



ANNUAL REPORT

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-K

(Mark one)

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2024.

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-38783

VILLAGE FARMS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Ontario
(State or other jurisdiction of
incorporation or organization)

98-1007671
(I. R. S. Employer
Identification No.)

90 Colonial Parkway
Lake Mary, Florida 32746
(Address of principal executive offices)

(407) 936-1190
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	VFF	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the other registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting stock and nonvoting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of June 30, 2024 was \$102,579,818.

As of March 7, 2025, the registrant had 112,337,049 Common Shares outstanding.

PCAOB: 185 **Auditor Name:** KPMG LLP **Auditor Location:** Orlando, Florida

DOCUMENTS INCORPORATED BY REFERENCE

The following materials are incorporated by reference into this Form 10-K:

Information contained in the definitive proxy statement for the registrant's 2025 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2024, is incorporated by reference in Parts III and IV to the extent described therein.

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As used in this report, the terms “Village Farms,” “Village Farms International,” the “Company,” “we,” “us,” “our” and similar references refer to Village Farms International, Inc. and our consolidated subsidiaries, and the term “Common Shares” refers to our Common Shares, no par value. Our financial information is presented in U.S. dollars and all references in this Annual Report on Form 10-K to “\$” means U.S. dollars and all references to “C\$” means Canadian dollars.

This Annual Report on Form 10-K contains certain trademarks, trade names and service marks of ours, as described in Item 1, “Business—Intellectual Property”. This report also contains trademarks, trade names and service marks that are owned by other persons or entities.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and is subject to the safe harbor created by those sections. This Annual Report on Form 10-K also contains “forward-looking information” within the meaning of applicable Canadian securities law. We refer to such forward-looking statements and forward-looking information collectively as “forward-looking statements”. Forward-looking statements may relate to the Company’s future outlook or financial position and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, expansion plans, litigation, projected production, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the Company. In particular, forward-looking statements in this Annual Report on Form 10-K include statements regarding future results, performance, achievements, prospects or opportunities for the Company, the greenhouse vegetable or produce industry and the cannabis industry and market and our energy segment are forward-looking statements. In some cases, forward-looking information can be identified by such terms as “outlook”, “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “try”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “objectives”, or the negative or grammatical variation thereof or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this Annual Report on Form 10-K are subject to risks that may include, but are not limited to: our limited operating history in the cannabis and cannabinoids industry, including that of Pure Sunfarms, Inc. (“Pure Sunfarms”), Rose LifeScience Inc. (“Rose” or “Rose LifeScience”), Balanced Health Botanicals, LLC (“Balanced Health”) and Leli Holland B.V. (“Leli”); the limited operational history of the Delta RNG Project in our energy segment; the legal status of the cannabis business of Pure Sunfarms, Rose and Leli and the hemp business of Balanced Health and uncertainty regarding the legality and regulatory status of cannabis in the United States and the Netherlands; risks relating to the integration of Balanced Health, Rose and Leli into our consolidated business; risks relating to obtaining additional financing on acceptable terms, including our dependence upon credit facilities and dilutive transactions; potential inability to remain listed on the Nasdaq Capital Market (“Nasdaq”) if we do not regain compliance with Nasdaq’s minimum bid price requirement by April 16, 2025; risks relating to maintaining an active, liquid and orderly trading market for Common Shares as a result of the Company’s potential inability to regain compliance with the Nasdaq’s listing rules; potential difficulties in achieving and/or maintaining profitability; variability of product pricing; risks inherent in the cannabis, hemp, CBD, cannabinoids, and agricultural businesses; our market position and competitive position; our ability to leverage current business relationships for future business involving hemp and cannabinoids; the ability of Pure Sunfarms and Rose to cultivate and distribute cannabis in Canada; risks related to the start-up of international production at our Netherlands operations under Leli; existing and new governmental regulations, including risks related to regulatory compliance and regarding obtaining and maintaining licenses required under the Cannabis Act (Canada), the Criminal Code and other Acts, S.C. 2018, C. 16 (Canada) for its Canadian operational facilities, and changes in our regulatory requirements; legal and operational risks relating to expected conversion of our greenhouses to cannabis production in Canada and in the United States; risks related to rules and regulations at the U.S. Federal (Food and Drug Administration and United States Department of Agriculture), state and municipal levels with respect to produce and hemp, cannabidiol-based products commercialization; retail consolidation, technological advances and other forms of competition; transportation disruptions; product liability and other potential litigation; retention of key executives; labor issues; uninsured and underinsured losses; vulnerability to rising energy costs; inflationary effects on costs of cultivation and transportation; recessionary effects on demand of our products; environmental, health and safety risks, foreign exchange exposure, risks associated with cross-border trade and the potential for tariffs and other trade restrictions; difficulties in managing our growth; restrictive covenants under our credit facilities; natural catastrophes; elevated interest rates; and tax risks.

The Company has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. Although the forward-looking statements contained in this Annual Report on Form 10-K are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the Company’s control, which may cause the Company’s or the industry’s actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors contained in the Company’s filings with securities regulators, including this Annual Report on Form 10-K.

When relying on forward-looking statements to make decisions, the Company cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking statements made in this report relate only to

events or information as of the date on which the statements are made in this report. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

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PART I.

ITEM 1. BUSINESS

Our Mission and Brands

Our mission is simple—to improve life’s journey for the wellbeing of humankind, and the earth on which we live. This is no empty promise. It’s the mantra that we live by every day as we build upon over three decades of agricultural and marketing experience to build a great company. The human touch is evident in everything we do and that will never change.

We are building a family of brands across different products that encompass that mission. We are united by our shared core values: integrity, fairness, quality, inclusion, sustainability and hard work along with an unwavering desire to do what’s right.

Village Farms Fresh, our produce business, has pioneered Controlled Environment Agriculture (“CEA”) in North America and helped feed a hungry planet with sustainable greenhouse growing for over three decades. We produce and distribute fresh, premium-quality produce with consistency, 365 days a year, from more than eight million square feet of CEA greenhouses in British Columbia (“B.C.”) and Texas, as well as from our partner greenhouses in B.C., Ontario, and Mexico. We are actively exploring a transformative change in our produce business to enhance our financial and operational performance.

We have leveraged this expertise as a pioneer in the development of the global legal cannabis industry. Pure Sunfarms Corp. (“Pure Sunfarms” or “PSF”) and Rose LifeScience Inc. (“Rose LifeScience” or “Rose”) comprise our Canadian cannabis businesses. Pure Sunfarms is one of the largest and most respected cannabis growers in the world and the leading flower brand in Canada. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec.

Balanced Health Botanicals, LLC (“Balanced Health” or “BHB”) is our U.S. Cannabis business. Balanced Health owns and operates one of the leading brands in the hemp-derived cannabidiol (“CBD”) and other cannabinoids markets, produces high quality health and wellness products and distributes primarily through its top-ranked e-commerce platform, CBDistillery™.

Village Farms Clean Energy (“VFCE”) has partnered with Terreva Renewables (formerly Mas Energy) for a 20-year contract, which commenced in 2024 (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the “Delta RNG Project”). The Delta RNG Project converts VFCE’s previous landfill gas-to-electricity business into a state-of-the-art landfill gas to high-demand renewable natural gas (“RNG”) facility. Under the contract, Terreva Renewables sells the renewable natural gas and VFCE receives a portion of the revenue in the form of a royalty.

Leli Holland B.V. (“Leli”) is one of ten licensed legal producers of cannabis in the Netherlands under the 2017-2021 Coalition Agreement (further ratified by the 2021-2025 Coalition Agreement) called The Controlled Cannabis Supply Chain Experiment. Our licensed producer started to supply legal, quality-controlled cannabis to designated Dutch coffee shops in the first quarter of 2025.

Our Commitment and Values

Our core operating principle is to deliver fairness and satisfaction in our customer promise. We strive to operate the business for optimal success by endeavoring to be:

- a responsible producer of high-quality products
- a reliable, trusted partner to customers
- a provider of excellence in customer service and logistics
- a business with a solid balance sheet
- a company which enhances shareholder value
- a trusted steward of the environment
- a workplace where all employees can grow and prosper
- an employer for people who want to make a difference in the world

For over thirty years, we have pioneered CEA in North America feeding an increasing population through sustainable greenhouse growing. In 2017, we expanded from produce, leveraging our considerable knowledge, to the emerging legal cannabis and health and wellness market. We envisioned and created Pure Sunfarms to artfully blend our decades of CEA expertise with hands-on knowledge of legacy growing practices in cannabis. We invest in, and partner with, companies that share our values and respect for people and the environment. We believe a focus on innovation is a key driver of growth in our markets.

We are extremely proud of many things that we achieved over the past three-plus decades, but none more than our highly responsible approach to the environment. From our sustainably sourced inputs and sustainable growing methods, to our use of clean energy and other innovative technologies, we are proud to bring sustenance and wellbeing to our consumers in a way that is ethical and responsible to the planet.

Our state-of-the-art, technology-based CEA facilities use less water, land and chemicals than outdoor farming and we aim to introduce new technologies to be greener in the future. The earth's finite water supply is one of its most precious resources and our hydroponic growing method sterilizes and recirculates the same water multiple times, so that 100% of the water reaches the plants. Our proficient growing methods deliver vastly more yield per acre compared to outdoor growing, without depleting the soil. We use beneficial insects to control pests and promote healthy plant growth, and administer organic pesticides, so our GMO-free crops grow in a nourishing environment free of harmful chemicals. In one of our Delta greenhouses, we collect, filter and utilize rainwater for our plants. Our Delta greenhouses also use renewable hydroelectricity as the main power source, provide innovative energy screens to help capture the sun's warmth and prevent heat loss, and employ blackout curtains to reduce light pollution, all in an effort to minimize our impact to the local community and ecosystem.

Business Overview

Village Farms International, Inc. ("VFF", together with its subsidiaries, the "Company", "Village Farms", "we", "us", or "our") converted from an income trust to a publicly-traded company on December 31, 2009. Our subsidiaries operated vegetable producing greenhouses since 1989 and began production in Texas in 1996. On October 18, 2006, the merger between Village Farms and Hot House Growers resulted in one of the largest producers, marketers and distributors of greenhouse grown products in North America. VFF pioneered CEA in North America, and over the years transformed the organization, adapting to meet industry changes and customer preferences, in order to persevere and remain one of the largest and longest-operating vertically integrated greenhouse growers in North America.

We produce and distribute fresh, premium-quality produce with consistency 365 days a year from more than eight million square feet of owned CEA greenhouses in B.C. and Texas, plus additional millions of square feet from our partner greenhouses in B.C., Ontario, and Mexico. We are actively exploring a transformative change in our produce division. We primarily market and distribute produce under our Village Farms® brand name and proprietary produce trademarks to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada.

Our Canadian cannabis operations consist of wholly-owned, British Columbia-based Pure Sunfarms and 80% ownership interest in Quebec-based Rose LifeScience. Pure Sunfarms is one of the single largest cannabis cultivation operations in the world, one of the lowest-cost greenhouse producers and one of the best-selling brands in Canada. Pure Sunfarms leverages our 30-plus years of experience as a vertically integrated greenhouse grower for the legal cannabis industry in Canada with commercial distribution in 12 Canadian provinces and territories. Our primary objective for Pure Sunfarms is to be the leading low-cost, high-quality cannabis producer in Canada and in selected international markets. Rose is a leading vertically integrated, branded cannabis producer, supplier and commercialization expert in the Province of Quebec and is the Quebec operational unit of our Canadian cannabis segment.

Our U.S. cannabis operations consist of wholly-owned, Colorado-based Balanced Health. Balanced Health owns and operates one of the leading brands in the hemp-derived CBD/cannabinoid market in the United States, providing us with access to the U.S. Cannabinoid market in a consumer products category adjacent to the high-tetrahydrocannabinol ("THC") cannabis market, as well as the broader consumer packaged goods wellness arena. Balanced Health has established a diverse portfolio of CBD and other cannabinoid products, including ingestible, edible and topical applications that are distributed through its top-ranked e-commerce platform, CBDistillery™ (www.theCBDistillery.com), as well as through brick-and-mortar retail channels.

Our Dutch Cannabis operations consists of wholly-owned Leli Holland subsidiary ("Leli") in the Netherlands. Leli Holland holds one of 10 licenses to produce and distribute recreational cannabis in the regulated program in the Netherlands, which has a population of 18 million people. Leli Holland's production facility in Drachten was completed in October 2024, and the Company expects Drachten operations to be fully ramped in the second quarter of 2025. Leli completed its first harvest from its indoor facility in December and began sales to Dutch coffee shops in the first quarter of 2025.

We have completed the transition of our VFCE operation to a renewable natural gas facility in partnership with Atlanta-based TerraNova Renewables. Operations began in 2024. Leveraging state-of-the-art technologies, the Delta RNG facility purifies and converts landfill (methane) gas that would otherwise escape into the atmosphere to high-demand RNG. This new operation has already contributed incremental cash flow and profitability to Village Farms.

Our Canadian Cannabis Segment

Village Farms' Canadian cannabis segment consists of Pure Sunfarms and Rose LifeScience.

Pure Sunfarms

In June 2017, we formed a Canadian joint venture (the "Joint Venture"), Pure Sunfarms, with Emerald Health Therapeutics, Inc. ("Emerald") to commence Canadian cannabis operations in anticipation of the adult use cannabis market becoming legal in October 2017. We contributed one of our Delta, B.C. greenhouses ("Delta 3") to the joint venture in exchange for a 50% ownership interest in the joint venture. Emerald contributed C\$20 million, which was paid in installments, in exchange for the other 50% ownership interest in the joint venture. We also contributed our experienced grower management and Delta 3 workforce to the joint venture and Emerald contributed its existing cultivation license and cannabis expertise.

On November 2, 2020, we acquired 36,958,500 Common Shares in the capital of Pure Sunfarms owned by Emerald, which increased our ownership of Pure Sunfarms to 100%. The shares, representing 42.6% of the ownership at the time, were acquired for a total purchase price of C\$79.9 million (US\$60.0 million), satisfied through a C\$60.0 million (US\$45.0 million) cash payment and a C\$19.9 million (US\$15.0 million) secured promissory note, which was paid in full to Emerald on February 8, 2021.

Business of Pure Sunfarms

In May 2020, Pure Sunfarms received its cannabis cultivation license from Health Canada for the Delta 2 facility, providing an additional 1.1 million square feet of production capacity, enhancing its ability to grow, package and sell cannabis and cannabis extracts. Pure Sunfarms also received amended licensing from Health Canada in the fall of 2020, permitting in-house extraction operations and the sale of cannabis derivative products directly to provincial boards and authorized retailers. On June 30, 2021, Health Canada amended the Delta 2 facility license received in May 2020, permitting Pure Sunfarms to cultivate cannabis in the completed west half of the facility. In the west half of the facility, Pure Sunfarms has planted seven flower rooms and began harvesting in November 2021. Management intends to time the expansion and completion of the east half of the facility when market demand is sufficient to absorb supply profitability.

In September 2021, the Canadian cannabis business completed its first export shipment of cannabis, supplying a variety of high-quality, high-THC dried flower products to Village Farms' investment in equity interest, Australia-based Altum International Pty Ltd., for the Australian medicinal cannabis market to be sold under the Kind Medical brand.

In the fourth quarter of 2021, Pure Sunfarms, with our subsidiary Rose LifeScience, began generating sales in Quebec. Together, Pure Sunfarms and Rose execute a Canadian cannabis strategy for Village Farms, providing a means to distribute Pure Sunfarms' flower to Quebec's consumers.

By the end of 2024, our Canadian cannabis business was selling products in every Canadian province and territory.

In the fourth quarter of 2024, we believe our Canadian cannabis business had the second largest market share (by dollars) in Canada across all product categories (6.3% share of market, a decrease of 80 bps over fourth quarter of 2023) and the largest market share in the dried flower product category (13.2% share of market, a decrease of 160 bps over the fourth quarter of 2023). For the full year, our market share across all product categories increased 70 basis points to 7.6% of total share of market, and we expanded our leadership position in the dried flower category by 200 basis points, to 15.9% share of the dried flower market.

During 2022, Pure Sunfarms received European Union Good Manufacturing Practice ("EU GMP") certification for its 1.1 million square foot Delta 3 cannabis facility located in Delta, British Columbia ("B.C.") which permits Pure Sunfarms to export EU GMP-certified medical cannabis to importers and distributors in international markets that require EU GMP certification. We began exporting to Israel at the end of 2022, began exporting to Germany and the UK in the fourth quarter of 2023, and continued to export to Australia throughout 2023. We expect international expansion to enhance our profitability while expanding our brand and experience into emerging new legal cannabis markets. We continue to evaluate and pursue profitable international expansion opportunities in such markets.

We believe that Pure Sunfarms is the leading low-cost, high-quality producer in the Canadian market and its low-cost structure, primarily driven by economies of scale and large-scale greenhouse experience, is sustainable and provides a competitive industry advantage. Pure Sunfarms' cost structure, together with investment in branding and commercialization activities, is intended to support a continued incremental expansion of market share.

Due to Health Canada's limitations on marketing, and stringent branding and packaging rules, it is difficult for consumers to distinguish between different products, which places more emphasis on the management of price, potency, quality, and consistency. We believe the deep agricultural expertise of growers and excellence in brand management sets Pure Sunfarms products apart from competitors, by providing high quality cannabis to consumers at attractive prices.

Cannabis retail channels remain competitive across the country and are consolidating in select markets. Historical excess supply of product and a large number of federally-licensed cannabis producers ("License Holders" or "LPs") have contributed to price compression. Starting in 2023, many LPs have chosen to either curtail or halt cannabis production to right size their supply to meet consumer demand, which we view as a positive for industry profitability.

Rose LifeScience

We acquired 70% ownership of privately-held Rose on November 15, 2021 and an additional 10% ownership on May 29, 2024, with the 20% balance held by founders who have remained as senior operating management. Rose is the Quebec-based operational unit of our Canadian Cannabis business, with its headquarters in Huntingdon, Quebec.

