



Rubicon Organics Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)

For the three months ended March 31, 2024 and 2023

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, 2024 | December 31, 2023 |
|---|-------|-------------------|----------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 18 | 8,121,134 | 9,784,190 |
| Accounts receivable | 5 | 3,902,424 | 3,336,328 |
| Prepaid expenses, deposits, & other | 6 | 1,979,706 | 2,253,669 |
| Inventories | 7 | 9,800,825 | 9,644,445 |
| Cannabis plants | 8 | 1,805,902 | 1,634,566 |
| Derivatives | 14 | 667,159 | 386,642 |
| | | 26,277,150 | 27,039,840 |
| Non-Current | | | |
| Property, plant and equipment | 9 | 24,705,370 | 25,314,148 |
| Right-of-use assets | 11 | 137,423 | 155,305 |
| Intangible assets | 10 | 2,381,749 | 2,381,749 |
| Total assets | | 53,501,692 | 54,891,042 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 12 | 6,002,001 | 6,208,924 |
| Interest payable | | — | 385,800 |
| Current portion of lease liabilities | 11 | 56,148 | 53,465 |
| Current portion of loans and borrowings | 13 | 10,664,636 | 10,259,562 |
| | | 16,722,785 | 16,907,751 |
| Non-Current | | | |
| Lease liabilities | | 74,085 | 88,973 |
| Total liabilities | | 16,796,870 | 16,996,724 |
| Shareholders' equity | | | |
| Share capital | 15 | 107,793,260 | 107,793,260 |
| Reserves | 16 | 22,327,012 | 21,624,166 |
| Deficit | | (93,415,450) | (91,523,108) |
| Total shareholders' equity | | 36,704,822 | 37,894,318 |
| Total liabilities and shareholders' equity | | 53,501,692 | 54,891,042 |

Approved on behalf of the Board:

(Signed) "David Donnan"
 Director

(Signed) "Margaret Brodie"
 Director and CEO

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, 2024 | March 31, 2023 |
| Revenue | | | |
| Product sales | | 11,364,324 | 11,633,694 |
| Excise taxes | | (2,473,907) | (2,833,754) |
| Net revenue | | 8,890,417 | 8,799,940 |
| Cost of sales | | | |
| Production costs | 9 | 2,692,692 | 2,678,604 |
| Inventory expensed to cost of sales | 9 | 3,737,334 | 2,934,894 |
| Inventory written off or provided for | | 266,039 | 157,424 |
| Gross profit before fair value adjustments | | 2,194,352 | 3,029,018 |
| Fair value adjustments to cannabis plants, inventory sold, and other charges | 8 | 164,252 | 139,463 |
| Gross profit | | 2,358,604 | 3,168,481 |
| Operating expenses | | | |
| Consulting, salaries and wages | | 1,898,468 | 2,058,978 |
| General and administrative | | 982,161 | 847,739 |
| Share-based compensation | 16 | 702,846 | (132,158) |
| Sales and marketing | | 453,493 | 610,369 |
| Depreciation and amortization | 9 | 60,122 | 88,050 |
| | | 4,097,090 | 3,472,978 |
| Loss from operations | | (1,738,486) | (304,497) |
| Interest on loans | 13 | 279,084 | 269,580 |
| Foreign exchange (gain) | | 155,289 | (18,921) |
| Fair value (gain) loss on derivatives | 14 | (280,517) | 19,891 |
| Net loss for the period | | (1,892,342) | (575,047) |
| Loss per share, basic | | (0.03) | (0.01) |
| Loss per share, diluted | | (0.03) | (0.01) |
| Weighted average number of shares outstanding, basic | | 56,662,430 | 56,424,994 |
| Weighted average number of shares outstanding, diluted | | 57,709,649 | 56,858,327 |

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, 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 |
| Balance, January 1, 2024 | | 56,191,661 | 107,793,260 | 13,895,214 | 7,728,952 | 21,624,166 | (91,523,108) | 37,894,318 |
| Share-based compensation | 16 | — | — | 702,846 | — | 702,846 | — | 702,846 |
| Net loss for the period | | — | — | — | — | - | (1,892,342) | (1,892,342) |
| Balance, March 31, 2024 | | 56,191,661 | 107,793,260 | 14,598,060 | 7,728,952 | 22,327,012 | (93,415,450) | 36,704,822 |

