from propagation to harvest. As at March 31, 2023, the cannabis plants were estimated to be, on average, 40% complete (December 31, 2022: 37% complete).

The fair value adjustment to cannabis plants, inventory sold, and other charges for the three months ended March 31, 2023 and 2022 is comprised of the following:

	For the three months ended	
	March 31, 2023	March 31, 2022
	\$	\$
Unrealized gain on changes in fair value of cannabis plants	3,083,913	3,690,194
Realized fair value of inventory sold	(2,869,485)	(1,667,210)
Adjustment to net realizable value of inventory on hand at period end	(74,965)	(276,886)
	139,463	1,746,098

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, 2022	17,408,688	13,772,313	2,040,722	723,993	33,945,716
Additions	3,476	194,009	—	139,556	337,041
Commissioned during the period	327,854	7,320	—	(335,176)	—
At March 31, 2023	17,740,018	13,973,642	2,040,722	528,375	34,282,757

Accumulated depreciation

At December 31, 2022	2,392,598	5,597,354	—	—	7,989,952
Depreciation	225,862	499,333	—	—	725,195
At March 31, 2023	2,618,460	6,096,687	—	—	8,715,147

Net book value

At March 31, 2023	15,121,558	7,876,955	2,040,722	528,375	25,567,610
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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	342,781	30,163,053
Additions	2,568	358,686	—	3,421,409	3,782,663
Commissioned during the year	2,639,926	400,271	—	(3,040,197)	—
At December 31, 2022	17,408,688	13,772,313	2,040,722	723,993	33,945,716

Accumulated depreciation

At December 31, 2021	1,628,447	3,440,304	—	—	5,068,751
Depreciation	764,151	2,157,050	—	—	2,921,201
At December 31, 2022	2,392,598	5,597,354	—	—	7,989,952

Net book value

At December 31, 2022	15,016,090	8,174,959	2,040,722	723,993	25,955,764
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For the three months ended March 31, 2023, depreciation of \$478,891 was included in production costs (March 31, 2022: \$486,501) and \$189,088 was capitalized to inventory (March 31, 2022: \$180,017).

During the three months ended March 31, 2023, the total amount of depreciation recognized in cost of sales was \$175,289 (March 31, 2022: \$127,909).

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

Cost	Licenses	Patents, trademarks and other rights	Total
	\$	\$	\$
At December 31, 2022	1,881,749	500,000	2,381,749
Additions	—	—	—
At March 31, 2023	1,881,749	500,000	2,381,749
Carrying amount			
At March 31, 2023	1,881,749	500,000	2,381,749

Cost	Licenses	Patents, trademarks and other rights	Total
	\$	\$	\$
At December 31, 2021	1,881,749	—	1,881,749
Additions	—	500,000	—
At December 31, 2022	1,881,749	500,000	1,881,749
Carrying amount			
At December 31, 2022	1,881,749	500,000	2,381,749

The intangible assets are the Health Canada license and the Wildflower™ brand. The Health Canada license was acquired in 2017 when the Company acquired all the outstanding common shares of Vintages Organic Cannabis Company Inc. for \$1,881,749. The Wildflower™ brand was acquired on October 5, 2022, for \$500,000 of which \$350,000 was paid in 2022. \$100,000 was paid on January 3, 2023 with the remaining balance of \$50,000 paid on April 3, 2023.

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***11. LEASES**

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

a. Right-of-use assets

Cost	Office leases	Equipment and vehicles	Total
	\$	\$	
At December 31, 2022	358,914	97,396	456,310
Additions	—	—	—
At March 31, 2023	358,914	97,396	456,310
Accumulated depreciation			
At December 31, 2022	319,035	62,612	381,647
Depreciation	29,909	3,478	33,387
At March 31, 2023	348,944	66,090	415,034
Net book value			
At March 31, 2023	9,970	31,306	41,276

Cost	Office Leases	Equipment and vehicles	Total
	\$	\$	
At December 31, 2021	358,914	97,396	456,310
Additions	—	—	—
At December 31, 2022	358,914	97,396	456,310
Accumulated depreciation			
At December 31, 2021	199,397	48,698	248,095
Depreciation	119,638	13,914	133,552
At December 31, 2022	319,035	62,612	381,647
Net book value			
At December 31, 2022	39,879	34,784	74,663

b. Lease payments recognized in 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 months ended March 31, 2023, of \$134,017 (March 31, 2022: \$427,009) were expensed on a straight-line basis over the lease term.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	December 31, 2022
	\$	\$
Trade payables	924,311	681,248
Accrued liabilities	4,257,125	5,262,779
Excise taxes payable	1,116,132	1,258,298
Total accounts payable and accrued liabilities	6,297,568	7,202,325

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



13. LOANS AND BORROWINGS

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

	March 31, 2023	December 31, 2022
	\$	\$
Opening balance	10,159,516	9,604,612
Interest on loans	269,580	1,022,762
Interest payments	—	(687,310)
Foreign exchange (gain) loss	(7,968)	665,852
Modification gain on loans and borrowings	—	(383,423)
Capitalized borrowing costs on modification	—	(62,977)
Ending balance	10,421,128	10,159,516
Less: current portion	757,848	758,464
Non-current loans and borrowings	9,663,280	9,401,052

On June 29, 2021, the Company issued a \$9,907,200 (US\$8,000,000) principal amount secured 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.