Rose cultivates and processes cannabis at its Huntingdon-based 55,000 square-foot CEA facility. The indoor, controlled growing facility was commissioned in 2020 and is licensed for use by Health Canada. Rose has been granted environmental rebates from the government of Quebec for its energy efficient design. The CEA is outfitted with special filtration on the facility exhausts to reduce greenhouse gas emissions, lessen odors and minimize the impact on the local community.

Rose sells its own cannabis products under six brands: nationally distributed Homage, Tam Tams, Promenade, DLYS, Pure Laine and Six Lunes, which are available exclusively in the Province of Quebec. Promenade is a collaboration with Pure Sunfarms. Rose continued to hold the number two position in Quebec in terms of market share during 2024, an improvement from number 10 in the first quarter of 2021.

Rose is also a leading third-party cannabis products commercialization expert in the Province of Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for other best-known brands in Canada as well as Quebec-based micro and craft growers. With decades of regulated-market experience, Rose partners with cannabis companies to assist in commercializing their products, distributing the products throughout Quebec and ensuring a strong presence in the marketplace. Rose champions Quebec producers by working directly with micro-producers to advance homegrown, craft products in the province and easing the burden of commercial complexities facing smaller, local businesses.

Rose LifeScience has added a highly experienced, successful, Quebec-based leadership team to the Company, which we believe is reinforced by the industry knowledge, financial backing and human capital of Village Farms and Pure Sunfarms to allow it to grow and expand its footprint throughout Quebec as well as other provinces.

We believe our Canadian cannabis business is well-positioned for future growth with best-selling brands, backed by a low-cost large-scale structure and continued pursuit of future opportunities to expand sales, products and footprint in Canada and internationally.

Canadian Cannabis Industry Overview

Legal History of Medical Cannabis in Canada

Prior to October 17, 2018, the production, distribution, and use of cannabis for medical use was and has been legal in Canada since 2001, first under the federal *Medical Marihuana Access Regulations*, which established a legal regime for the licensing of cannabis producers and the sale of dried cannabis to registered patients pursuant to a medical document provided by a health care practitioner. The *Medical Marihuana Access Regulations* were later replaced with the *Marihuana for Medical Purposes Regulations* ("MMPR"), and then the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") as a result of a decision by the Federal Court of Canada (the "Federal Court") in *Allard v. Canada*. The Federal Court held that requiring individuals to obtain cannabis only from federally licensed cannabis producers violated liberty and security rights protected by section 7 of the *Canadian Charter of Rights and Freedoms*. The Federal Court found that individuals who require cannabis for medical purposes did not have "reasonable access" under the MMPR regime. Accordingly, the ACMPR contemplated both access to medical cannabis through a License Holder or through personal production exemptions, thereby giving patients reasonable access to, and choice of, cannabis product. The ACMPR provided three possible alternatives for individuals to access cannabis for medical purposes: (i) they can continue to access quality-controlled cannabis by registering with federal License Holders; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a License Holder); or (iii) they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a License Holder).

Current Applicable Regulatory Regime

On October 17, 2018, the federal *Cannabis Act* and accompanying Regulations, including the *Cannabis Regulations*, the new Industrial Hemp Regulations ("IHR") (together with the *Cannabis Regulations*, collectively, the "Regulations"), came into force, legalizing the production, distribution, and sale of cannabis for adult non-medicinal (i.e. recreational) purposes, as well as incorporating the existing medical cannabis regulatory scheme under one complete framework.

On October 17, 2019, the *Cannabis Regulations* were amended to expand the legally permitted categories of cannabis products and support the production and sale of edible cannabis, cannabis extracts and cannabis topicals. The amendments, among other things, outline the rules relating to packaging, labelling, and advertising, shelf-stability, cannabinoid concentration levels, restrictions on ingredients, and production and sanitation standards for edible cannabis, cannabis extracts and cannabis topical products. December 16, 2019 was the earliest date that the new classes of cannabis products could be available for sale. Edible cannabis, as well as extracts and topicals, are all now available for sale in the legalized recreational market in Canada.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The *Cannabis Act* maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Part 14 of the *Cannabis Regulations* sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federal License Holder authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

Adult Use Cannabis

We participate in the Canadian adult use market for cannabis in compliance with all applicable federal and provincial laws and regulations concerning the Canadian adult use cannabis market. The *Cannabis Act* and the *Cannabis Regulations* provide a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession, and disposal of cannabis for non-medicinal use (i.e., adult recreational use). Transitional provisions of the *Cannabis Act* provide that every license issued under the ACMPR that is in force immediately before the day on which the *Cannabis Act* comes into force is deemed to be a license issued under the *Cannabis Act*, and that such license will continue in force until it is revoked or expires.

Below are additional highlights of the *Cannabis Act*:

- Places restrictions on the amount of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the *Cannabis Act*.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the *Cannabis Act*.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell, or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.
- Provides powers to inspectors for the purpose of administering and enforcing the *Cannabis Act* and a system for administrative monetary penalties.

Licenses, Permits and Authorizations

The *Cannabis Regulations* establish the following classes of licenses:

- license for cultivation;
- license for processing;
- license for analytical testing;

- license for sale;
- license for research; and
- a cannabis drug license.

The *Cannabis Regulations* also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Licenses that were issued under the ACMPR are deemed to be licenses issued under the *Cannabis Act*. Licenses issued under the *Cannabis Act* have associated expiry dates and are subject to renewal requirements.

Security Clearances

Certain individuals associated with cannabis licensees, including individuals occupying “key positions”, directors, officers, individuals who exercise, or are in a position to exercise, direct control over the corporate licensee, and other individuals identified by the Minister of Health (the “Minister”), must hold a valid security clearance issued by the Minister. Under the *Cannabis Regulations*, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption, or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals having a history of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, however, grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

Cannabis Tracking System

Under the *Cannabis Act*, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain, to help prevent cannabis from being diverted to an illicit market or activity and to help prevent illicit cannabis from being a source of supply of cannabis in the legal market. Pursuant to the Ministry of Health’s Cannabis Tracking System Order (the “Order”), a holder of a federal license for cultivation, a license for processing or a license for sale for medical purposes that authorizes the possession of cannabis must report monthly to the Minister with specific information about their authorized activities with cannabis (e.g. cannabis inventory quantities), in the form and manner specified by the Minister. The Order also provides for monthly reporting by provincial bodies and provincially authorized private retailers of certain information in the form and manner specified by the Minister.

Cannabis Products

The *Cannabis Regulations* set out the requirements for cannabis products that are permitted for sale at the retail level, including the limit on THC content, permitted ingredients, limit on pest control product residues, as well as microbial and chemical contaminants. As of October 17, 2019, the *Cannabis Act* and *Cannabis Regulations* permit the sale of the following classes of products: dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis plant seeds, as well as cannabis edibles, cannabis extracts and cannabis topicals.

Packaging and Labeling

The *Cannabis Regulations* set out strict requirements pertaining to the packaging and labeling of cannabis products. These requirements are intended to promote informed consumer choice and safe consumption and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

The *Cannabis Regulations* require all cannabis products to be packaged in a manner that is tamper-proof and child resistant. Strict limitations are also imposed on the use of colors, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as (i) product source information, including brand name, the class of cannabis and the name, phone number and email of the licensed processor or cultivator, (ii) mandatory warnings, including rotating health warning messages on Health Canada’s list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

A cannabis product’s brand name may only be displayed once on the principal display panel or, if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent color. In addition to the brand name, only one other brand element can be displayed. Such brand element must meet the same requirements noted above as the brand name, and if an image, it must be in a size equal to or smaller than the surface area of the standardized cannabis symbol.

Health Products Containing Cannabis

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that may be approved with health claims, including prescription and non-prescription drugs, veterinary drugs, and medical devices. Under the current regulatory framework, health products are subject to the *Food and Drugs Act* (Canada) and its regulations and may be additionally regulated by the *Cannabis Act* and the *Cannabis Regulations*. For many of these products, pre-market approval from Health Canada is required.

Possible Changes to the Federal Regulatory Framework

In December 2020 and January 2021, Health Canada issued a notice of intent and engaged in consultations with stakeholders on the expansion of non-medicinal cannabis research involving human participants. Health Canada proposed to amend the *Cannabis Act*, the *Cannabis Regulations* and the *Food and Drug Regulations* so that non-medicinal cannabis research involving human participants is regulated exclusively under the cannabis legislation. Further, Health Canada also sought feedback on a host of other regulatory issues, including public possession, product labeling, micro-class and nursery licensing, and COVID-19 measures.

The *Cannabis Act* requires that the Minister of Health cause a review of the Act and its administration and operation three years after its coming into force. The Minister will table a report in both Houses of Parliament no later than 18 months after the start of the review. To fulfill these requirements, the Minister of Health and the Minister of Mental Health and Addictions announced an independent Expert Panel to lead the legislative review, and provide independent, expert advice to both Ministers on progress made towards achieving the Act's objectives and will help identify priority areas for improving the functioning of the legislation. From December 2022 to June 2023, the Expert Panel sought feedback from the public on their views about the impacts of the *Cannabis Act*, and sought the public's perspective on the engagement paper regarding the legalization of cannabis in Canada. A report on the feedback received by the Expert Panel was published by Health Canada in October 2023. The Expert Panel is preparing a report for the Ministers which was published in March 2024. The report identifies 54 recommendations and 11 observations to strengthen and improve the administration of the *Cannabis Act*.

In March 2023, Health Canada issued a separate notice of intent and engaged in consultations with stakeholders between March 2023 and May 2023 regarding potential amendments to the *Cannabis Regulations* for regulatory burden reduction. The targeted areas of review include (1) licensing, (2) personnel and physical security measures, (3) production requirements, (4) packaging and labelling requirements, and (5) record keeping and reporting requirements.

According to Health Canada's Forward Regulatory Plan: 2024-2026, Health Canada is proposing to amend the *Cannabis Act* and related legislation to reduce the overall regulatory and administrative burden on regulated parties, while continuing to support the public health and public safety objectives of the *Cannabis Act*. Health Canada expects to publish final regulatory amendments in Spring 2025.

In February 2024, the Canadian House of Commons Standing Committee on Finance released a report outlining several recommendations regarding the country's regulated adult-use cannabis industry including a unanimous recommendation to make adjustment to the excise duty formula for cannabis so that it is limited to a 10% ad valorem rate, and the operation of the duty, including the requirement to apply an excise stamp on cannabis products.

In December 2024, the Fall Economic Statement was released to propose a number of measures related to cannabis, including a national duty stamp in exchange to excise and duty measures. This change is intended to reduce red tape and save cannabis producers time and money.

Provincial and Territorial Regulatory Framework for Recreational Cannabis

While the *Cannabis Act* provides for the regulation of the commercial production of cannabis and related matters by the federal government, the *Cannabis Act* provides the provinces and territories of Canada with authority to adopt their own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limits for individuals and higher age requirements. Currently, each of the Canadian provincial and territorial jurisdictions has established the minimum age for cannabis use to be 19 years old, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

The provinces and territories are responsible for the establishment of a retail distribution system for adult use cannabis in their respective jurisdictions. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the *Cannabis Act* and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers. The laws continue to evolve, and differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs.

Municipal and regional governments may choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to our business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area or restrict the geographical locations wherein such retail outlets may be opened.

There is no assurance that the provincial, territorial, regional, and municipal regulatory frameworks and distribution models will remain unchanged, or that we will be able to navigate such changes in the regulatory frameworks and distribution models or conduct its intended business thereunder. See: “*Risk Factors*”.

Ontario: Pursuant to the *Cannabis Control Act, 2017* (Ontario), the distribution and retail sale of recreational cannabis is currently conducted through the Ontario Cannabis Retail Corporation (“OCRC”), a subsidiary of the Liquor Control Board of Ontario. Recreational cannabis has been sold on-line through the OCRC-operated Ontario Cannabis Store (“OCS”) platform, as of October 17, 2018.

On October 17, 2018, the *Cannabis License Act, 2018* (Ontario) became law and other legislation, including the *Cannabis Control Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* were amended to create a private retail framework for the sale of recreational cannabis in Ontario. As of April 1, 2019, recreational cannabis has been available for sale by private retailers that operate brick-and-mortar stores licensed by the Alcohol and Gaming Commission of Ontario (“AGCO”).

The recreational cannabis retail regulatory regime in Ontario has the following requirements and features:

- Private retailers are required to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. In 2023, Ontario amended the regulations under the *Cannabis License Act, 2018* to increase the number of licenses a licensed retail operator and its affiliates may hold from 75 to 150 licenses. Private retailers are not permitted to sell cannabis online but may only sell cannabis in person at an authorized retail store.
- The AGCO is the government entity responsible for issuing retail store authorizations for privately run recreational cannabis stores. Until December 13, 2019, a temporary cap of 25 retail store authorizations was imposed while cannabis supply stabilizes. On July 3, 2019, the Government of Ontario announced its plans for a second allocation of 50 additional cannabis retail store authorizations. The AGCO held a lottery draw for the allocation of 42 retail store authorizations. A separate process governed the allocation of eight retail store authorizations for those who wish to operate a store on a First Nations reserve. On March 2, 2020, the restrictions on the total number of store authorizations permitted in Ontario, and their regional distribution, was revoked. The AGCO now accepts applications for retail store authorizations from all interested applicants.
- Retail store operators are only permitted to purchase cannabis from the OCRC, which may set a minimum price for cannabis or classes of cannabis.
- Every authorized cannabis retail store in Ontario must have a licensed retail manager. An individual who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager license.
- Federal License Holders (and their affiliates) are limited to operating one retail cannabis store in the province, which must be located at the site listed on such producer’s federal license. A corporation is not eligible to obtain a retail operator license if more than 25% of the corporation is owned or controlled by federal License Holder(s) or its affiliates or the corporation owns or controls more than 25% of a federal License Holder or its affiliates. A broad definition of affiliate is included in the regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 25% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership, or joint venture, among others. The definition of affiliate may have the effect of restricting the ability of federal License Holders from effectively entering into the consumer retail market in Ontario.
- Federal License Holders are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis.

- Municipalities and reserve band councils were permitted to opt out of the retail cannabis market by resolution. Municipalities had until January 22, 2019 to pass such by-laws, and several municipalities have formally opted-out of the retail market. Municipalities that opted out can later lift the prohibition on retail cannabis stores by subsequent resolution, which cannot be reversed at a later date. Municipalities may not pass bylaws providing for a further system of licensing over the retail sale of cannabis.

Manitoba: The Government of Manitoba has implemented a “hybrid model” for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp. (“MLLC”); however, licensed private retail stores are also permitted to sell recreational cannabis.

Alberta: The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, the Alberta Gaming and Liquor Commission (“AGLC”), similar to the distribution system currently in place for alcohol in the province. Authorized cannabis retailers can sell cannabis in licensed retail outlets online.

New Brunswick: New Brunswick had initially limited the distribution and sale of recreational cannabis to a network of tightly controlled, stand-alone “Cannabis NB” stores managed by the Cannabis Management Corporation, a subsidiary of New Brunswick Liquor Corporation and online through the Cannabis NB platform, but has since opened up its retail market to permit licensed private retailers in the province. Approved licensed New Brunswick cannabis producers are not permitted to sell products that they grow and produced locally at their facilities, and private companies may enter into agreements with Cannabis NB to operate cannabis stores under private brands.

Quebec: All recreational cannabis is managed and sold by Société Québécoise du cannabis (the “SQDC”) outlets and is available for sale online. The entire process is controlled by the SQDC.

Newfoundland and Labrador: Recreational cannabis is sold through private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), issuing private retailer licenses and overseeing the distribution to private sellers who may sell to consumers. The NLC also controls the possession, sale, and delivery of cannabis, and sets prices. The NLC is also an online retailer, although licenses may later be issued to private interests.

Yukon: Yukon had initially limited the distribution and sale of recreational cannabis to government outlets and government-run online stores but has since opened up its retail market to permit licensed private retailers in the territory. Cannabis retail licenses are issued by the Cannabis Licensing Board. Authorized retailers must purchase cannabis from the Yukon Liquor Corporation, acting as the wholesaler and distributor in the territory.

Northwest Territories: The Northwest Territories Liquor and Cannabis Commission (the “NTLCC”) controls the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or online retail run by the NTLCC. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

British Columbia: Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling licensing of private stores and the British Columbia Liquor Distribution Branch (“BCLDB”) handling wholesale distribution.

Saskatchewan: The Government of Saskatchewan implemented a framework in which both wholesale and retail recreational cannabis are conducted by the private sector and regulated by the Saskatchewan Liquor and Gaming Authority (“SLGA”). A number of retail permits have been issued to private stores. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers but not to the general public. Wholesale operations must be physically located within Saskatchewan and products can only be sold and distributed within Saskatchewan. Further, only federally licensed producers registered with SLGA will be allowed to sell into the Saskatchewan market.

Nova Scotia: The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

Prince Edward Island: Similar to Nova Scotia, Prince Edward Island requires cannabis to be sold publicly, through government stores and online, overseen by the Prince Edward Island Cannabis Management Corporation.

Nunavut: Nunavut allows for the sale of cannabis through both public and private retail and online. In Nunavut, a person can submit an application with the Nunavut Liquor and Cannabis Commission for a license to operate a cannabis store, remote sales store, or cannabis lounge.

Industrial Hemp

The new *Industrial Hemp Regulations* under the *Cannabis Act* replaced the previous IHR under the *Controlled Drugs and Substances Act* ("CDSA") as of October 17, 2018. The regulatory scheme for industrial hemp production largely remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of tetrahydrocannabinol ("THC") is 0.3% or less in the flowering heads and leaves.

Our U.S. Cannabis Segment

Our U.S. Cannabis segment is Balanced Health Botanicals, LLC ("BHB").