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, 2024 | March 31, 2023 |
| OPERATING ACTIVITIES | | | |
| Net loss from continuing operations | | (1,892,342) | (575,047) |
| Adjustments to reconcile net loss to cash used in operating activities | | | |
| Fair value adjustments to cannabis plants, inventory sold, and other charges | 8 | (164,252) | (139,464) |
| Depreciation and amortization | 9 | 776,680 | 744,783 |
| Share-based compensation | 15 | 702,846 | (132,158) |
| Interest on loans | 12 | 279,084 | 269,580 |
| Foreign exchange loss | | 142,689 | (4,069) |
| Fair value gain on derivatives | 13 | (280,517) | 19,891 |
| Changes in non-cash working capital items | 17 | (423,346) | 9,007 |
| Cash from / (used) in operating activities | | (859,158) | 192,523 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 9 | (384,004) | (486,332) |
| Cash (used) in investing activities | | (384,004) | (486,332) |
| FINANCING ACTIVITIES | | | |
| Interest paid | 17 | (385,800) | (352,765) |
| Repayment of lease liabilities | | (17,395) | (43,013) |
| Cash (used) by financing activities | | (403,195) | (395,778) |
| Effect of exchange rate changes on cash | | (16,699) | (4,054) |
| Net decrease in cash during the period | | (1,663,056) | (693,640) |
| Cash and cash equivalents, beginning of period | | 9,784,190 | 8,294,117 |
| Cash and cash equivalents, end of period | | 8,121,134 | 7,600,477 |

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



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, 2023 ("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 15, 2024.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation in the Company's Annual Financial Statements, except for the adoption of the following accounting policy amendment:

In October 2020, the IASB published amendments to IAS 1 - Presentation of Financial Statements - Classification of debt with covenants as current or non-current. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. This new requirement may change how companies classify their debt. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 - Financial Instruments: Presentation. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. The IASB has now clarified that when classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments.

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



The amendment was adopted on January 1, 2024, and the implementation of this amendment did not have a material impact on the condensed consolidated interim 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, 2024 | December 31, 2023 |
|----------------------------------|------------------|-------------------|
| | \$ | \$ |
| Trade receivables | 3,670,099 | 3,318,681 |
| Sales taxes recoverable | 232,325 | 17,647 |
| Total accounts receivable | 3,902,424 | 3,336,328 |

Trade receivables arise from sales of cannabis to distributors and retailers in Canada. As at March 31, 2024, 98% of trade receivables were with provincial government cannabis distributors (December 31, 2023: 99%). Trade receivables are net of a \$493,652 provision for returns (December 31, 2023: \$655,116).

For the three months ended March 31, 2024, the Company had four customers (March 31, 2023: four customers) that individually represented more than 10% and together constituted 98% (March 31, 2023: 99%), of the Company's net revenue. Direct sales to provincial government cannabis distributors accounted for 99% of revenue (March 31, 2023: 99%).

6. PREPAID EXPENSES, DEPOSITS, & OTHER

| | March 31, 2024 | December 31, 2023 |
|--|------------------|-------------------|
| | \$ | \$ |
| Prepaid expenses | 333,120 | 801,352 |
| Deposits | 1,413,686 | 1,123,149 |
| Deferred excise tax expense | 232,900 | 329,168 |
| Total prepaid expenses and deposits | 1,979,706 | 2,253,669 |

As at March 31, 2024, \$56,941 of the deposits balance was related to property, plant and equipment (December 31, 2023: \$97,953).

7. INVENTORIES

Inventory as at March 31, 2024 and December 31, 2023 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, 2024 | December 31, 2023 |
|--------------------------|------------------|-------------------|
| | \$ | \$ |
| Consumable inventory | 2,095,824 | 1,973,774 |
| WIP inventory | 6,684,565 | 6,569,448 |
| Finished goods | 1,020,436 | 1,101,223 |
| Total inventories | 9,800,825 | 9,644,445 |

At March 31, 2024, WIP inventory and finished goods include \$5,116,064 of non-cash fair value of cannabis plants transferred upon harvest (December 31, 2023: \$5,123,148).

RUBICON ORGANICS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



At March 31, 2024, \$994,421 of consumable inventory is expected to be utilized more than twelve months after the reporting period (December 31, 2023: \$977,493).