The Debenture is 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 13). Transaction costs incurred with the modification were \$65,941.

Total interest on loans for the three months ended March 31, 2023, was \$269,580 (March 31, 2022: \$246,485). 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.

14. 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.

In June 2022, as a result of the amendment and extension to the Debenture (Note 13), 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 a final swap for the original interest payment schedule to settle on June 27, 2023. The remaining two interest payments have been covered by forward instruments to settle on December 29, 2023, and June 28, 2024, at rates that range from 1.2860 to 1.2885 CAD/USD. The principal repayment of US\$8,000,000 is covered by a swap to settle in June 2024. At the time of amendment, the Company was unable to extend the swap up to the maturity date of the Debenture, being December 31, 2024, and is evaluating the option to extend.

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

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, 2022	401,230
Change in fair value of the Derivatives	(19,891)
Balance, March 31, 2023	381,339

15. 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, 2021	55,983,327	107,205,007
Vesting of RSUs	66,667	182,502
Exercise of DSUs	75,000	223,250
December 31, 2022	56,124,994	107,610,759
March 31, 2023	56,124,994	107,610,759

16. 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.

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, 2021	3,527,083	\$3.51
Granted	919,600	\$0.86
Forfeited	(125,568)	\$0.96
Expired	(956,833)	\$2.82
Outstanding, December 31, 2022	3,364,282	\$2.28
Granted	1,055,000	\$0.90
Forfeited	(75,000)	\$0.90
Expired	(369,334)	\$4.13
Outstanding, March 31, 2023	3,974,948	\$1.93

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

The following table provides information on stock options outstanding and exercisable as at March 31, 2023:

Expiry Date	Exercise Price	Options outstanding		Options exercisable	
		Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
July 31, 2023	\$3.25	1,077,083	0.33	1,077,083	0.33
September 24, 2023	\$8.15	350,000	0.48	350,000	0.48
May 28, 2024	\$3.25	20,000	1.16	20,000	1.16
July 12, 2024	\$3.25	83,333	1.28	83,333	1.28
September 20, 2024	\$3.25	3,333	1.48	3,333	1.48
December 31, 2025	\$0.85	645,999	3.05	192,002	3.05
July 13, 2027	\$0.86	670,200	4.29	670,200	4.29
November 30, 2027	\$0.85	145,000	4.67	12,500	4.67
June 1, 2028	\$0.90	980,000	4.77	—	4.77
		3,974,948	2.73	2,408,451	1.74

Option Grants

On January 6, 2023, the Company granted an aggregate of 1,055,000 stock options to certain employees of the Company pursuant to the Equity Plan. The options are exercisable at \$0.90 per share, for a period of 5 years. The options vest over 3 years.

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 year ended March 31, 2023:

Expected stock price volatility	71.3%
Expected life of options	5 years
Risk free interest rate	2.88%
Expected dividend yield	0%
Exercise price	\$0.90
Fair value per option granted	\$0.40

During the three months ended March 31, 2023, the Company recognized \$110,916 in share-based compensation expense pertaining to options (March 31, 2022: \$40,122).

b. Warrants

The Company's outstanding warrants consisted of the following:

Issue Date	Expiry Date	Exercise Price	Number of Warrants	
			March 31, 2023	December 31, 2022
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	December 31, 2025	\$1.34	882,000	882,000
			4,815,315	4,815,315

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

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

During the three months ended March 31, 2023, the Company recorded a gain of \$243,075 in share-based compensation pertaining to RSUs (March 31, 2022: expense of \$582,074). The gain arose due to a reversal of the share based compensation related to RSU's expensed in prior periods which expired in the period given the departure of certain employees. As at March 31, 2023 there were 2,123,333 RSUs outstanding (December 31, 2022: 2,733,333).

d. Deferred Stock Units (“DSUs”)

During the three months ended March 31, 2023, the Company recorded \$nil in share-based compensation pertaining to DSUs (March 31, 2022: \$44,250). As at March 31, 2023 there were 300,000 DSUs outstanding (December 31, 2022: 300,000).

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

Accounts payable and accrued liabilities at March 31, 2023, included \$19,008 (December 31, 2022: \$13,041) 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 three months ended March 31, 2023 was comprised of:

	March 31, 2023	March 31, 2022
	\$	\$
Salaries and accrued salaries	176,876	325,250
Bonuses in accrued liabilities	75,000	—
Share based compensation	153,384	581,174
Total compensation of key management personnel	405,260	906,424

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	March 31, 2023	March 31, 2022
	\$	\$
Accounts receivable	461,772	1,331,813
Prepays and deposits	234,565	(197,090)
Inventory	54,077	(828,409)
Accounts payable and accrued liabilities	(742,855)	(354,520)
Interest on lease liabilities	1,448	6,638
Change in non-cash working capital items	9,007	(41,568)

As at March 31, 2023, accounts payable and accrued liabilities include \$101,624 related to capital asset additions (December 31, 2022: \$263,372).

Interest of \$352,765 was accrued as at December 31, 2022 and paid during the three months ended March 31, 2023.

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

Cash and cash equivalents consist of the following:

	March 31, 2023	December 31, 2022
	\$	\$
Cash	4,119,232	4,812,872
Cash equivalents	3,481,245	3,481,245
Total cash and cash equivalents	7,600,477	8,294,117

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