Balanced Health

On August 16, 2021, we acquired 100% interest in privately held Colorado-based BHB. BHB is one of the leading CBD and other cannabinoid brands and e-commerce platforms in the United States. BHB develops and sells high-quality cannabinoid-based health and wellness products, distributing its diverse portfolio of consumer products through retail storefronts and its top-ranked e-commerce platform, CBDistillery™ and independent retail stores. We believe that BHB is uniquely positioned to ensure seamless sourcing, manufacture and sale of its affordable, high-quality family of cannabinoid brands to target the diverse health and wellness needs and preferences of their consumers. We believe the strong management team of BHB has added a wealth of leadership and industry experience across healthcare, technology, consumer packaged goods and cannabis.

BHB is focused on high quality standards and sources non-GMO and pesticide free hemp directly from U.S. Hemp Licensed farms through partnerships and contractual relationships. BHB collaborates with hemp extraction partners using advanced proprietary methods and rigorous testing to ensure product quality and concentration guidelines. In its 8,000 square foot facility, BHB provides on-site bottling, labeling and packaging that follow the FDA's Current Good Manufacturing Practice ("cGMP") guidelines, and is NSF GMP certified. BHB was awarded U.S. Hemp Authority Certification for its commitment to quality and safety of its products and also achieved Generally Recognized as Safe designation, an evaluation its products are recognized as safe for consumption for CBD Isolate ("ISO"), Full-Spectrum CBD ("FSO") and Broad-Spectrum CBD ("BSO"). In the event that the FDA regulates CBD, and the overall Food, Drug and Mass Merchandise ("FDM") channel accepts ingestible CBD products, we believe that BHB is uniquely positioned to immediately capitalize on the opportunity.

BHB's CBD and other cannabinoid product portfolio primarily includes oils, ingestibles and topicals to meet any consumer's needs and consumption preferences. The majority of sales are within the United States. BHB operates an industry-leading e-commerce platform with an extensive customer base and has a presence in over 4,000 retail locations across health and wellness, independent pharmacies, convenience stores and lifestyle shops. Distribution in larger-footprint food, drug and mass retail chains is currently limited due to the lack of definitive regulatory oversight for CBD products throughout the United States.

United States Cannabis Industry and Regulatory Overview

We do not maintain any direct investment in cannabis or cannabis-related products in the U.S., excluding BHB's CBD and other cannabinoid business. We participate in federal and state permissible activities in the U.S. and do not engage or intend to engage in direct or indirect business with any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis-related products in any jurisdiction where the production and sale of cannabis is unlawful under current applicable laws.

We own four and operate three greenhouse facilities in west Texas consisting of nearly six million square feet of produce production area in which we grow and distribute produce (primarily tomatoes). We have proven experience converting our produce greenhouses to low-cost, highly efficient cannabis greenhouses, as evidenced by Pure Sunfarms' Delta 3 and Delta 2 greenhouses located in British Columbia. We are strategically positioned, utilizing decades of agricultural experience coupled with Pure Sunfarms' operational and product expertise, to convert all or a part of our existing greenhouses when legally permitted to do so.

At the time of this filing, we believe that 44 states plus Washington, D.C. legally permit cannabis (in some form) for medicinal use and 24 states plus Washington, D.C. legally permit cannabis for recreational use. Public support for the adult-use legalization of cannabis continues to increase significantly across the country. Several hundred thousand Americans now work full-time in the cannabis industry and tax revenues associated with the production and sale of cannabis are providing economic benefits in states that have passed legislation.

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale, and possession of cannabis under the *Cannabis Act*, in the United States, cannabis is regulated at both the federal and state levels. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis with a delta-9 THC level of more than 0.3% by dry weight ("marijuana") continues to be categorized as a Schedule I controlled substance under the *Controlled Substances Act* ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens and businesses of those states for activity that is legal under state law.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation.

Until 2018, the federal government provided guidance to federal agencies and banking institutions through a series of United States Department of Justice (“DOJ”) memoranda. The most notable of this guidance came in the form of a memorandum issued by former U.S. Deputy Attorney General James Cole on August 29, 2013 (the “Cole Memorandum”). The Cole Memorandum offered guidance to federal agencies on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana in all states and quickly set a compliance standard for marijuana related businesses. The Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. The Cole Memorandum was rescinded by Attorney General Jeff Sessions in January 2018 and instructed that “[i]n deciding which marijuana activities to prosecute with the [DOJ’s] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions.” Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecutions, the interests of victims, and other principles. Despite the Cole Memorandum’s decision, the DOJ guidance on how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana related business appeared to be relatively unchanged.

In February, 2021, Attorney General Merrick Garland testified to Congress that the DOJ would not pursue cases against Americans complying with laws of the states that have legalized and are regulating marijuana. Such statements are not official declarations or policies of the DOJ and are not binding on the DOJ, any United States Attorney, or the United States federal courts. However, in October of 2022, the Biden Administration announced a mass pardon of persons who had been convicted of simple marijuana possession under federal law and also its intention to review the regulation of marijuana under the CSA by directing the Secretary of Health and Human Services and the Attorney General to initiate the administrative process to expeditiously review marijuana’s Schedule I status. In December 2022, President Biden signed the Medical Marijuana and Cannabidiol Research Expansion Act into law, which provides for significantly broader opportunities to study cannabis. In March 2023, Attorney General Merrick Garland stated during a senate hearing that “I think that it’s fair to expect what I said at my confirmation hearing with respect to marijuana and policy, that it will be very close to what was done in the Cole Memorandum”. In August 2023, the Food and Drug Administration (“FDA”) and Health and Human Services (“HHS”) recommended that the Drug Enforcement Administration (“DEA”) reschedule marijuana from schedule I under the federal Controlled Substances Act (“CSA”) to schedule III. By doing so, FDA determined that marijuana not only no longer meets schedule I criteria, but by leapfrogging to schedule III, concluded that it does not meet schedule II criteria either. Now it is up to the DEA to either follow the HHS recommendation, which is typical or to leave cannabis on Schedule I. We anticipate a DEA decision is due at any time. To date, there have been no new federal marijuana memorandums issued by the DOJ or any published change in federal enforcement policy and substantial uncertainty regarding United States federal enforcement remains.

In recent years, certain temporary federal legislative enactments that provide safeguards for the medical cannabis industry have been appended to the federal budget bill. For each year since 2015, Congress has adopted a so-called “rider” provision to the Consolidated Appropriations Acts (formerly referred to as the Rohrabacher-Farr Amendment and currently referred to as the Rohrabacher-Blumenauer Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal law against regulated medical cannabis actors operating in compliance with state and local law. On December 29, 2022, the amendment was renewed as part of the Consolidated Appropriations Acts of 2023, H.R. 2617, which is effective through September 30, 2023. While the amendment has been included in successive appropriations legislation or resolutions since 2015, its inclusion or non-inclusion is subject to political change.

Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of marijuana will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Until the United States Congress amends the CSA with respect to marijuana, there is a risk that federal authorities may enforce current U.S. federal law.

On December 20, 2018, the 2018 Farm Bill was signed into law in the United States. The 2018 Farm Bill, among other things, defines industrial hemp, removes industrial hemp and cannabinoids derived from industrial hemp so long as the delta-9 THC concentration is less than 0.3% by dry weight, from the CSA and allows for industrial hemp production and sale in the United States. The U.S. Food and Drug Administration has retained authority over the addition of CBD and other cannabinoids to products that fall within the Food, Drug and Cosmetic Act (“FDCA”). To date, the FDA deems that it is currently illegal to add CBD to a food or beverage, and the FDA does not deem CBD a dietary supplement as the agency cannot conclude that CBD is “generally recognized as safe” among qualified experts for its use in human or animal food. In January 2023, the FDA publicly announced it had concluded that “a new regulatory pathway for CBD is needed that balances individuals’ desire for access to CBD products with the regulatory oversight needed to manage risks” and that it was “prepared to work with Congress on this matter.” There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA.

Under current federal law, it may be a violation of federal anti-money laundering statutes to take any proceeds from the sale of any Schedule I controlled substance. Financial institutions could potentially be prosecuted and convicted of money laundering under the Bank Secrecy Act for providing services to cannabis businesses. In 2014, the Financial Crimes Enforcement Network ("FinCEN") issued guidance not to focus enforcement on financial institutions that serve cannabis-related business, as long as the business activities are legal in their state. The guidance also included burdensome due diligence expectations and reporting requirements for financial institutions to bank state-sanctioned cannabis businesses. The FinCEN guidance also does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators for banks and other financial institutions and can be amended or revoked at any time and therefore most financial institutions in the United States do not appear comfortable relying on this guidance to provide banking services to the cannabis industry. Thus, most legitimate cannabis-related companies have established relationships with state banks and financial institutions. Also, since these legitimate cannabis firms do not have access to traditional bank financing, they primarily rely on private capital to address their financing needs.

The SAFE Banking Act passed the House of Representatives in September 2019 but has yet to pass the Senate. In September 2021, the House of Representatives included the SAFE Banking Act as an amendment to the National Defense Authorization Act for the fiscal year 2022, but the SAFE Banking Act was removed from the Defense Spending Bill by a Senate conference committee in December of 2021. The House of Representatives also passed the SAFE Banking Act most recently on February 4, 2022, as an amendment to the America COMPETES Act, but failed to pass in the Senate. The SAFE Banking Act is designed to prohibit federal banking regulators from punishing financial institutions from providing services to legitimate cannabis companies, their owners, and employees. In particular, a federal banking regulator cannot terminate or limit deposit insurance, prohibit or penalize a financial institution from providing services to legitimate cannabis-related business or take any adverse or corrective action on a loan made to a legitimate cannabis-related business.

In September, 2023, the Secure And Fair Enforcement Regulation Banking Act, or the SAFER Banking Act, was introduced to the U.S. Senate. The SAFER Banking Act is designed to provide protections for federally regulated financial institutions that serve state-sanctioned marijuana businesses. Under this bill:

- a federal banking regulator is prohibited from penalizing a depository institution for providing banking services to a state-sanctioned marijuana business.
- a federal banking regulator is prohibited from requesting or requiring a depository institution to terminate a deposit account unless
 - o (1) there is a valid reason, such as the regulator has cause to believe that the depository institution is engaging in an unsafe or unsound practice; and
 - o (2) reputational risk is not the dispositive factor.
- proceeds from a transaction conducted by a state-sanctioned marijuana business are no longer considered proceeds from unlawful activity.
- and, a financial institution, insurer, or federal agency may not be held liable or subject to asset forfeiture under federal law for providing a loan, mortgage, or other financial service to a state-sanctioned marijuana business.

Since we do not conduct any cannabis-related business in the United States aside from our BHB cannabinoid products, the SAFE Banking Act and SAFER Banking Act would not alter the current financial services landscape for Village Farms. However, the ability to access public capital for all legitimate cannabis-related companies could provide the industry with additional financing avenues not available today as well as reducing the overall cost of capital.

U.S. Regulatory Update Regarding the Notice of Proposed Rulemaking (NPRM) to Reschedule Marijuana

In October 2022, President Joe Biden instructed the Secretary of the Department of Health and Human Services ("HHS") and the Attorney General to review marijuana's designation as a Schedule I substance. In August 2023, HHS shared the scientific and medical evaluation conducted by FDA and other HHS constituents with the Drug Enforcement Administration ("DEA"), recommending that marijuana be controlled in Schedule III. HHS's review was guided by the eight scheduling factors outlined in the CSA: (1) the drug's actual or relative potential for abuse; (2) scientific evidence of its pharmacological effect, if known; (3) the state of current scientific knowledge regarding the drug or other substance; (4) its history and current pattern of abuse; (5) the scope, duration, and significance of abuse; (6) what, if any, risk there is to the public health; (7) its psychic or physiological dependence liability; and (8) whether the substance is an immediate precursor of an already-controlled substance.

On May 21, 2024, the U.S. Department of Justice (“DOJ”) published a notice of proposed rulemaking (“NPRM”) announcing its intention to reschedule marijuana. The rule proposes to move botanical cannabis (*Cannabis sativa* L.) with tetrahydrocannabinol (“THC”) content over 0.3% from Schedule I to Schedule III, a less-restrictive schedule, under the CSA. If finalized, rescheduling would ease some restrictions on cannabis-related research, potentially promoting cannabinoid drug development, and would adjust the legal framework in which cannabis manufacturers and distributors operate. However, marijuana would still be subject to substantial regulation by both the DEA and Food and Drug Administration (“FDA”).

The DOJ’s proposal to transfer marijuana from Schedule I to Schedule III is consistent with HHS’s view that marijuana has a currently accepted medical use, as well as HHS’s views about marijuana’s abuse potential and level of physical or psychological dependence. DOJ concurred with HHS’s conclusion that marijuana has a currently accepted medical use based on HHS’s determination that there is (1) widespread current experience with medical use of marijuana in the United States by licensed health care practitioners operating in accordance with implemented state-authorized programs, where the medical use is recognized by entities that regulate the practice of medicine; and (2) some credible scientific support for at least one of those medical uses (specifically, anorexia related to a medical condition; nausea and vomiting; and pain). The NPRM notably does not contain any express DEA endorsement of the proposed rescheduling. The NPRM also states that “DEA has not yet made a determination as to its views of the appropriate schedule for marijuana” and that “DEA believes that additional information arising from this rulemaking will further inform the findings regarding the appropriate schedule for marijuana.”

The rescheduling of marijuana is subject to formal rulemaking procedures under the Administrative Procedure Act (“APA”). This means that, in addition to the public comment period typical for federal agency rulemaking, rulemaking must be conducted on the record after the opportunity for a hearing before an administrative law judge (“ALJ”). On August 29, 2024, the DEA issued a General Notice of Hearing (GNoH) in the Federal Register to receive factual evidence and expert opinion regarding whether marijuana should be transferred to Schedule III. In the GNoH, DEA instructed interested persons desiring to participate in the hearing to provide written notice on or before September 30, 2024.

On November 4, 2024, Village Farms announced that it was one of 25 participants selected to participate in the DEA’s ALJ hearing. Village Farms was the only cannabis industry operator selected to participate, with the Company’s Global Cannabis General Counsel, Dr. John Harloe, representing the Company as a selected witness.

On November 18, 2024, the Company, in coordination with another Designated Participant (“DP”) of the hearing, filed a joint motion with the ALJ seeking the immediate disqualification and removal of the DEA from defending the Proposed Rule, moved to replace DEA with the Department DOJ as proponent, and ordered that the record include all requests for hearing and/or participation filed with the DEA, as well as a record of the decisions made by the DEA regarding why certain parties were designated as participants and others were not, and any ex parte communications between DEA and third parties. The Company’s motion to disqualify was subsequently denied.

On January 6, 2025, the Company jointly filed a Request for Reconsideration (“Request”) of its prior motion to disqualify and remove the DEA from its role as proponent of the Proposed Rule, in light of new evidence reflecting DEA wrongdoing. The Company’s Request contained additional evidence of undisclosed conflicts of interest and extensive improper ex parte communications by the DEA which the Company believes must be lawfully disclosed and made part of the public record. The Company urged the court to take immediate corrective action in response to its Request, which also contained a request for leave to file an interlocutory appeal to resolve the Company’s alleged improper ex parte communications by DEA.

On January 13, 2025, the ALJ responded to the Company’s Request and granted a request for leave to file an interlocutory appeal, and the rescheduling proceedings are now currently stayed. In its response, the ALJ referred to various DEA behavior and alleged misconduct as “unprecedented,” “astonishing,” “embarrassing,” and “demonstrate[ing] a puzzling and grotesque lack of understanding and poor judgment from high-level officials at a major federal agency.” The Company is continuing to work to ensure a fair and transparent process and remains a strong proponent of Schedule III.

Texas Cannabis Industry and Regulatory Overview

The 2021 legislative session was largely focused on addressing the catastrophic freeze and failures of the Texas energy supply, a modest expansion to the medical cannabis program, the Texas Compassionate Use Program (“TCUP”), did pass. TCUP provides low-THC cannabis to registered patients who have a prescription from their physician. This legislation added post-traumatic stress disorder, any form of cancer, and any condition that is part of a medical cannabis research program to the list of conditions which qualify patients for TCUP. The legislation also raised the overall THC by weight cap from 0.5% to 1.0%. Since the law went into effect on September 1, 2021, the patient count has risen to just over 102,500 patients and the participating physician count has to just over 830.

On January 17, 2023, Texas announced it will open TCUP for more applications with the expectation that it will issue new medicinal licenses in 2023. The Company has applied for one of the TCUP licenses. As of the date of this filing, the TCUP applications have not yet been reviewed by the State of Texas and there has not been any indication if or when the applications will be reviewed or if our TCUP license will be approved.

Leli - Regulatory Overview

Leli Holland was formed, in 2020, as a "Besloten Vennootschap" with the intention of obtaining one of the ten cannabis cultivation licenses from the Dutch government. The Company entered into a purchase option agreement, September 2021, to buy 80% of the Leli Holland. After clearing various security and background checks, Leli Holland became a selected supplier in the experiment. Leli Holland received a cultivation license on July 7, 2022. In August 2022, Village Farms exercised its purchase option agreement by acquiring 85% of Leli Holland. In September 2024, Village Farms acquired the remaining 15% making Leli Holland B.V. a wholly owned subsidiary of Village Farms International, Inc.

History of Dutch Cannabis

The Dutch relationship with psychoactive substances dates back to shortly after the foundation of the "Vereenigde Oostindische Compagnie" (VOC), or United Dutch East-Indies Company in 1602. In the 17th century, the Dutch gained firm control over the opium trade in Asia. In response to leakages and illegal trade in opium and to international concerns about the rising use of opium, the Dutch government introduced the "Opium Regie," in the Dutch Indies (present day Indonesia) during the 1890s. The revenues from the opium monopoly contributed greatly to the wealth of cities such as Amsterdam and Leiden and ended with the Japanese invasion of the Dutch Indies in 1941. Hemp and hashish were included in the Opium Act of 1928, but only in 1953 did the possession and production of cannabis become a criminal offence in the Netherlands.