8. CANNABIS PLANTS

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

| | \$ |
|---|------------------|
| Balance, December 31, 2023 | 1,634,566 |
| Change in fair value of cannabis plants | 2,594,738 |
| Transferred to WIP inventory upon harvest | (2,423,402) |
| Balance, March 31, 2024 | 1,805,902 |

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 50.1 grams per plant (December 31, 2023: 51.8 grams per plant); and
- comparable selling price of wholesale dried cannabis flower ranging from \$0.98 to \$1.51 per gram (December 31, 2023: \$0.87 to \$1.59 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, 2024, the Company determined the weighted average fair value less costs to sell was approximately \$1.40 per dried gram (December 31, 2023: \$1.45 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 \$242,289. A decrease in the expected average yield per plant of 10% would result in a decrease in the value of cannabis plants of \$180,540.

The number of weeks in the growth cycle is twelve to fourteen weeks from propagation to harvest. As at March 31, 2024, the cannabis plants were estimated to be, on average, 41% complete (December 31, 2023: 41% complete).

The fair value adjustment to cannabis plants, inventory sold, and other charges for the three months ended March 31, 2024 and 2023 is comprised of the following:

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

Expressed in Canadian dollars



| | For the three months ended | |
|---|----------------------------|----------------|
| | March 31, 2024 | March 31, 2023 |
| | \$ | \$ |
| Unrealized gain on changes in fair value of cannabis plants | 2,594,738 | 3,083,913 |
| Realized fair value of inventory sold | (2,096,229) | (2,869,485) |
| Adjustment to net realizable value of inventory on hand at period end | (334,257) | (74,965) |
| | 164,252 | 139,463 |

9. PROPERTY, PLANT AND EQUIPMENT

| Cost | Buildings and leasehold improvements | Equipment and vehicles | Land | Construction in progress | Total |
|--------------------------|--|---------------------------|------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| At December 31, 2023 | 18,557,095 | 15,213,816 | 2,040,722 | 533,862 | 36,345,495 |
| Additions | — | 27,161 | — | 140,200 | 167,361 |
| At March 31, 2024 | 18,557,095 | 15,240,977 | 2,040,722 | 674,062 | 36,512,856 |

Accumulated depreciation

| | | | | | |
|--------------------------|------------------|------------------|----------|----------|-------------------|
| At December 31, 2023 | 3,327,300 | 7,704,047 | — | — | 11,031,347 |
| Depreciation | 243,158 | 532,981 | — | — | 776,139 |
| At March 31, 2024 | 3,570,458 | 8,237,028 | — | — | 11,807,486 |

Net book value

| | | | | | |
|--------------------------|-------------------|------------------|------------------|----------------|-------------------|
| At March 31, 2024 | 14,986,637 | 7,003,949 | 2,040,722 | 674,062 | 24,705,370 |
|--------------------------|-------------------|------------------|------------------|----------------|-------------------|

| 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 | 10,451 | 503,037 | — | 1,886,291 | 2,399,779 |
| Commissioned during the period | 1,137,956 | 938,466 | — | (2,076,422) | — |
| At December 31, 2023 | 18,557,095 | 15,213,816 | 2,040,722 | 533,862 | 36,345,495 |

Accumulated depreciation

| | | | | | |
|-----------------------------|------------------|------------------|----------|----------|-------------------|
| At December 31, 2022 | 2,392,598 | 5,597,354 | — | — | 7,989,952 |
| Depreciation | 934,702 | 2,106,693 | — | — | 3,041,395 |
| At December 31, 2023 | 3,327,300 | 7,704,047 | — | — | 11,031,347 |

Net book value

| | | | | | |
|-----------------------------|-------------------|------------------|------------------|----------------|-------------------|
| At December 31, 2023 | 15,229,795 | 7,509,769 | 2,040,722 | 533,862 | 25,314,148 |
|-----------------------------|-------------------|------------------|------------------|----------------|-------------------|

For the three months ended March 31, 2024, depreciation of \$529,542 was included in production costs (March 31, 2023: \$478,891 and \$112,030 was capitalized to inventory (March 31, 2023: \$189,088).

During the three months ended March 31, 2024, the total amount of depreciation recognized in cost of sales was \$186,574 (March 31, 2023: \$175,289).

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, 2023 | 1,881,749 | 500,000 | 2,381,749 |
| At March 31, 2024 | 1,881,749 | 500,000 | 2,381,749 |
| Carrying amount | | | |
| At March 31, 2024 | 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 in 2022 for \$500,000.