Based upon the findings and testimony of both the Hulsman Committee (1969) and Baan Committee (1972), the revision of the Opium Act in 1976 authorized the Dutch government to bring all substances classified in the United Nations' 1961 Single Convention on Narcotic Drugs under the domestic purview of the new Opium Act, which introduced two classifications for substances:

1. "substances with an unacceptable risk to the health of the user"
2. "cannabis products"

The newly revised Opium Act delegated drug policy and oversight to the country's Ministry of Health, which would address drug use with medical and social approaches rather than with criminal penalization. Charges for cannabis possession of 30 grams or less would either be dismissed or be charged as a petty offence or misdemeanor (comparable with a traffic ticket) which would not result in a criminal record. Shortly after the revision of the Opium Act, the implementation of new guidelines resulted in a delegation of policy enforcement to be handled at the municipality level amongst the cooperation of a "local triangle" (consisting of the municipality's mayor, public prosecutor, and chief of police) that would decide whether or not to prosecute small-scale sales of cannabis, reflecting what in the Dutch legal system is known as the expediency principle. Within the context of drug policy, law enforcement yields to public health, but also to public order. The expedience principal also helped to pave the way for the emergence of the Dutch coffee shops and other further developments in Dutch drug policy, reflecting the Dutch tradition of pragmatism and tolerance.

Used "off-the-record" since 1978, new guidelines stemming from the 1976 Opium Act were officially published in 1979. A key inclusion to the guidelines state, "Police would only interfere if small-scale trade was publicly advertised or otherwise provocatively effectuated." It is believed that these new guidelines provided the legal leeway for coffee shops to rapidly emerge. However, lacking specificity, the guidelines left it unclear under which circumstances and criteria police should enforce the rules. While some coffee shops were mostly left in peace, others were raided regularly. None of this, however, hindered the steady rise in the number of coffee shops throughout the 1980s. The first estimate of the total number of coffee shops in the Netherlands did not occur until 1995, nearly 1,200 coffee shops and 900 additional illegal points of sale were recorded, while other less official records estimated there to be upwards of 2,500 total cannabis retail establishments (coffee shops + other illegal points of sale) at the peak of the market sometime between the late-1980s to early-1990s. In an attempt to reduce the number of active coffee shops across the country, starting in the mid 90's - the Dutch government started to implement more stringent coffee shop policy reforms at both a national and municipal level, which substantially reduced the number of coffee shops. At the end of December 2023, there were 564 coffee shops in 102 of the 342 total municipalities that comprise the Netherlands.

Dutch Coffee shop Experiment

In January 2019, the Dutch government passed "*Controlled Cannabis Supply Chain Experiment*" ("Experiment"). The Experiment, also known as the "weed experiment," is a Dutch government initiative to study the regulation of cannabis production and sale. The Experiment aims to place the entire chain from cultivation to sale within a controlled environment, improving the quality oversight of cannabis products and reducing criminal activities in the sector.

Key Features of the Experiment are:

- **Closed Chain:** During the experiment, participating coffee shops are allowed to purchase cannabis only from legal, government-appointed growers. These growers have been selected based on strict criteria and are monitored by the government to ensure product quality and safety. Leli Holland is one of the license holders.
- **Participating Municipalities:** The experiment takes place in ten selected municipalities across the Netherlands. Only coffee shops in these municipalities may participate and sell cannabis exclusively from the appointed growers.
- **Duration and Evaluation:** The experiment lasts five years, after which participants are allowed to sell inventory and the results will be evaluated. This evaluation will provide insight into the effects of regulated cannabis production on crime, public health, and public order.
- **Objectives:** The main objectives of the experiment are to reduce illegal cannabis trade and improve the control over product quality. Additionally, it assesses whether this regulated chain contributes to a healthier and safer living environment.
- **Potential Future Implementation:** If the experiment is successful, it could serve as a model for the nationwide implementation of a regulated cannabis production chain in the Netherlands.

Ten suppliers were selected via lottery, in 2022. The suppliers are solely responsible for all cultivation and manufacturing activities and are permitted to supply pre-rolled joints, cannabis flower, hash and edibles made using 'raw' cannabis (no extracts or isolates). Each supplier can supply all/ any coffee shops in all participating municipalities. Within the Experiment the competition is regulated, with the 10 licensed growers in the market producing an estimated annual output of 91,600kg maximum. Ten municipalities were selected from twenty-three applicant municipalities. These will be the only municipalities involved in the experiment. All coffee shops in each municipality are required to participate in the Experiment, resulting in 78 participating coffee shops sourcing from only the ten selected suppliers. The aggregate population of all 10 municipalities selected to participate in the Controlled Cannabis Supply Chain Experiment represents 9.7% (or 1.7 million residents) of the total population of the Netherlands (17.9 million residents).

Since inception of the Experiment due to changes in the Dutch government and other challenges – the initial stages of the Experiment have been formally delayed. The current Transitional Phase in which the current 78 coffee shops can purchase both legal cannabis and illicit cannabis is set to end on April 7, 2025, at which time the Experimental Phase will commence and the 78 coffee shops will only be allowed to purchase legal cannabis from the licensed producers. This Phase is intended to last for at least 4 years and can be extended up to a maximum of an additional 18 months. Upon completion of the Experimental Phase the Dutch government will evaluate the Experiment.

Our Fresh Produce Segment

We commenced produce operations in 1989 and maintain produce operations under both our U.S. subsidiary, Village Farms L.P., and our Canadian subsidiary, Village Farms Canada Limited Partnership. We own four greenhouse facilities in west Texas totaling 130 acres, with three currently cultivating produce, and one produce greenhouse in Delta, B.C. totaling 60 acres, as well as half of one Delta B. C. facility. All of our facilities grew tomatoes in 2024. We also represent third party growers (based in Canada and Mexico) on a sales commission basis, which represents approximately 44% of our 2024 total produce revenues. We are actively exploring a transformative change in our produce business to enhance our financial and operational performance.

Approximately 84% of our total 2024 produce sales were tomatoes, 8% were peppers, 6% were cucumbers and 2% were mini-cukes, in line with our total 2023 produce sales which were comprised of 84% tomatoes, 8% peppers, 6% cucumbers and 2% mini-cukes. We sell produce predominantly to retailers in the United States and Canada.

In 2024, 2023 and 2022, approximately 90%, 89% and 82% of our produce sales were in the United States, respectively, with the top two customers comprising 20% of produce sales in 2024, 21% of produce sales in 2023 and 21% in 2022. Retail direct sales were approximately 65%, 68% and 70% of total produce sales for 2024, 2023, and 2022, respectively, with the balance to wholesale customers who service small retailers or other markets such as food service.

There is seasonality in produce revenues. Production is lower in the winter months, compared to the summer months, due to lower light levels in the winter months and our Delta, B.C. greenhouse, due to its northern latitude, does not produce tomatoes in the winter months. Historically, we have higher sales in our second and third quarters and lower sales, due to lower volumes, in the first and fourth quarters.

The produce business is very competitive, and our primary competition consists of large commercial producers. There is an abundance of growers as discussed in the *Greenhouse Vegetable Industry Overview*, which has resulted in an oversupplied market where retail customers have the upper hand in price negotiations. In addition, due to the perishable nature of produce, pricing is very sensitive to the daily demand versus supply in each produce category, including our primary category, tomatoes.

We try to combat the commoditization of the tomato category by offering unique tomatoes such as the Heavenly Villagio Marzano® and Sinfully Sweet Campari® as a means of distinguishing Village Farms to our retail customers but the large tomato varieties such as tomatoes on the vine (“TOVs”) and beefsteak are still a predominant part of our produce business and industry sales. Our produce business has limited trademark or brand loyalty.

Greenhouse Vegetable Industry Overview

(A) The North American Industry

The greenhouse vegetable industry in North America has experienced expanded development over the past 20 years, particularly in the western regions of the United States, southwest British Columbia and southern Ontario in Canada, and concentrated areas in Mexico. Mexico is the largest producer of greenhouse tomatoes followed by Canada and the United States.

(B) Greenhouse Industry — United States

The majority of greenhouse vegetable producers in the United States are located in the southwestern and western states, where the growing conditions are more ideal for winter growing operations and the possibility of year-round production. New greenhouse facilities have recently been completed and planned in the northern U.S. to be closer to major population centers. These facilities have lights to allow for production in the winter months. Producing in the winter months is advantageous as produce prices are generally higher, although with increasing Mexican production (which produce in the winter months), seasonal pricing fluctuations are gradually decreasing. The majority of greenhouse tomatoes produced in the United States are used for domestic consumption, and producers in the United States benefit from high yields, consistent product quality, year-round supply, and closer proximity to their customers. In order to meet domestic demand, the United States imports a significant portion of its supply of greenhouse tomatoes from Canada and Mexico.

In addition, many U.S. growers of labor-intensive crops rely on immigrant workers from countries such as Mexico. The demand for farm labor in the U.S. continues to grow while the labor supply remains constant or slightly decreasing, leading to rising wages and benefits. U.S. employers may utilize H-2A workers to assist in fulfilling their labor needs. Section 218 of the Immigration and Nationality Act authorizes the lawful admission into the United States of temporary, nonimmigrant workers (H-2A workers) to perform agricultural labor or services of a temporary or seasonal nature for up to ten months over a twelve-month period. The H-2A worker adds additional costs to the greenhouse grower as the H-2A program set a Texas state-level minimum prevailing wage of \$15.55 in 2024 and \$15.79 effective January 1, 2025. Additionally, growers must pay for worker expenses, such as transportation costs and housing.

(C) Greenhouse Industry — Canada

Among the North American greenhouse vegetable producers, Canada is the largest supplier from April to October. Several factors, including climatic advantages (cooler summer temperatures) and the proximity of greenhouse producers to consumer markets, contribute to Canada’s favorable positioning relative to the United States during that time period. The primary markets for greenhouse produce grown in British Columbia include the west and northwest regions of the United States, as well as western Canada, while the primary markets for Ontario produce include the east and central regions of the United States, as well as eastern Canada.

The strengths of the Canadian greenhouse vegetable industry include its high yields and consistent product quality. The main weakness of the Canadian greenhouse industry relates to its lack of production during the historically higher priced winter months. However, because of the high volume of tomatoes produced in Canada during the April to October growing season, profits generated during this time period generally are sufficient to sustain producers through the full year.

(D) Greenhouse Industry — Mexico

Although Mexico was the last country to enter the greenhouse tomato industry in North America, it has more greenhouse tomato acreage than the United States and Canada combined. It should be noted there is no formal definition of a “greenhouse” and a significant portion of the greenhouse acreage in Mexico is very low-tech, shade field structures. The product from the shade facilities is in some instances marketed as greenhouse-grown, which until the recent update on the Suspension Agreement between the United States and Mexico, was not in violation of any regulations, but for the State of California, which has a strict definition of greenhouse-grown for produce sold within the state. Average yields and product quality in Mexico are comparatively low, as compared to U.S. and Canadian greenhouse operations. Currently, Mexican producers tend to grow a majority of their production during the fall, winter, and spring seasons as they have sufficient light levels to grow and cooler temperatures during these months, although the trend towards more sophisticated greenhouses is permitting a longer growing season as well as increased yields.

Over the last several years, the greenhouse industry in Mexico has continued to make significant advances with respect to its growing expertise and ability to extend its growing season, which continues to put pressure on produce pricing. Mexican growers are continuing to invest in greenhouses and other technology to improve production and yields. As the greenhouse industry is a labor-intensive business, the labor costs are a significant portion of production costs. Mexico has a considerable wage advantage versus the U.S. due primarily to the lower cost of living in Mexico.

The U.S. Federal minimum wage has remained constant since 2009 at US\$7.25 per hour; the Texas prevailing hourly wage for H-2A workers was \$15.55 in 2024. Mexico's minimum wage for 2024 was \$248.93 Mexican pesos a day (plus \$25 Mexican pesos a day for Social Security) or approximately US\$16.40 and increased to \$278.80 Mexican pesos a day (plus \$25 Mexican pesos a day for Social Security) or approximately US\$14.60 per day on January 1, 2025.

Pricing

Prices for vegetables fluctuate depending upon availability of supply and consumer demand. Greenhouse vegetable producers typically command a higher price for their products compared to field producers, as a result of the vegetables' consistent quality, taste, appearance, and year-round availability. This higher price, combined with higher production yields for greenhouse produce, typically offset the higher costs associated with greenhouse production relative to field production. Production costs for greenhouse-grown produce are generally higher due to greater energy, labor, infrastructure, technological requirements, and more intense crop yields per acre. As the fresh produce market share of big box retailers increases, pricing is moving towards more contract pricing for six, nine or even twelve-month periods reducing some of the fluctuations with traditional seasonal pricing. However, contract pricing does not provide volume guarantees.

Intellectual Property

We have registered many trademarks and service marks in the United States, Canada and Mexico. The following is a list of the key trademarks and service marks Village Farms has registered for our produce: Village Farms Logo®, BC Grown Logo®, A Revolution in Flavor®, Baby Beefs®, Blissfully Bright®, Cabernet Estate Reserve®, Cheeky Sweets®, Cherry No.9®, Cherry No.9 Fall in Love Again®, Cosmic Beefsteak™, Delectable TOV®, Exquisite Heirloom®, Fall in Love Again®, From Our House To Your Home®, Garden Fresh Flavor®, Good for the Earth®, Good For, All™, Good Day Sunshine™, Heavenly Villagio Marzano®, Home Choice®, Hydroperfect®, Hydroperfect Campari®, It Takes a Village®, Juicy Beefsteak®, Lip Smackin' Grapes®, Lorabella Blossom®, Maverick Mix®, Mini Sensations®, Savory Roma®, Scrumptious Mini®, Sensational Sara®, Sinfully Sweet®, Sinfully Sweet Campari®, Sweet Bells®, Ture Rebel Mix®, Village Farms®, Village Fields®, Villagio Chef's Pack®, Villagio Magic Mix®, Villagio Marzano® and Where Freshness is Always in Season®.

We also have the following trademarks registered for Pure Sunfarms in Canada: Pure Sunfarms™, Pure Sunfarms BC Grown™, Pure Sun CBD™, Everyday Everywhere™, Everyday Premium™, Farm to Flower™, Flowerhood™, Hit The Gas™, No Sun No Flower™, Plants and People First™, Pure Provisions™, Rise with the Sun™, Sundaises™, Soar™, Soar Cannabis™, The Bakery™, Pure Sunfarms Pink Kush™, Pure Sunfarms Trails™, Purple Sun God™, The Original Fraser Valley Weed Co.™, Super Toast™, Nowadays™, Nowadays CBD™, Weed Grows Better in the Valley™.

We have the following trademarks registered and service marks in the United States, Canada, Europe and/or Costa Rica for Balanced Health: Balanced Health Botanicals®, BOTA®, BOTA Hemp®, CBDefine®, CBDistillery™, CBDistilleryRX®, CBDOL®, CBDMovement™, Gimmick-free CBD®, Natural Beauty-Elevated™, Terpsolate®.

We also have the following trademarks registered for Rose LifeScience in Canada: Rose™, Rose LifeScience™, Rose LifeScienceVie™, DLYS™, Elekt™, Promenade™, Pure Laine™, Six Lunes™, Homage™, Tam Tams™.

Employees

We have approximately 1,400 employees and contract workers throughout all of our segments: Village Farms Fresh, Pure Sunfarms, Rose LifeScience, Balanced Health Botanicals and VF Clean Energy. The majority of our employees and contract workers are employed in our produce and cannabis greenhouse operations. None of our employees are covered by a collective bargaining agreement. We believe that we enjoy a good working relationship with our employees.

Human Capital

We respect diversity and accordingly are an equal opportunity employer that does not discriminate on the basis of race, color, creed, religion, national origin, ancestry, citizenship status, age, sex or gender (including pregnancy, childbirth and related medical conditions), gender identity or gender expression (including transgender status), sexual orientation, marital status, military service and veteran status, physical or mental disability, protected medical condition as defined by applicable state or local law, genetic information, or any other characteristic protected by applicable federal, state, or local laws and ordinances. Our management team is dedicated to ensuring the fulfillment of this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities, access to facilities and programs, and general treatment during employment. We are proud to bring together individuals from a wide breadth of industries, backgrounds, and experiences, and promote a culture of belonging. Additionally, we respect the religious beliefs and practices of all employees and will endeavor to make a reasonable accommodation if those religious beliefs or practices conflict with an employee's job unless the accommodation would impose an undue hardship on the operation of our business.

Paid vacation time is available for all employees in accordance with our Paid Time Off (“PTO”) Policy. In addition to good working conditions and competitive pay, it is our policy to provide a combination of supplemental benefits to all eligible employees. In keeping with this goal, each benefit program has been carefully devised. We provide all full-time employees with life insurance and accidental death & dismemberment (“AD&D”) insurance. Eligible full-time U.S. employees may participate in the Company’s 401(k) savings plan beginning ninety days after the date of hire. Currently, we match a portion of eligible employee contributions.

In Texas, we opted out of the state-run workers’ compensation insurance program. We are self-insured and utilize private insurance to provide benefits to employees in the event of a work-related injury or occupational disease in lieu of workers’ compensation insurance. All employees outside of Texas are covered under our Workers’ Compensation policy, which also covers accidental injuries or illness which occur during working hours or conditions caused by work activities. Both our private insurance and workers’ compensation are paid by us. The private insurer provides for the payment of medical expenses and weekly compensation payments during the period of an employee’s work-related injury or illness, and we reimburse the private insurer in whole. In addition, we maintain stop gap coverage with their private insurance carrier to prevent the liability of a significant claim. We have a long-standing philosophy of taking pride in our practices to ensure the safety, health, and well-being of our employees. To ensure a safe and healthy workplace environment, we have established a program that serves to outline our commitment to this philosophy and we provide guidance to all employees on the standards for compliance.

In Canada, Village Farms, Pure Sunfarms and Rose Life Sciences offer competitive extended health care and dental benefits which include an additional health spending account, a sponsored group retirement savings plan and wellness days.

Social Responsibility

We have stood by our core "Good for the Earth" principles since our inception over 30 years ago. Since our inception, we are guided by a Sustainable Agriculture Policy, which integrates three main goals, environmental health, economic profitability, and social and economic equality. Greenhouse growing is the most environmentally sustainable method of farming due to its ability to preserve natural resources, such as reduced water usage while growing more on less land. In Controlled Environment Agriculture, soil erosion, air pollution, and greenhouse gas emissions are largely neutralized. In addition, our investments in the latest technological advancements, and our ability to produce higher yields per square meter, mean there are more GMO-free products grown with little impact to the environment.

Our greenhouses rely on, and have successfully employed, non-chemical methods for pest control known as Integrated Pest Management, whereas beneficial insects largely alleviate the need for pesticides. Our greenhouses utilize biodegradable coconut fiber or rockwool, not soil, to support the plants in a hydroponic solution, so there is no soil erosion or loss of precious nutrients. Pure Sunfarms’ greenhouses installed blackout curtains to reduce energy consumption, mitigate light pollution and protect ecosystems to minimize the impact to the greater Vancouver area. At all greenhouse facilities, we sterilize and recirculate water numerous times. In Texas, discharged water is used to irrigate an adjacent track of land where a local rancher is then able to graze cattle year-round. In Delta, B.C., Pure Sunfarms collects rainwater throughout the year to minimize the use of external water sources at one of its greenhouses. All the Company’s Delta, B.C. greenhouses utilize renewable hydroelectricity as their main power source.

Rose LifeScience’s indoor controlled growing facility in Quebec was granted environmental rebates from the local government for its energy efficient design. The facility is digitally responsive as the growing rooms are equipped with technology that interprets and responds to the needs of the growers and the plants. The energy-conscious building design helps reduce greenhouse gas emissions and the facility is outfitted with special filtration to reduce odors and minimize any impact to the local community.

BHB is focused on product quality and conducts internal and third-party quality testing across the supply chain and at all stages of the cannabinoid creation process to confirm the purity and concentration of its products. All hemp utilized by BHB is required to be non-GMO, pesticide free and is tested for compliance. BHB is one of thirteen companies awarded U.S. Hemp Authority Certification for its commitment to quality and safety of its products and has also achieved Generally Recognized as Safe designation, an evaluation that its products are recognized as safe for consumption for full-spectrum, broad-spectrum and isolate CBD.

We have memberships in core industry associations such as the United Fresh Produce Association and the Produce Marketing Association, where leaders explore strategies and provide solutions to expand fresh produce consumption and strive to feed a growing world population. Pure Sunfarms is the founder of Cannabis Cultivators of B.C. dedicated to advocating for the growth of a responsible cannabis industry and advancing a favorable social, economic and business environment for cannabis cultivation in B.C. We continue to contribute and distribute fresh produce to help feed those in need, as well as champion volunteer efforts in national food banks, such as Feeding America and Conscious Alliance. Donation efforts to food banks and food pantries are also localized in all the regions where company offices and facilities are located. On a community level, local involvement in organizations such as the Canadian Cancer Society, American Lung Association, Wounded Warrior Fund, NAACP education fund, Rotary clubs, hospitals, and community art outreach activities, are just some of the diverse charitable contributions we support.

Corporate Information

Village Farms is a publicly traded company in the United States on The Nasdaq Stock Market LLC (“Nasdaq”), under the symbol “VFF”. VFF is a corporation existing under the *Business Corporations Act* (Ontario). Our registered corporate address is 75 Wellington St. W. 30th Floor, Toronto, Ontario, Canada M5K 1N2. Our principal executive offices are located at 90 Colonial Parkway, Lake Mary, Florida 32746 (telephone: (407) 936-1190).

VFF’s principal operating subsidiaries as of December 31, 2024 are Village Farms Canada Limited Partnership (“VFCLP”), Village Farms, L.P. (“VFLP”), VF Clean Energy, Inc., Pure Sunfarms, BHB, Rose, and Leli.

We file annual, quarterly, current reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The SEC maintains an internet site that contains our public filings with the SEC and other information regarding Village Farms, at www.sec.gov. We make available free of charge at our website, www.villagefarms.com, all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*, as amended (“Exchange Act”) including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K and amendments to those reports. The information on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered a part of this Annual Report on Form 10-K, and the reference to our website in this Annual Report on Form 10-K is an inactive textual reference only.

We are also a reporting issuer under the securities laws of each of the provinces and territories of Canada and accordingly our public filings with Canadian securities regulators are available under our issuer profile at www.sedarplus.ca.

ITEM 1A. RISK FACTORS

Any of the risks and uncertainties described below could significantly and negatively affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. Additional risks and uncertainties not presently known to us, or risks that we currently consider immaterial, could also impair our business operations or financial condition.

We are providing the following summary of risk factors contained in the Annual Report on Form 10-K to enhance the readability and accessibility of our risk factor disclosures. We encourage you to review the full risk factors in their entirety for additional information regarding the material risks that could adversely affect our business, prospects, financial condition, operating results, or credit ratings, which could cause the trading price of our Common Shares to decline. These risks and uncertainties include, but are not limited to, the following:

Business and Operational Risk Factors

- We may be unable to regain profitability or achieve future growth.
- We are dependent on the success of our Canadian Cannabis business, which has a limited operating history in the cannabis industry.
- Our success depends on our ability to attract and retain customers.
- We are subject to restrictive covenants under our Credit Facilities (as defined in *Liquidity and Capital Resources* below).
- We will need additional financing to maintain and further develop our business.
- We have identified material weaknesses in our internal controls over financial reporting. If we fail to remediate the deficiencies in a timely manner, or at all, our shareholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our Common Shares.
- We face risks associated with the use of debt, including refinancing risk.
- A rise in interest rates would increase our debt service costs and negatively impact our cash flows, as well as add additional burden on our ability to meet our bank covenants.
- There can be no assurance that our previous, current, or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- Our international expansion, including Leli, may heighten our operational risks.
- We may be negatively affected by the use of third-party transportation services for our products.

Industry Risk Factors

- We face risks inherent in an agricultural business.
- The legal cannabis and hemp-derived CBD industries are relatively new, and we cannot predict whether they will continue to grow as anticipated.
- Our Canadian Cannabis business has been negatively affected by, and may continue to be impacted by, cannabis supply and demand fluctuations.
- We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.
- We face significant competition in the cannabis industry.
- Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and CBD industries may further intensify competition.
- Third parties with whom we contract may be concerned about their reputational risks in respect of cannabis.
- Our Canadian and U.S. Cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.
- We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions
- Retail consolidation in the markets in which we participate may negatively affect our operations and profitability.

Legal and Regulatory Risks Factors

- We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.
- Our Canadian and Dutch cannabis operations require licenses to grow, store and sell cannabis.
- Our cannabis operations in Canada are subject to laws, regulations and guidelines related to the cannabis industry including marketing restrictions under the *Cannabis Act*.
- Our cannabis operations in Canada are subject to Canadian supplier standards.
- The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.
- Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition, and results of operations.
- Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.
- Uncertainty in the laws, regulations and guidelines governing cannabis, hemp or cannabis/hemp derived products has adversely impacted our business and may continue to do so in the future.
- Our U.S. Cannabis business is subject to FDA and USDA regulation.
- We may be subject to product liability claims.
- Our greenhouse produce business is subject to extensive regulations.
- We are subject to environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.

Labor and Employment Risks Factors

- Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in both the United States and Canada.

Tax Risk Factors

- If we are classified as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.
- VF Canada GP and VF Canada LP may be deemed to maintain a U.S. permanent establishment for tax purposes.

- Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our website and our financial results.
- The IRS may assert that the Advances by VF Opco to U.S. Holdings was equity in the U.S. borrower for income tax purposes.
- The IRS and Canada Revenue Agency may challenge our transfer pricing.
- U.S. Holdings may be considered a U.S. real property holding corporation, which may result in income and withholding taxes with respect to a distribution by U.S. Holdings to VF Opco.

Common Shares Risk Factors

- The market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.
- Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.
- Our Common Shares may be delisted from the Nasdaq Capital Market if we do not regain compliance with the minimum bid price requirements by April 16, 2025.

General Risk Factors

- We face risks related to cyber security attacks and other incidents.
- Inflation may continue to rise and increase our operating costs.
- It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

BUSINESS AND OPERATIONAL RISK FACTORS

We may be unable to regain profitability or achieve future growth.

Our ability to generate net earnings and return to profitability is based, in part, on our ability to manage our cannabis profit margins and earnings before interest, tax, depreciation and amortization (“EBITDA”), as well as maintaining tomato production at a low-cost structure to increase our produce margins. These margins are dependent upon our ability to sell our products profitably and to be the supplier of choice to our customers. The failure to execute on our low-cost structure in our produce business at favorable margins or an increase in cost of goods or operating costs will have a material adverse effect on the financial condition, results of operations, and cash available.

One of our principal objectives is to pursue operational efficiencies. Profitability depends in significant measure on our ability to, among other things, successfully manage, identify, and implement operational efficiencies. There can be no assurance that we will be successful in managing our cost control and productivity improvement measures. In addition, a failure to achieve a low-cost structure through economies of scale or continue to improve our cultivation and manufacturing processes could have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

Additionally, there is no assurance that the cannabis and hemp-derived CBD industries and markets will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. (see “—Industry Risk Factors” below) Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below). As a result, we may be unable to achieve future growth in these segments.

We are dependent on the success of our Canadian Cannabis business which has a limited operating history in the cannabis industry.

Our Canadian Cannabis business has a limited operating history. Our Canadian Cannabis business is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources. In addition, we have incurred and anticipate that we will continue to incur substantial expenses relating to the development and ongoing operations of our Canadian Cannabis business. The payment and amount of any future dividend and shareholder loan repayments to the Company from Canadian Cannabis business will depend upon, among other things, its available cash flows, after taking into account its operating and capital requirements. There is no assurance that we will be successful in achieving a return on our Canadian Cannabis business and the likelihood of success must be considered in light of the early stage of its operations and heavy tax burden on all Canadian cannabis companies.

Our Canadian Cannabis business may incur losses in the future for a number of reasons, including as a result of unforeseen expenses, regulatory impediments, unforeseen difficulties, complications and delays, the other risks described in these “Risk Factors” and other unknown events. The amount of any future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. Because of the numerous risks and uncertainties associated with producing and selling cannabis and cannabis-derived products, we are unable to accurately forecast operating results to predict when, or if, we will be able to sustain our profitability. If our Canadian Cannabis business is unable to sustain profitability, the market price of our Common Shares may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

The ability of our Canadian Cannabis business to grow will depend on a number of factors, many of which are beyond our control, including, but not limited to, the number of licensed retail cannabis stores, a reduction in excise tax burden, the availability of sufficient debtor capital on suitable terms, changes in laws and regulations respecting the production and sale of cannabis products, competition from other entities licensed under the *Cannabis Act*, its ability to recruit and retain sufficient experienced personnel and its ability to expand into international operations and sales. In addition, our Canadian Cannabis business is subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on our management personnel and likely will require us to recruit additional management personnel, and there is no assurance that we will be able to do so. As the operations of our Canadian Cannabis business grow in size, scope, and complexity and as it identifies and pursues new opportunities, our Canadian Cannabis business may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise).

Our success depends on our ability to attract and retain customers.

Our success depends on our ability to attract and retain customers. There are many factors which could impact our ability to attract and retain customers, including but not limited to the ability to continually grow and distribute desirable produce and cannabis.

For our Canadian and U.S. Cannabis businesses, the successful implementation of a customer acquisition plan and the continued growth in the aggregate number of potential customers are critical to the ability to attract and retain customers. Even if the products of our Canadian and U.S. Cannabis businesses achieve initial retail success, our long-term success is significantly dependent upon the ability to develop new and improved product lines. In addition, we can provide no assurance that campaigns to promote the products of our Canadian and U.S. Cannabis businesses will be successful in attracting customers, and any such campaigns are heavily regulated and can entail significant expense. Our failure to acquire and retain customers and the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets, could have a material adverse effect on our business, operating results and financial condition.

We are subject to restrictive covenants under our Credit Facilities.

Under the terms of our Credit Facilities (as defined in Item 7, “*Liquidity and Capital Resources*” below), we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. On December 31, 2024, we were not in compliance with our financial covenants related to the fixed charge coverage ratio under our Term Loans and accordingly we obtained waivers from FCC for the quarterly and annual tests for the one financial covenants. We were also not in compliance with one of the financial covenants of our FCC Term Loan on December 31, 2023 (the annual testing date) but likewise had obtained a waiver from FCC for our annual 2023 financial covenants. There can be no assurance that we will be in compliance with the future financial covenants and that we will be able to obtain a future waiver from our creditors for any non-compliance in connection with the next testing date.

Generally, non-compliance with our covenants may increase the risk of default on our debt (including by a cross-default to other credit agreements). If we are unable to comply with our debt covenants in the future, we may seek a waiver and/or an amendment(s) from the applicable lenders in respect of any such covenant in order to avoid any breach or default that might otherwise result therefrom. If we default under any of the Credit Facilities and the default is not waived by the applicable lenders, the debt extended pursuant to all of our debt instruments could become due and payable prior to their stated due dates. In addition, a default on all or some portion of the Credit Facilities may result in foreclosure on our collateral, which includes promissory notes, a first mortgage on the owned controlled environment agriculture (high tech greenhouse) properties, and general security agreements over our assets. We cannot give any assurance that (i) our lenders will agree to any covenant amendments or continue to waive any covenant breaches or defaults that may occur under the applicable debt instruments, or (ii) we could pay this debt if any of it became due prior to its stated due date. Accordingly, any default by us under our existing debt that is not waived by the applicable lenders could materially adversely impact our results of operations and financial results and may have a material adverse effect on the trading price of our Common Shares.

We will need additional financing to further develop our business.

The continued operations and development of our business will require additional financing, which may be in the form of future equity securities offerings or any form of debt financing.

For example, on January 26, 2023, we completed a registered direct offering for the purchase and sale of an aggregate 18,350,000 Common Shares at a public offering price of US\$1.35 per Common Share for gross proceeds of approximately US\$25 million coupled with 18,350,000 warrants with an exercise price of US\$1.65 (the “2023 Equity Offering”). Additionally, in 2022 and 2023, we implemented an at-the-market (“ATM”) program through which we sold a total of 3,175,000 shares for proceeds of US\$6.9 million. We will require additional equity financing which may have a dilutive effect and may not be achievable due to market conditions or other reasons. The failure to raise such capital could result in a delay or indefinite postponement of our current business objectives or may require us to cease to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to us.

We are dependent on the availability of financing under our Credit Facilities. Under the terms of our Credit Facilities, we are subject to a number of covenants, including debt service covenants. These covenants could reduce our flexibility in conducting our operations by limiting our ability to borrow money and expanding into new business lines. For more information, see “We are subject to restrictive covenants under our Credit Facilities” below.

We have also provided full recourse guarantees and have granted security interests in respect of the FCC Term Loan with Farm Credit Canada (“FCC”), which matures in May 2027. We are also subject to fluctuations in our working capital on a month-to-month basis, and as a result, we have access to financing under our produce operating loan (“Operating Loan”). On May 24, 2024, the Company entered into an amendment to the Operating Loan, which extended the maturity date of the Operating Loan to May 24, 2027. Consistent with our past practice, we may draw down on revolving credit facilities available under our Operating Loan. An inability to draw down upon our Operating Loan, or to amend or replace the Operating Loan on favorable terms (or at all), could have an adverse effect on our businesses and our financial condition.

Pure Sunfarms has term loans and a revolver loan with a bank syndicate which matures in February 2026 (the “Pure Sunfarms Term Loans”). The bank syndicate loans have quarterly financial covenants; an inability to adhere to these financial covenants could accelerate one or more of the bank syndicate loans which could have a material adverse effect on our cannabis business and our financial condition.

There is no assurance that sufficient financing will be available when needed to allow us to continue as a going concern. The perception that we may not be able to continue as a going concern may also make it more difficult to operate our business due to concerns about our ability to meet our contractual obligations.

We have identified material weaknesses in our internal controls over financial reporting. If we fail to remediate the deficiencies in a timely manner, or at all, our shareholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our Common Shares.

Section 404 of the Sarbanes-Oxley Act (“SOX 404”) requires that our management assess and report annually on the effectiveness of our internal controls over financial reporting and identify any material weaknesses in our internal controls over financial reporting. In connection with our management's assessment of internal controls over financial reporting as of December 31, 2024, we identified material weaknesses in our risk assessment component of internal control over financial reporting that resulted in a failure to effectively design and implement sufficient internal controls related to our information technology general controls (“ITGCs”) in the areas of user access and program change-management over the information technology (“IT”) system that is utilized to support the Produce segment's financial reporting processes. Specifically, under our existing ITGCs, we determined that there were insufficient controls to limit user access to this system and to enable oversight of changes being made to the financial inputs under this system. As a result, business process controls (automated and manual) that are dependent on and use information produced from the affected ITGCs were also deemed ineffective because they could have been adversely impacted by any inappropriate user access or financial input changes. In addition, we identified a material weakness in our internal control over financial reporting related ineffective internal controls over the review of journal entries by individuals separate from the preparer. See Item 9A of this Annual Report on Form 10-K. We had also identified a material weakness as of December 31, 2023 that was remediated during 2024. Although these material weaknesses have not resulted in any error corrections in the Company's financial statements, we can provide no assurance that, if we make any miscalculations or errors in the future, our internal controls over financial reporting will be able to catch and or rectify such errors. In addition, although we intend to remediate these material weaknesses in 2025, we can provide no assurance that remediation will be completed during the year. Accordingly, we may be at risk of making a material misstatement in our financial reporting which would harm our business and could negatively impact the price of our Common Shares.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; and in that case, our shareholders could lose confidence in our financial reporting, which would harm our business and could negatively impact the price of our Common Shares. While we believe that we have sufficient personnel and review procedures to allow us to remediate the above-mentioned material weaknesses and maintain an effective system of internal controls in the future, we cannot assure you that we will not experience additional material weaknesses in our internal controls.