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, 2023 | 172,845 | 97,396 | 270,241 |
| At March 31, 2024 | 172,845 | 97,396 | 270,241 |
| Accumulated depreciation | | | |
| At December 31, 2023 | 38,410 | 76,526 | 114,936 |
| Depreciation | 14,404 | 3,478 | 17,882 |
| At March 31, 2024 | 52,814 | 80,004 | 132,818 |
| Net book value | | | |
| At March 31, 2024 | 120,031 | 17,392 | 137,423 |

| Cost | Office leases | Equipment and vehicles | Total |
|---------------------------------|----------------------|-----------------------------------|----------------|
| | \$ | \$ | \$ |
| At December 31, 2022 | 358,914 | 97,396 | 456,310 |
| Additions | 172,845 | — | 172,845 |
| Disposals | (358,914) | — | (358,914) |
| At December 31, 2023 | 172,845 | 97,396 | 270,241 |
| Accumulated depreciation | | | |
| At December 31, 2022 | 319,035 | 62,612 | 381,647 |
| Depreciation | 78,289 | 13,914 | 92,203 |
| Disposals | (358,914) | — | (358,914) |
| At December 31, 2023 | 38,410 | 76,526 | 114,936 |
| Net book value | | | |
| At December 31, 2023 | 134,435 | 20,870 | 155,305 |

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***b. Lease payments recognized in profit / loss from operations**

The Company leases trailers for office space on a short-term basis. The lease costs for the three months ended March 31, 2024, of \$108,306 (March 31, 2023: \$134,017) were expensed on a straight-line basis over the lease term.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------|----------------------|
| | \$ | \$ |
| Trade payables | 1,180,695 | 1,154,283 |
| Accrued liabilities | 2,414,701 | 2,006,976 |
| Excise taxes payable | 2,406,605 | 3,047,665 |
| Total accounts payable and accrued liabilities | 6,002,001 | 6,208,924 |

13. LOANS AND BORROWINGS

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

| | March 31, 2024 | December 31, 2023 |
|---------------------------------|---------------------------|----------------------|
| | \$ | \$ |
| Opening balance | 10,259,562 | 10,159,516 |
| Interest on loans | 279,084 | 1,101,257 |
| Interest payments | — | (741,020) |
| Foreign exchange (gain) loss | 125,990 | (260,191) |
| Ending balance - current | 10,664,636 | 10,259,562 |

Total interest on loans for the three months ended March 31, 2024, was \$279,084 (March 31, 2023: \$269,580). 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.

Management is currently in discussions with the debenture holder and other lenders to extend the term of the existing agreement or to enter into a new loan agreement.

14. DERIVATIVES

The Company has 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 are due to settle June 28, 2024 at rates from 1.2885 to 1.2894 CAD/USD. The Company is evaluating options to extend the foreign exchange swaps to match the maturity date of the Debenture, being December 31, 2024.

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, 2023 | 386,642 |
| Change in fair value of the Derivatives | 280,516 |
| Balance, March 31, 2024 | 667,159 |

RUBICON ORGANICS INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***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, 2022 | 56,124,994 | 107,610,759 |
| Vesting of RSUs | 66,667 | 182,501 |
| December 31, 2023 | 56,191,661 | 107,793,260 |
| March 31, 2024 | 56,191,661 | 107,793,260 |

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, 2022 | 3,364,282 | \$2.28 |
| Granted | 1,055,000 | \$0.90 |
| Forfeited | (92,167) | \$0.90 |
| Expired | (1,860,750) | \$5.47 |
| Outstanding, December 31, 2023 | 2,466,365 | \$1.57 |
| Granted | 15,000 | \$0.50 |
| Forfeited | (42,498) | \$0.90 |
| Outstanding, March 31, 2024 | 2,438,867 | \$1.57 |