Even if we are able to remediate the outstanding material weaknesses, because of the inherent limitations of internal controls, our internal controls over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our results of operations, or cause us to fail to meet our future reporting obligations.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with SOX 404 is costly and challenging, and we may not be able to complete evaluation, testing, and any required remediation in a timely fashion. If we fail to remediate the material weaknesses in a timely manner, or at all, and are unable to achieve adequate internal control over financial reporting in the future, we may not be able to produce reliable financial reports or help prevent fraud, which could prevent us from complying with our reporting obligations on a timely basis, which could result in the loss of investor confidence in the reliability of our consolidated financial statements, harm our business and negatively impact the trading price of our Common Shares.

We face risks associated with the use of debt, including refinancing risk.

We rely on borrowings under our Credit Facilities, and term loans to finance acquisitions and for general corporate purposes. Given prevailing market conditions and general volatility, circumstances may arise in which we may not be able to obtain debt financing in the future on favorable terms, or at all. If we are unable to borrow under our Credit Facilities, obtain new debt financing or to refinance existing debt, our financial condition and results of operations would be adversely affected. Similarly, global equity markets have experienced significant price volatility and liquidity disruptions in recent years, and similar circumstances could significantly and negatively impact liquidity in the financial market in the future. Any disruption could negatively impact our ability to access additional financing on reasonable terms or at all.

We anticipate that only a small portion of the principal of our currently outstanding debt, if any, will be repaid prior to maturity. Therefore, we are likely to need to refinance a significant portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow may not be sufficient to repay all maturing debt in years when payments come due. The materialization of any of the foregoing risks would adversely affect our financial condition and results of operations.

Our operations require certain key inputs, including raw materials and energy, and we are subject to their costs, tariffs, and potential supply disruptions.

Our business is dependent on a number of key inputs and their related costs including raw materials, packaging materials and supplies related to our growing operations, as well as electricity, water, and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our business, financial condition, and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition, and operating results. Our controlled environment agriculture operations consume considerable energy for heat and carbon dioxide production and are vulnerable to rising energy costs. Energy costs have shown volatility, which has and may continue to adversely impact our cost structure. Should the cost of energy rise, and should we face difficulties in sustaining price increases to offset the impact of increasing fuel costs, gross profit margins could be adversely impacted.

In addition, our Canadian cannabis cultivation operations consume considerable energy, making it vulnerable to rising energy costs and power outages. Rising or volatile energy costs may adversely impact our business, and our Canadian cannabis operations could be significantly affected by a prolonged power outage.

We may be unable to manage our growth successfully.

We may not be able to successfully manage our growth. Our growth strategy will place significant demands on our financial, operational and management resources. In order to manage our growth, we will need to add administrative, management and other personnel, and make additional investments in operations and systems. We may not be able to locate and train qualified personnel, or do so on a timely basis, or expand our operations and systems to the extent, and in the time, required. In addition, we face additional risks as we grow internationally. See “—Our international expansion, including through Leli, may increase our operational risks.” below.

In particular, we may not have the capacity to meet customer demand or to meet future demand when it arises in respect of our Canadian and U.S. Cannabis businesses. In addition, delays in obtaining, or conditions imposed by, regulatory approvals and quality control and health concerns in respect of these businesses could have a negative effect on our growth strategy. If we cannot manage growth in these markets effectively, it may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

In addition, we will need to effectively execute on business opportunities and continue to build on and deploy corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisitions and to capitalize on other growth opportunities may redirect our limited resources. This may require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance we will be able to respond adequately or quickly enough to the changing demands that material expansion of our business will impose on management, team members and existing operations and systems, and changes to our operating structure may result in increased costs or inefficiencies that we cannot anticipate. Changes as we grow may have a negative impact on our operations, and cost increases resulting from our inability to effectively manage our growth could adversely impact our profitability. In addition, continued growth could also strain our ability to maintain reliable service levels for our clients, develop and approve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel.

Failure to effectively manage our growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations. There can be no assurance that we will effectively be able to manage our expanding operations, including any acquisitions, that our growth will result in profit, that we will be able to attract and retain sufficient management personnel necessary for growth or that we will be able to successfully make strategic investments or acquisitions.

In addition, acquisitions of additional businesses that we may pursue in the future may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. Any debt financing secured in the future could involve additional restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including other future potential acquisitions.

Our operations are subject to natural catastrophes.

Our operations may be adversely affected by severe weather including wind, snow, hail, and rain, which may result in our operations having reduced harvest yields due to lower light levels, or a more catastrophic event as occurred at our Marfa, Texas facilities on May 31, 2012, when we lost three of our operating greenhouses to a short but powerful hailstorm. Although we anticipate and factor in certain periods of lower than optimal light levels, extended periods of severe or unusual light levels may adversely impact our financial results due to higher costs and missed sales opportunities arising from reduced production yields.

From February 13-17, 2021, a major winter and ice storm with extremely cold temperatures impacted parts of the United States and Canada and in particular Texas. The unprecedented winter storm caused electricity demand in Texas to increase dramatically as Texas facilities were not built for such climate conditions. The storm caused major problems with sources of electricity, due to frozen wind turbines, natural gas production losses, and power generator outages, leading to a short-term situation in which demand vastly exceeded supply within the Texas power grid, which is not connected to the larger U.S. power grid. The loss of fuel supply and power generating capacity forced the Electric Reliability Council of Texas (“ERCOT”), the nonprofit grid operator, to declare an Energy Emergency Alert Level 3 and begin rotating power outages. Throughout the 5-day emergency period, the real-time price for electricity elevated to the maximum allowable price of \$9,000 per MWh, which is more than 100 times higher than the prices observed in early February 2021 and historical February pricing. In order to mitigate future price instability, in winter months, we have initiated fixed contracts for a significant portion of its anticipated electricity requirements at all our Texas facilities. In addition, we reassessed our back-up systems to ensure that the greenhouses have enough capacity to produce the required electrical output if an outage occurs again in the future. While we maintain fixed contracts for a portion of our anticipated electricity requirements and have improved back-up systems, the impact of a future similar event may adversely impact our business operations and financial condition.

Our business operations, some of which are located on the British Columbia coast, are located in an area that is geologically active and considered to be at risk from earthquakes and volcanic eruptions. Our earthquake and volcanic eruption deductible are 10% of our loss caused by the earthquake or volcanic eruption, subject to a maximum deductible of C\$5,000,000. In addition, climate change over time is predicted to lead to changes in the frequency of storm events as well as their severity. We are unable to predict the impact of climate change on our business. Our Texas facilities, due to our claim in respect of the May 31, 2012 hailstorm, are also subject to high deductibles as well as a total claim limit that if all four facilities were simultaneously impacted by the same storm or catastrophic event may result is less than adequate coverage. While we maintain insurance coverage, we cannot predict that all potential insurable risks have been foreseen or that adequate coverage is maintained against known risks.

We may suffer from uninsured and underinsured losses.

We maintain insurance coverage in respect of our potential liabilities and the accidental loss of value of our assets from risks, in those amounts, with those insurers, and on those terms as we consider appropriate to purchase and which is readily available, taking into account all relevant factors including the practices of owners of similar assets and operations, as well as costs.

However, not all risks are covered by insurance or the insurance may have high deductibles, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or our operations and loss payments may not be as timely and responsive as our working capital needs require.

In particular, because our Canadian Cannabis business is engaged in and operate within the cannabis industry, there are exclusions and additional difficulties and complexities associated with obtaining insurance coverage that could cause us to suffer uninsured losses, which could adversely affect our business, results of operations, and profitability. Further, our insurance coverage is subject to coverage limits and exclusions and may not be available for the risks inherent in the business. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could impede liquidity, profitability, or solvency.

In addition, damage caused by an accidental or natural disaster to any or all of our key production facilities may result in significant replacement costs and loss of business that may not be fully recoverable or is subject to a high deductible (such as an earthquake or volcanic eruption in British Columbia) under any insurance policy. Furthermore, we do not carry crop loss insurance, and accordingly, we would have to bear the cost of any significant losses related to crop losses in the future.

There can be no assurance that our previous, current or potential future acquisitions, joint ventures, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.

We have made, and may in the future make, acquisitions, joint ventures and investments with third parties that we believe will complement or augment our existing business. Our ability to identify and complete these acquisitions is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions, joint ventures and third-party investments could present unforeseen integration obstacles or costs, may not enhance our business, and/or may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions. Acquisitions, joint ventures, investments or expansion of scope of existing relationships could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that these transactions will achieve the expected benefits to our business. For example, in 2024 we commenced the Delta RNG Project through our partnership with Terra Resources, and we completed construction of one of our operations of the Dutch cannabis facilities owned by Leli. We can provide no assurance that we will achieve the anticipated benefits from these ventures. The inability of our acquired business, joint ventures and third-party investments to perform as expected could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that future mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions will be consummated or have a positive impact on our business, prospects, financial condition, or results of operations.

Historically, our senior management and board have been engaged in discussions surrounding the strategic direction of the Company in light of, among other things, the rapid growth and substantial changes in the cannabis industry and the other businesses in which we operate. As part of these discussions, our senior management and board from time to time have considered, and may consider in the future, various transactions in the context of our long-term business plan, including mergers, acquisitions, divestitures, alliances, joint ventures, investments or other strategic transactions. We have also been approached from time to time by parties wishing to discuss potential commercial or acquisition opportunities. In certain cases, we have entered into confidentiality agreements with third parties under which we have provided certain non-public information to those parties. In particular, we are currently exploring options to sell certain assets in our Produce business, including an ongoing sale process for our Monahans (Permian Basin, Texas) greenhouse facility.

We can provide no assurance that any such discussions will result in a transaction or that any such transaction ultimately will have a positive impact on our business, prospects, financial condition, or results of operations.

Our business and operating results rely on effective quality control.

The quality and safety of our products are critical to the success of our business and operations. As such, it is imperative that our (and our service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by potential design flaws, the quality training program, and adherence by employees to quality control guidelines. Although we strive to ensure that all of our service providers have implemented and adhered to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on our business and operating results.

Our products may be subject to recalls.

Manufacturers of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although we have put in place detailed procedures for testing our products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for products and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada, the U.S. Food and Drug Administration (“FDA”) and other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Any product recall affecting the cannabis industry more broadly, whether or not involving us, could also lead consumers to lose confidence in the safety and security of the products sold by entities licensed under the *Cannabis Act* generally, including the cannabis products sold by our Canadian Cannabis business.

Our international expansion, including through Leli, may increase our operational risks.

Any expansion by us into jurisdictions outside of Canada and the United States is subject to additional risks, including political, economic, legal, and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis, cannabis-derived products, hemp, or CBD, political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis, hemp and CBD businesses more generally. Leli and its cultivation license are subject to the continued support by the government of the Netherlands for the previously passed legislation - 2017-2021 Coalition Agreement (further ratified by the 2021-2025 Coalition Agreement) - called The Controlled Cannabis Supply Chain Experiment. Recently, a proposal to put the experiment on hold until a new cabinet is seated did not pass. If the experiment was ended prematurely, the Company would suffer a material loss on its investment.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these international jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability related to international operations in these countries. Specifically, operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

Our competitive position may be affected by technological advances.

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize our business, particularly in the cannabis market. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render our cannabis products obsolete, less competitive, or less marketable. The process of developing our cannabis products is complex and requires significant continuing costs, development efforts and third-party commitments. If we fail to develop new technologies and products and address the obsolescence of existing technologies, our business, prospects, financial condition, results of operations and cash flows may be adversely affected. In addition, it is possible that more economical or efficient greenhouse production technology than what we currently use will be developed, thereby potentially adversely affecting our competitive position.

We may be unable to anticipate changes in our customer requirements for our cannabis that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed. The development of our proprietary technology entails significant technical and business risks, and may require significant continuing costs, development efforts and third-party commitments.

We may not be successful in using new technologies or exploiting niche markets effectively or adapting our cannabis business to evolving customer or medical requirements or preferences or emerging industry standards. This may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We face risks related to intellectual property.

The ownership, licensing and protection of trademarks and other intellectual property rights are significant aspects of our future success. It is possible that we will not be able to register, maintain registration for or enforce all of our intellectual property, including trademarks, in all key jurisdictions. The intellectual property registration process can be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner or may obtain intellectual property registrations which are invalid. It is also possible that we will fail to identify patentable aspects of inventions made in the course of their development and commercialization activities before it is too late to obtain patent protection for them. Further, changes in either intellectual property laws or interpretation of intellectual property laws in the U.S, Canada and other countries may diminish the value of our intellectual property rights or narrow the scope of our intellectual property protection. As a result, our current or future intellectual property portfolio may not provide us with sufficient rights to protect our business, including our products, processes, and brands.

Termination or limitation of the scope of any intellectual property license may restrict or delay or eliminate our ability to develop and commercialize our products, which could adversely affect our business. We cannot guarantee that any third-party technology we license will not be unenforceable or licensed to our competitors or used by others. In the future, we may need to obtain licenses, renew existing license agreements in place at such time or otherwise replace existing technology. We are unable to predict whether these license agreements can be obtained or renewed, or the technology can be replaced on acceptable terms, or at all.

Unauthorized parties may attempt to replicate or otherwise obtain and use our products, brands, and technology. Policing the unauthorized use of our current or future trademarks, patents or other intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries and black-market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of our trademarks or other intellectual property rights or other proprietary know-how, or those we license from others, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed; may be interpreted narrowly; or could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that our products, or those it licenses from others, infringe on their intellectual property, including their proprietary or patent protected rights. Such claims, whether meritorious or not, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders, or require the payment of damages. As well, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us, or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses, or other rights with respect to intellectual property that we do not own.

We also rely on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. Our trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to, or be independently developed by competitors, which could adversely affect us.

We may be negatively affected by the use of third-party transportation services for our products.

Due to the perishable and premium nature of our produce products, we depend on fast and efficient transportation to distribute our products. Any prolonged disruption of this transportation network could have an adverse effect on our financial condition and results of operations. In addition, the use of third-party transportation services can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by us. Any delay by third party transportation services may adversely affect our financial performance. In addition, rising costs associated with third-party transportation services used by our produce business to ship our products may also adversely impact our profitability, and more generally our business, financial condition, results of operations and prospects.

Canadian adult-use distribution rules take various forms on a province-by-province basis and often require our cannabis business to employ third parties to deliver to central government sites. Any prolonged disruption of third-party transportation services could have a material adverse effect on our Canadian cannabis sales volumes or end- users' satisfaction with the products of Pure Sunfarms or Rose LifeScience. Rising costs associated with third-party transportation services used by Pure Sunfarms or Rose LifeScience to ship our products, including internationally, may also adversely impact our profitability, and more generally our business, financial condition, results of operations and prospects.

Moreover, security of the product during transportation to and from our Canadian cannabis facilities is critical due to the nature of the product. A breach of security during transport could impact our future ability to continue operating under our Licenses or the prospect of renewing our Licenses and could have a material adverse effect on our business and results of operations.

INDUSTRY RISK FACTORS

We face risks inherent in an agricultural business.

Our revenues are derived from the growing of agricultural products, including cannabis and produce. As such, we are subject to the risks inherent in an agricultural business, such as weather, insects, plant and seed diseases, shortage of qualified labor and similar agricultural risks, which may include crop losses, for which we are not insured. There can be no assurance that natural elements or labor issues will not have a material adverse effect on any such future production. Although our vegetables and Canadian cannabis products are grown in climate-controlled greenhouses, and we carefully monitor the growing conditions within our greenhouses and retain experienced production personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of these products. Any such agricultural risks could have a material adverse effect on our business, prospects, financial condition, results of operations and our cash flows.

In particular, cannabis plants can be vulnerable to various pathogens including bacteria, fungi, viruses, and other miscellaneous pathogens. Such instances often lead to reduced crop quality, reduced potency, stunted growth and/or death of the plant. Moreover, cannabis is phytoremediative, meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals, and other compounds that may be present in agricultural materials. If the cannabis of Pure Sunfarms or Rose LifeScience is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the Canadian cannabis product may not be suitable for commercialization and Pure Sunfarms or Rose LifeScience may have to destroy the applicable portions of our crops. Crops lost due to pathogens, toxins, chemicals, or other undesirable compounds may have a material adverse effect on our business and financial condition.

Our tomato plants are vulnerable to the tomato brown rugose fruit virus (“ToBRFV”). All of our tomato facilities have been negatively impacted by ToBRFV over the past several years, except for Delta 2, which only recently resumed tomato production. ToBRFV is an identified virus affecting tomatoes, peppers and possibly other plants. ToBRFV can be transmitted mechanically and spread between plants or on contaminated tools, clothes or hands and may not be able to be eradicated even with a complete facility clean out, including multiple sanitations with disinfectants known to be effective on the ToBRFV. ToBRFV leads reduced crop quantity, ending a crop cycle early or can result in the loss of an entire crop in one of our greenhouse facilities. In addition, delivery of tomato crops across the U.S.-Mexico and U.S.-Canada borders encounters additional inspections due to ToBRFV and those crops may be denied entry. Crops lost to ToBRFV may have a material adverse effect on our business and financial condition. Produce seed companies are in the process of developing tomato varieties that are resistant to ToBRFV; however, we can provide no assurance as to the effectiveness of such varieties. ToBRFV-resistant varieties will also need to be commercially viable with respect to yields and taste. In addition, we have implemented procedures to mitigate the spread of ToBRFV within our greenhouses. However, it will be several years before the negative impact of ToBRFV on the tomato industry is resolved and even with mitigation the virus may have a material adverse effect on our results of operations.

In addition, our operations may be adversely impacted by a significant water shortage, such as a severe drought. A significant water shortage in the regions in which our facilities are located could adversely affect our crop yield.

The legal cannabis and hemp-derived CBD industries are relatively new, and we cannot predict whether they will continue to grow as anticipated.

As federal License Holders under the Cannabis Act, our Canadian Cannabis business (specifically, Pure Sunfarms and Rose LifeScience) is operating in the relatively new cannabis industry and market in Canada, and our U.S. Cannabis business is operating in the relatively new hemp-derived CBD industry and market. In addition to being subject to general business risks, we must continue to build brand awareness in these industries and market share through significant investments in our strategy, production capacity, quality assurance and compliance with regulations. Research in Canada, the United States and internationally regarding the health benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in relatively early stages. Few clinical trials on the benefits of cannabis or isolated cannabinoids have been conducted. Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the health benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for our cannabis and cannabinoid products.

Accordingly, there is no assurance that the cannabis and hemp-derived CBD industries and markets will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management’s expectations and assumptions. Furthermore, we can provide no assurance that high-THC cannabis will ever become federally legal in the United States, and regulatory treatment of CBD in the United States remains uncertain (see “—Legal and Regulatory Risk Factors” below).

Any event or circumstance that adversely affects the cannabis and hemp-derived CBD industries could have a material adverse effect on our business, financial condition, and results of operations.

Our Canadian Cannabis business has been negatively affected by and may continue to be impacted by cannabis supply and demand fluctuations.

Entities licensed under the *Cannabis Act* have most recently and may continue to produce more cannabis than the current adult-use demand. In order to meet the initial adult-use demand, Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* built special purpose cultivation facilities with additional production capacity to be licensed. Recently, due to oversupply within the industry, some federal Licensed Producers are reducing capacity by shuttering cultivation facilities and others are filing under the Companies' Creditors Arrangement Act of Canada. Adult use demand for cannabis products is dependent on a number of social, political, and economic factors that are beyond our control including the pace of new retail cannabis stores. In addition, the initial demand that has been experienced following legalization in Canada may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization.

Over the past couple of years, Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* are producing more cannabis than is needed to satisfy the collective demand of the Canadian adult-use markets. As a result, the available supply of cannabis exceeds demand, resulting in a significant decline in the market price for cannabis. These circumstances have negatively affected the Canadian Cannabis business and for fiscal 2022, the Company recorded an inventory write-down of \$11,038 which was the result of carrying lower potency bulk flower inventory that was harvested prior to 2022 at a historical cost that was above the net realizable value at December 31, 2022. Historically, the Company sold its bulk flower inventory in both the retail (higher pricing) and wholesale channels (lower pricing) at an average price in excess of its historical cost. In the fourth quarter of 2022, the Company's older lower potency bulk flower was no longer held for sale in the retail channels, but was sold in the oversupplied and much lower priced wholesale channel at an average price below the Company's historical cost, and the Company continued to use this inventory for its own cannabis derivative products. As the average weighted selling price for the older lower potency bulk flower in the fourth quarter of 2022 was below the Company's historical cost, the Company was required to write down the value of its older lower potency bulk flower inventory, which resulted in the inventory write-down of \$11,038. While the over production of cannabis has been curtailed more recently by Pure Sunfarms and Rose, due to the shelf life of cannabis there is no assurance that Pure Sunfarms or Rose LifeScience would be able to generate sufficient revenue from the sale of adult-use cannabis to be profitable and accordingly, it remains possible that the Company may record additional inventory write-downs in the future, which may materially and adversely affect our results of operations. Ultimately, Canadian adult-use market demand and supply may not be sufficient to support our current or future products or business.

In addition, our Canadian Cannabis business competes against illicit cannabis producers who are not subject to the same tax regime, regulations and costs. Supply, often at lower prices, from non-licensed producers also impacts market pricing and overall supply-demand dynamics.

We may be negatively affected by unfavorable publicity, adverse scientific findings and/or negative consumer perception of cannabis.

We believe that the cannabis and CBD industries are highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis or CBD products distributed to consumers. Such categories of products, having previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that our business might attract negative publicity. Perception of the cannabis or CBD industry and products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis or cannabinoid products, including unexpected safety or efficacy concerns arising with respect to cannabis or cannabinoid products or the activities of industry participants.

There can be no assurance that future scientific research, findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention or other research findings or publicity will be favorable to the cannabis or CBD markets or any particular cannabis or cannabinoid products or will be consistent with earlier publicity. Adverse future scientific research reports, findings, regulatory investigations or proceedings, and political statements, that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our Canadian cannabis or cannabinoid products. There is little long-term data with respect to side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the cannabis or cannabinoid products of our Canadian and U.S. Cannabis businesses could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis or CBD, our Canadian and U.S. Cannabis business' current or future products, the use of cannabis or CBD for medical purposes or associating the consumption of cannabis or CBD with illness or other negative effects or events, could adversely affect us.

This adverse publicity could arise even if the adverse effects associated with cannabis or cannabinoid products resulted from consumers' failure to use such products legally, appropriately, or as directed.

There is also a risk that the actions of other entities licensed under the Cannabis Act or of companies and service providers in the cannabis or CBD industries may negatively affect the reputation of the industry as a whole and thereby negatively impact our reputation. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share negative opinions and views regarding our activities and the cannabis or CBD industries in general, whether true or not.

Although we believe that we operate in a manner that is respectful to all stakeholders and that we take care in protecting our image and reputation, we do not ultimately have direct control over how we or the cannabis or CBD industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our projects, thereby having a material adverse impact on our financial performance, financial condition, cash flows and growth prospects.

We face significant competition in the cannabis industry.

Our Canadian Cannabis business faces significant competition from business entities and individuals who are licensed under the *Cannabis Act* to participate in the adult-use cannabis industry. The *Cannabis Act* has established a licensing regime for the production, testing, packaging, labeling, delivery, transportation, distribution, sale, possession, and disposal of cannabis for adult-use. Health Canada continues to accept and award new licenses under the *Cannabis Act* for all cannabis activities.

If Pure Sunfarms or Rose LifeScience are unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our anticipated addressable market may be reduced, and could adversely affect our ability to meet our business and financial targets, and our results of operations may be adversely affected.

Our Canadian Cannabis business also faces competition from existing entities licensed under the *Cannabis Act*. Certain of these competitors have significantly greater financial, production, marketing, research and development and technical and human resources than we do. As a result, our Canadian cannabis competitors may be more successful in gaining market penetration and market share. The commercial opportunity for our Canadian Cannabis business in the adult-use market could be reduced or eliminated if our competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our Canadian cannabis products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our Canadian cannabis products and receive more favorable publicity than our Canadian cannabis products. If our Canadian cannabis adult-use products do not achieve an adequate level of acceptance by the adult-use market, we may not generate sufficient revenue from these products, and our adult-use business may not sustain its profitability.

If the number of users of cannabis in Canada increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, our Canadian Cannabis business will require a continued level of investment in research and development, marketing, sales, and operations. Our Canadian Cannabis business may not have sufficient resources to maintain research and development, marketing, sales, and operations efforts on a competitive basis which could materially and adversely affect our business, financial condition, and results of operations.

Subject to certain restrictions, the *Cannabis Act* allows adults to cultivate, propagate, harvest, and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. Although there are barriers to personal cultivation, including the start-up costs of obtaining equipment and materials to produce cannabis, depending on the number of consumers who choose to pursue personal cultivation, there could be significant competition from individual growers for our Canadian cannabis segment products.

Our Canadian Cannabis business also faces competition from illegal cannabis operations that are continuing to sell cannabis to individuals, despite not having a valid license under the Cannabis Regulations. We do not expect the Canadian government to actively enforce current laws against the illegal cannabis operations, but rather over the course of time, the Canadian government expects legal operators to force the closure of the illegal cannabis operations due to economic factors. Furthermore, given the restrictions on regulated retail cannabis as well as higher costs and taxes for regulated products, it is possible that legal cannabis consumers revert to the illicit market as a matter of convenience and/or price.

Increasing legalization of cannabis and rapid growth and consolidation in the cannabis and CBD industries may further intensify competition.

The cannabis and CBD industries are undergoing rapid growth and substantial change, and the legal landscape for recreational cannabis and CBD is rapidly changing internationally.

An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of recreational cannabis and other cannabinoid-containing product, such as CBD, in some form. Entry into the cannabis and cannabinoid market in which we participate by international competitors, including that enabled by potential change in existing regulations restricting such entry, might increase competition and lower the demand for the products of Canadian and U.S. Cannabis businesses on a global scale.

The foregoing legalization and growth trends in the cannabis and CBD industries have resulted in an increase in competitors, consolidation and formation of strategic relationships. Such acquisitions or other consolidating transactions could harm us in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue, and market share, or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis and CBD industries may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

Third parties with whom we contract may be concerned about their reputational risks in respect of cannabis.

The parties with whom we do business, or would like to do business with, may perceive that they are exposed to reputational risk as a result of our business activities relating to cannabis, which could hinder our ability to establish or maintain business relationships. These perceptions relating to the cannabis industry may interfere with our relationship with service providers in the United States and Canada, as well as other countries, particularly in the financial services and insurance industries.

Our Canadian and U.S. Cannabis businesses are subject to cannabis-related security breaches, which could result in significant losses.

Given the nature of the products and the limited legal channels for distribution of our Canadian and U.S. Cannabis business products, as well as the concentration of inventory in our facilities, despite meeting or exceeding regulatory security requirements (including those of Health Canada), there remains a risk of inventory shrinkage due to theft and other security breaches. A security breach at one of our facilities could result in a significant loss of available product and could expose us to additional liability under applicable regulations and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the products of Pure Sunfarms or Rose LifeScience, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our revenues may be impacted by fluctuating demand for our products.

Our revenues will in large part be derived from the production, sale, and distribution of agriculturally based consumer goods – specifically tomatoes, peppers, cucumbers, cannabis and hemp-derived cannabinoids. The price of production, sale and distribution of these goods will fluctuate widely primarily due to, the natural economic balance of demand versus supply, as well as the impact of numerous factors beyond our control including international, economic, and political trends, expectations of inflation, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effects of these factors on the price of our goods and, therefore, the economic viability of our business, cannot accurately be predicted and may have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

The produce, cannabis and CBD industries are highly competitive and sensitive to changes in demand and supply. The price of our products is affected by many factors including control of the distribution channel by large, big box retailers (for produce), control of the distribution channel by provincial boards (for Canadian cannabis), quality and general economic conditions, all of which could have a material adverse effect on our results of operations and financial condition. Demand for our products is subject to fluctuations resulting from adverse changes in general economic conditions, evolving consumer preferences, nutritional and health-related concerns and public reaction to food spoilage or food contamination issues. General supply of all our goods is subject to fluctuations relating to weather, insects, plant disease and changes in greenhouse acreage. There can be no assurance that consumption will increase or that present consumption levels will be maintained. If consumer demand for our products decreases, our financial condition and results of operations may be materially adversely affected.

We may be negatively affected by the customer and vendor credit risk.

Because of the recent volatility in the nascent cannabis and CBD sector generally, certain customers and vendors of our Canadian and U.S. Cannabis businesses may encounter financial difficulties that could result in those entities being unable to collect some or all of their accounts receivable from their customers and possibly the inability to obtain certain products sourced outside of our own facilities.

Accordingly, we are subject to credit risk in relation to accounts receivable with the spot market, other wholesale or retail customers and LPs.

Disputes with customers may arise in the future relating to the non-payment of accounts receivable and may escalate to litigation or other dispute resolution processes, which could be protracted, time consuming and expensive, and there can be no assurance that we will be successful in any such disputes. The foregoing could have a material adverse impact on our business, financial condition, results of operations and prospects.

We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions.

Our Canadian and U.S. produce is actively sold cross-border. In addition, we utilize third party suppliers to grow and distribute produce from Canada and Mexico. Markets in the United States, Canada and Mexico may be affected from time to time by trade rulings and the imposition of customs, duties, and other tariffs. The new President of the United States of America has imposed a 25% tariff on all Canadian exports to the US. Changes or developments in U.S. laws and policies, such as laws and policies surrounding U.S. domestic economic policies, including the Inflation Reduction Act of 2022, as well as international trade, foreign affairs, manufacturing and development and investment in the territories and countries where we operate, can materially adversely affect our business and financial condition. These changes in U.S. administrative policy may result in significant increases in tariffs for imported goods, among other possible changes. There also are risks associated with retaliatory tariffs and resulting trade wars. The imposition of such tariffs or other similar trade restrictions may strain international trade relations and increase the risk that foreign governments implement retaliatory tariffs on goods imported from the United States. The imposition of such tariffs or other similar trade restrictions may also be inflationary, which could cause the cost of inputs to increase and interest rates to rise and create further uncertainty and volatility in the market, which may have a material adverse effect on our business and financial statements.

There can be no assurance that our financial condition and results of operations will not be materially adversely affected by trade rulings and the imposition of customs duties or other tariffs in the future. Furthermore, there is no assurance that further trade actions will not be initiated by U.S. producers of greenhouse or field grown vegetables. Any prolonged disruption in the flow of our product across the U.S.-Canada and U.S.-Mexico border (which would be exacerbated by tariffs and/or trade restrictions) could have an adverse effect on our financial condition and results of our produce operations.

Our Canadian Cannabis business exports certain products to international markets (currently Germany, the U.K., Australia and Israel) and may export products to other international markets in the future. International markets are subject to substantially similar regulatory and international demand and supply risks that our Canadian cannabis business is subject to in Canada.

Retail consolidation in the markets in which we participate may negatively affect our operations and profitability.

Our top ten produce customers accounted for approximately 52% and 57% of total produce revenue for the years ended December 31, 2024 and 2023, respectively. As a result of continuing consolidation of the retail grocery industry, our U.S. retail customers grow larger and become more sophisticated enabling them to demand lower pricing, special packaging or varieties as well as increased promotional programs. If we are unable to use our scale, marketing expertise and market leadership position to respond to these trends, such retail consolidation may have a material adverse effect on our financial condition and results of operations.

Our Canadian cannabis business is focused on recreational (adult-use) sales which are primarily sold through the various Provincial boards who are effectively the sole wholesaler in their respective Provinces. As such, we had a concentration of adult-use branded sales to our three biggest provincial boards for the years ended December 31, 2024 and 2023 of 93% and 93%, respectively. If we are unable to sell to these provincial boards in the future for any reason, we expect that our revenues would decline and our results of operations would be negatively affected, and the impact on our overall results could be material.

LEGAL AND REGULATORY RISK FACTORS

We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business.

There is substantial uncertainty concerning the legal status of U.S. hemp and U.S. hemp products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids. The status of products derived from the cannabis or hemp plant, under both federal and state law can depend on the THC content of the plant or derivative (including whether the plant meets the statutory definition of “industrial hemp” or “hemp”), the part of the plant from which an individual or entity produces the derivative (including whether the plant meets the statutory definition of “marihuana” under the CSA), the THC concentration during the manufacturing process, whether the cultivator, processor, manufacturer or product marketer engages in cannabis-related activities for research versus purely commercial purposes, as well as the form and intended use of the product. The mere presence of a cannabinoid (such as CBD) is not dispositive as to whether the product is legal or illegal. Under U.S. federal law, products containing CBD may be unlawful if derived from U.S. Schedule I cannabis (including hemp with a concentration greater than 0.3% THC on a dry weight basis), or if derived from U.S. hemp grown outside the parameters of an approved U.S. hemp pilot program or U.S. hemp cultivated in violation of the 2018 Farm Bill. Even after enactment of the 2018 Farm Bill, the DEA may not treat all products containing U.S. hemp-derived ingredients, including CBD and other cannabinoids, as exempt from the CSA. In September 2020, the DEA issued an interim final rule that purported to align the DEA’s regulations with the statutory changes to the CSA made effective by the 2018 Farm Bill.

The DEA received a number of comments objecting to the interim final rule, and the interim final rule has been the subject of litigation. However, the litigation was dismissed by the D.C. Circuit Court in June 2022. If the DEA takes action against participants in the U.S. hemp industry, this could cause our customers to lose confidence in our products, which could have a material and adverse effect on our business, financial condition and results of operations.

In August 2023, the HHS recommended that the DEA move marijuana from Schedule I to Schedule III under the CSA, and the rulemaking process remains ongoing and subject to legal challenges. There can be no assurances that the rulemaking process will continue or that moving marijuana from Schedule I to Schedule III will ever occur, and the impacts of any such rule on our business and competitive position are unclear. For example, rescheduling marijuana from Schedule I to Schedule III may be accompanied by additional regulatory obligations as prerequisite to participate in the U.S. market, and it may provide a greater benefit to the businesses of our competitors than our business, including by providing favorable tax treatment to their U.S. operations. The rescheduling of marijuana from Schedule I to Schedule III could result in significant volatility in the market for our Common Shares. To the extent that market speculation results in an increase in the price of our Common Shares, our Common Share price could decline significantly thereafter if the DEA fails to act on the recommendation or investor optimism fades.

Our cannabis operations require licenses to grow, store and sell cannabis.

Pure Sunfarms' and Rose LifeScience's ability to grow, store, sell and distribute cannabis in Canada is solely dependent on its ability to maintain licenses to cultivate and sell cannabis under the *Cannabis Act* (a "License") for each of the greenhouses at which it proposes to grow cannabis. Under the *Cannabis Act*, Pure Sunfarms and Rose LifeScience are required to obtain authorization for each licensable activity including cultivation, processing, testing, sale, and distribution. Once obtained, each License is subject to ongoing compliance and reporting requirements. Failure by Pure Sunfarms or Rose LifeScience to comply with the requirements of a License or to maintain such License would have a material adverse impact on our business, prospects, financial condition, results of operations and cash flows. Although we believe Pure Sunfarms and Rose LifeScience will obtain and maintain any required License and meet the requirements for extension of any License, there can be no guarantee that any License will be granted, extended, or renewed, or if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should a License not be granted, extended, or renewed or should it be renewed on different terms, our business, prospects, financial condition, results of the operation and cash flows would be materially adversely affected.