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, 2024:

| 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) |
| May 28, 2024 | \$3.25 | 20,000 | 0.16 | 20,000 | 0.16 |
| July 12, 2024 | \$3.25 | 83,333 | 0.28 | 83,333 | 0.28 |
| September 20, 2024 | \$3.25 | 3,333 | 0.47 | 3,333 | 0.47 |
| December 31, 2025 | \$0.85 | 612,000 | 1.75 | 543,250 | 1.75 |
| November 16, 2026 | \$2.60 | 10,000 | 2.63 | 6,667 | 2.63 |
| July 13, 2027 | \$0.86 | 670,200 | 3.28 | 670,200 | 3.28 |
| November 30, 2027 | \$0.85 | 145,000 | 3.67 | 65,000 | 3.67 |
| June 1, 2028 | \$0.90 | 880,001 | 3.77 | 298,334 | 3.77 |
| January 17, 2029 | \$0.50 | 15,000 | 4.80 | — | 4.80 |
| | | 2,438,867 | 2.98 | 1,690,117 | 2.70 |

Option Grants

On January 17, 2024, the Company granted an aggregate of 15,000 stock options to certain employees of the Company pursuant to the Equity Plan. The options are exercisable at \$0.50 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 three months ended March 31, 2024:

| | |
|---------------------------------|---------|
| Expected stock price volatility | 75.8% |
| Expected life of options | 5 years |
| Risk free interest rate | 3.43% |
| Expected dividend yield | 0% |
| Exercise price | \$0.50 |
| Fair value per option granted | \$0.16 |

During the three months ended March 31, 2024, the Company recognized \$27,949 in share-based compensation expense pertaining to options (March 31, 2023: \$110,916).

b. Warrants

The Company's outstanding warrants consisted of the following:

| Issue Date | Expiry Date | Exercise Price | Number of Warrants | |
|-------------------|-------------------|----------------|--------------------|-------------------|
| | | | March 31, 2024 | December 31, 2023 |
| February 26, 2021 | February 26, 2024 | \$5.30 | — | 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 |
| | | | 1,789,000 | 4,815,315 |

Each warrant is exercisable into one common share of the Company upon payment of the exercise price. During the three months ended March 31, 2024, there were 3,026,315 warrants that expired.

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, 2024, the Company recorded \$464,898 in share-based compensation pertaining to RSUs (March 31, 2023: gain of \$243,075). As at March 31, 2024 there were 3,387,772 RSUs outstanding (December 31, 2023: 2,026,666), of which 1,361,106 were granted during the three months ended March 31, 2024.

d. Deferred Stock Units (“DSUs”)

During the three months ended March 31, 2024, the Company recorded \$210,000 in share-based compensation pertaining to DSUs (March 31, 2023: \$nil). As at March 31, 2024 there were 720,000 DSUs outstanding (December 31, 2023: 300,000) of which 420,000 were granted during the three months ended March 31, 2024.

17. RELATED PARTY TRANSACTIONS

a. Related party transactions

Accounts payable and accrued liabilities at March 31, 2024, there was \$nil (December 31, 2023: \$35,041) owed to executives and directors of the Company for expenses paid on behalf of the Company.

The Company has consulting agreement with its largest shareholder, a related party (the “Related Party”). During the three months ended March 31, 2024, the Company incurred an expense of \$12,000 for consulting services (March 31, 2023: nil), and \$2,250 in related expenses payable to the Related Party (March 31, 2023: nil).

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, 2024 was comprised of:

| | March 31, 2024 \$ | March 31, 2023 \$ |
|---|-------------------------|-------------------------|
| Salaries and accrued salaries | 254,690 | 176,876 |
| Bonuses in accrued liabilities | 54,688 | 75,000 |
| Share based compensation | 387,683 | 153,384 |
| Total compensation of key management personnel | 697,061 | 405,260 |

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | March 31, 2024 \$ | March 31, 2023 \$ |
|---|-------------------------|-------------------------|
| Accounts receivable | (566,096) | 461,772 |
| Prepays and deposits | 232,951 | 234,565 |
| Inventory | (146,123) | 54,077 |
| Accounts payable and accrued liabilities | 50,732 | (742,855) |
| Interest on lease liabilities | 5,190 | 1,448 |
| Change in non-cash working capital items | (423,346) | 9,007 |

As at March 31, 2024, accounts payable and accrued liabilities include \$5,717 related to capital asset additions (December 31, 2023: \$94,119).

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, 2024 | December 31, 2023 |
|--|---------------------------|----------------------|
| | \$ | \$ |
| Cash | 4,487,549 | 6,150,605 |
| Cash equivalents | 3,633,585 | 3,633,585 |
| Total cash and cash equivalents | 8,121,134 | 9,784,190 |

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