Furthermore, the Company has applied for a TCUP license in Texas, which is a program that provides low-THC cannabis to registered patients who have a prescription from their physician. As of the date of this filing, the TCUP applications have not yet been reviewed by the State of Texas and there has not been any indication if or when the applications will be reviewed or if our TCUP license will be approved.

We cannot predict the time required to secure all appropriate regulatory approvals for our products and operations, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the markets and for our products and could have a material adverse effect on our business, results of operations and financial condition.

Our cannabis operations in Canada are subject to laws, regulations and guidelines related to the cannabis industry.

The activities of our Canadian Cannabis business is subject to various laws, regulations and guidelines by governmental authorities, particularly under the *Cannabis Act*, relating to the cultivation, processing, manufacture, management, marketing, packaging/labelling, advertising, pricing, sale, distribution, transportation, storage, and disposal of cannabis, but also including laws and regulations relating to drugs, controlled substances, health and safety, insurance coverage, the conduct of operations and the protection of the environment, among other areas. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our Canadian cannabis activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services. We endeavor to comply with all relevant laws, regulations, and guidelines. Health Canada inspectors routinely assess the facilities of our Canadian Cannabis business for compliance with applicable regulatory requirements. Furthermore, the import and export of its products from and into any jurisdiction is subject to the regulatory requirements of each such jurisdiction. To the best of our knowledge, we are in material compliance with all such laws, regulations and guidelines; however, any failure by Pure Sunfarms or Rose LifeScience to comply with the applicable regulatory requirements could lead to possible sanctions, including the revocation or imposition of additional conditions on licenses to operate its business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and/or the imposition of additional or more stringent inspection, testing and reporting requirements. Any of the foregoing could require extensive changes to the operations of Pure Sunfarms or Rose LifeScience; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on its operations; harm our reputation or give rise to material liabilities or a revocation of the licenses and other permits of Pure Sunfarms or Rose LifeScience. There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to us and our business and may have material adverse effect on our results of operations and financial condition.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our Canadian cannabis operations, increase compliance costs or give rise to material liabilities or a revocation of its licenses and other permits, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application, or enforcement procedures at any time, which may adversely impact our ongoing costs relating to regulatory compliance.

In addition, the governments of every Canadian province and territory have, to varying degrees, established regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that legislation respecting adult-use retail will remain unchanged or create the growth opportunities that we currently anticipate. As the laws continue to evolve, and the distribution models mature, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, our business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs. Any of the foregoing could result in a material adverse effect on our business, financial condition, and results of operations.

Additionally, although we do not have any federally prohibited cannabis-related operations in the U.S., certain members of our management team and board of directors are located in the U.S., and we may be subject to risks with respect to changes in cannabis regulation and enforcement in the U.S. Any changes in the U.S. regulatory regime, or the scope and extent of the enforcement thereof, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our cannabis operations in Canada are subject to marketing restrictions under the Cannabis Act.

The development of our Canadian cannabis business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on Pure Sunfarms, Rose LifeScience and other entities licensed under the *Cannabis Act* by Health Canada. All products distributed by Pure Sunfarms or Rose LifeScience into the Canadian adult-use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the *Cannabis Act* prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, the portfolio of brands and products for our Canadian Cannabis business must be specifically adapted, and our marketing activities carefully structured, to enable our Canadian cannabis operations to develop its brands in an effective and compliant manner. If Pure Sunfarms or Rose LifeScience are unable to effectively market cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for cannabis products, then our sales and operating results could be adversely affected.

Our cannabis operations in Canada are subject to Canadian supplier standards.

Government-run provincial and territorial distributors in Canada require suppliers to meet certain service and business standards, and routinely assess for compliance with such standards. Any failure by Pure Sunfarms or Rose LifeScience to comply with such standards could result in being downgraded, disqualified as a supplier, and could lead to the termination or cessation of orders under existing or future supply contracts. Further, provincial purchasers may terminate or cease ordering under existing contracts at their will. Any of these could severely impede or eliminate the ability of Pure Sunfarms or Rose LifeScience to access certain markets within Canada, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The ability of our Canadian cannabis companies to sell cannabis may be restricted by the Canadian Free Trade Agreement.

Article 1206 of the *Canadian Free Trade Agreement* specifically excludes the application of the agreement to cannabis for non-medical purposes. Article 1206 states that the provinces and territories of Canada shall commence negotiations regarding the application of the *Canada Free Trade Agreement* to cannabis for non-medical purposes following Royal Assent of federal legislation legalizing cannabis for non-medical purposes. There is a risk that the outcome of the negotiations will result in the interprovincial and interterritorial trade of cannabis for non-medical purposes in Canada being entirely restricted or subject to conditions that will negatively impact the ability of Pure Sunfarms or Rose LifeScience to sell cannabis in other Canadian provinces and territories.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition, and results of operations.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e-commerce or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and Internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce.

It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We provide no assurance that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile applications by consumers and suppliers and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could substantially harm our business, financial condition, and results of operations.

Restricted access to banking, including anti-money laundering laws and regulations may adversely impact our business.

In February 2014, the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") issued the FinCEN Memorandum (which is not law) which provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, we may have limited or no access to banking or other financial services in the United States.

In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related business for violations of federal money laundering laws. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. While the United States House of Representatives has passed the Secure and Fair Enforcement ("SAFE") Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act or the SAFER Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Uncertainty in the laws, regulations and guidelines governing cannabis, U.S. hemp or CBD derived products has adversely impacted our business, and may continue to do so in the future.

Our current operations are subject to various laws, regulations and guidelines administered by governmental authorities in the U.S. and Canada relating to the marketing, acquisition, manufacture, packaging, labeling, management, transportation, storage, sale and disposal of cannabis, CBD and U.S. hemp as well as laws and regulations relating to health and safety, conduct of operations and the protection of the environment. Additionally, our growth strategy continues to evolve as regulations governing the cannabis, CBD and U.S. hemp in the jurisdictions in which we operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations is ongoing. For example, CBD remains subject to further study by the FDA in order to receive FDA approval to include CBD based products in food and beverages. Until the FDA receives either more scientifically-based health and wellness studies, or further Congressional direction, the FDA will not allow CBD to be put into food or beverages. For more information, see "—Our U.S. Cannabis business is subject to FDA and USDA regulation." below. As such, there has been a negative impact on the sales of all CBD products across the country since the initial interest in CBD products in 2019 and 2020. This has resulted in U.S. retailers moving away from carrying CBD based products in light of potential FDA scrutiny and has had a negative impact on the sales of all CBD products across the United States, and has negatively affected the Company's business and required the Company to record goodwill impairments in our U.S. Cannabis segment (see "Liquidity and Capital Resources-Critical Accounting Policies, Estimates and Judgements"). The FDA continues to not only publish guidance indicating their unwillingness to pursue rulemaking allowing the use of CBD in dietary supplements or conventional foods, but also issue warning letters to some CBD companies that are making health and wellness claims, which has increased regulatory uncertainty regarding CBD and has pushed U.S. retailers further away from CBD products. As a result of the foregoing factors, the Company and other cannabis and CBD companies have suffered a decline in the price of their common shares and their overall market capitalizations. We can provide no assurance that the FDA will provide any greater certainty regarding the use of CBD in food and beverages in the near term, or at all, and accordingly, our business may continue to be affected, and the impact on our financial results may be material.

In addition, no assurance can be given that new laws, regulations and guidelines will not be enacted or that existing laws, regulations and guidelines will not be amended, repealed, interpreted or applied in a manner which could require extensive changes to our operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict growth opportunities that we currently anticipate or otherwise limit or curtail our operations. For example, the proliferation of unregulated, synthetic and intoxicating hemp-derived products in the U.S. market continues to challenge market share for the CBD industry and is causing certain states to impose significant restrictions on hemp-derived products. Additions of new restrictions, amendments to current laws, regulations and guidelines governing the production, sales and use of cannabis-based and CBD products, more stringent implementation of enforcement thereof or other unanticipated events, including changes in political conditions, regimes or political instability, currency controls, changes in taxation laws, restrictions on foreign exchange and repatriation between U.S. and Canada, governmental regulations relating to foreign investment and changes in the attitudes toward cannabis, are beyond our control and could require extensive changes to our operations, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

Our U.S. Cannabis business is subject to FDA and USDA regulation.

Cannabinoids derived from hemp as defined in the 2018 Farm Bill are subject to various laws relating to health and safety. Specifically, CBD is governed by the U.S. Food Drug and Cosmetic Act (“FD&C Act”) as a drug. The FD&C Act is intended to assure the consumer that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative, and not deceptive. The FD&C Act and FDA regulations define the term drug by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FD&C Act defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colors and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FD&C Act, cosmetic products, and ingredients with the exception of color additives do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“NDA”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over the Counter (“OTC”) Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA’s current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state’s compliance with the federally approved plan. If the Secretary does not approve the state’s plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. We believe that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable.

Violations of these FDA and USDA regulations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, as well as adverse publicity and potential harm to our reputation.

We may be subject to product liability claims.

As the cannabis products of our Canadian and U.S. Cannabis businesses are designed to be ingested by humans, we face a risk of exposure to product liability claims, regulatory action and litigation if these products are alleged to have caused significant loss or injury. In addition, the sale of these products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of our cannabis and cannabinoid products alone or in combination with other medications or substances could occur.

As a result, we may be subject to various product liability claims, including, among others, that our products caused injury or illness or that we provided inadequate instructions for use or inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. There can be no assurance that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

In addition, as a producer of food products, we are subject to potential product liabilities connected with our operations and the marketing and distribution of these products, including liabilities and expenses associated with contaminated or unsafe products. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of contaminated or unsafety products. There can be no assurance that the insurance against all such potential liabilities we maintain will be adequate in all cases. In addition, even if a product liability claim was not successful or was not fully pursued, the negative publicity surrounding any such assertion could harm our reputation. The consequences of any of the foregoing events may have a material adverse effect on our financial condition and results of operations.

Our greenhouse produce business is subject to extensive regulations.

Our greenhouse produce business is subject to extensive laws and regulations with respect to the production, handling, distribution, packaging and labelling of our products. Such laws, rules, regulations, and policies are administered by various federal, state, provincial, regional, and local health agencies and other governmental authorities. Changes to any of these laws and regulations could have a significant impact on us. There can be no assurance that we will be able to cost effectively comply with future laws and regulations. Our failure to comply with applicable laws and regulations may subject us to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on our financial condition and results of operations.

In addition, we voluntarily submit to guidelines set by certain private industry associations. Failure to comply with such guidelines or to adopt more stringent guidelines set by such associations in the future may result in lower sales in certain retail markets and may adversely affect our financial condition and results of operations. Among the regulations to which we are subject are those administered by the British Columbia Vegetable Marketing Commission (“BCVMC”). The BCVMC grants each licensed producer that it regulates an annual quota to produce specified products in a given year. The BCVMC also has the authority to set the prices at which a regulated product may be bought or sold in British Columbia. There can be no assurance that the BCVMC will not alter its quota allocation policy or that the BCVMC will not introduce pricing restrictions in a manner that could adversely affect our financial condition and results of operations. There can be no assurance that a modification of the current regulatory schemes will not have an adverse effect on our financial condition or results of operations.

We are subject to environmental, health and safety, and other governmental regulations and we may incur material expenses in order to comply with these regulations.

Our operations are governed by a broad range of federal, state, provincial and local environmental, health and safety laws and regulations, permits, approvals, and common law and other requirements that impose obligations relating to, among other things: worker health and safety; the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous and hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). Government approvals and permits are currently, and may in the future be, required in connection with our operations. To the extent such approvals are required and not obtained, our operations may be curtailed or enjoined, which may be for an extended period of time, which could result in a reduction in our proposed levels of production or require abandonment or delays in development of our production facilities and otherwise negatively affect our growth. Our failure to comply with applicable laws, rules, regulations, and policies may subject us to civil or regulatory proceedings, including fines, injunctions, administrative orders, or seizures, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which may have a material adverse effect on our financial condition and results of operations. Also, as a result of the above requirements, our operations and ownership, management and control of property carry an inherent risk of environmental liability (including potential civil actions, compliance or remediation orders, fines, and other penalties), including with respect to the disposal of waste and the ownership, management, control or use of transport vehicles and real estate. Compliance with all such laws and future changes to them may impose material costs on us. We have incurred and expect to continue to incur significant capital and operating expenditures to comply with such laws. Future discovery of previously unknown environmental issues, including contamination of property underlying or in the vicinity of our present or former properties or manufacturing facilities, could require us to incur material unforeseen expenses. All of these risks and related potential expenses may have a material adverse effect on our financial condition and results of operations.

In addition, environmental laws, rules and regulations in Canada and the United States are evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our compliance costs, result in future liabilities or otherwise have an adverse effect on our results of operations or financial condition.

We may experience environmental, health and safety incidents.

Our facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. We must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect operational results and profitability.

The controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose us to litigation and additional regulation.

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaping products, including vaporizer devices and/or products used within such devices (such as vaping liquids). The focus is currently on the vaporizer devices, the manner in which the devices were used, and the related vaping liquids used with these devices - such as THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaping products. Some states, provinces, territories and municipalities in Canada and the United States have already taken steps to prohibit the sale or distribution of vaping products, restrict the sale and distribution of such products or impose restrictions on flavours or use of such vaporizers. This trend may continue, accelerate and expand.

This controversy could well extend to non-nicotine containing vaping devices and other product formats. Any such extension could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaping products is ongoing and that litigation could potentially expand to include our products, which would materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

In Canada, vaping products that contain cannabis are regulated under the *Cannabis Act*, Cannabis Regulations and other laws and regulations of general application. Negative public sentiment may prompt regulators to decide to further limit or defer the industry's ability to sell cannabis vaporizer products, and may also diminish consumer demand for such products. For instance, Health Canada has new regulations that place limits on the advertising and promotion of vaping products and make health warnings on vaping product advertising mandatory, although such regulations explicitly exclude cannabis and cannabis accessories.

The provincial governments in Quebec, Alberta and Newfoundland and Labrador have imposed certain provincial regulatory restrictions on the sale of cannabis vape products, and Health Canada is seeking to limit the flavours of inhaled cannabis extracts. In June 2021, Health Canada opened a consultation into the use of flavours in inhaled cannabis extracts as it claims that the availability of flavours is one of the factors that contributes to the increase in cannabis vaping in youth and young adults. As part of this consultation, Health Canada released proposed regulations that contemplate prohibiting the production, sale, promotion, packaging and labelling of inhaled cannabis extracts from having a flavour, other than the flavour of cannabis. The proposed amendments would apply equally to inhaled cannabis extracts sold for medical and non-medical purposes. The consultation period closed in September 2021. If new regulations are enacted they would come into force 180 days from the day of registration, a date which has yet to be determined. Health Canada's forward regulatory plan for 2024-2026 continues to reference these proposed regulatory amendments. There can be no assurance that we will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in the face of unexpected changes in market conditions.

These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for our vaping products.

Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.

Vaping products including vaporizers, electronic cigarettes, vaping liquid and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If a consensus were to develop among the scientific or medical community that the use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a development could also lead to litigation, reputational harm and significant regulation.

Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on vaping products could have a material adverse effect on our business, results of operations and financial condition.

Our marketing programs use customer information and other personal and confidential information as well as digital communications, which may subject us to liability if we misuse this information.

Our current and future marketing programs may depend on our ability to collect, maintain, and use data and sensitive personal information on individuals, and our ability to do so is subject to evolving laws and enforcement trends in Canada and other jurisdictions. We strive to comply with all applicable laws and other legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of medical information and data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with our practices or fail to be observed by our employees or business partners. If so, we may suffer damage to our reputation and become subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management or otherwise have an adverse effect on our business.

Certain of our marketing practices may rely upon e-mail, social media, and other means of digital communication to communicate with consumers on our behalf. We may face risk if our use of e-mail, social media or other means of digital communication is found to violate applicable laws. We intend to post our privacy policy and practices concerning the use and disclosure of user data on our website. Any failure by us to comply with our posted privacy policy, anti-spam legislation or other privacy-related laws and regulations could result in proceedings which could potentially harm our business. In addition, as data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial, or state levels, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, our investment in our e-commerce platform may not be fully realized, our opportunities for growth may be curtailed by our compliance burden and our potential reputational harm or liability for security breaches may increase.

LABOR and EMPLOYMENT RISK FACTORS

Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in both the United States and Canada.

Our operations are labor intensive, particularly during peak harvest months. In Canada, most of our labor is supplied by contract labor suppliers on short-term contracts and workers hired through the Seasonal Agriculture Workers Program. There can be no assurance that we will be able to source sufficient skilled laborers in the future. Any disruption in the Canadian foreign worker program could have a detrimental impact on our ability to cultivate fresh produce.

In the case of the facilities in west Texas, a significant portion of our labor is documented workers residing in Mexico who cross the U.S. border on a daily basis into Texas. Section 218 of the *Immigration and Nationality Act* authorizes the lawful admission into the United States of temporary, nonimmigrant workers (H-2A workers) to perform agricultural labor or services of a temporary or seasonal nature. We use H-2A workers to assist in fulfilling some of our labor needs in Texas. The H-2A workers have a mandated state-level minimum wage and we pay for some additional worker costs, such as transportation to/from our facilities, housing and visa expenses. Any disruption in the H-2A foreign worker program could have a detrimental impact on our ability to cultivate fresh produce. There can be no assurance that we would be able to continue our Texas operations without our Mexican workforce, if any decision is made to close the U.S./Mexico border permanently or temporarily.

In addition, we are situated in the Texas “oil and gas patch” and finding and retaining farm workers at affordable rates is an ongoing challenge. Any shortage of such labor could restrict our ability to operate our greenhouses profitably, or at all.

Efforts by labor unions to organize our employees could divert management attention away from regular day-to-day operations and increase our operating expenses. Labor unions may make attempts to organize our non-unionized employees. We are not aware of any activities relating to union organizations at any of our greenhouse facilities. We cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of any collective bargaining. If we are unable to negotiate acceptable collective bargaining agreements, we may have to wait through “cooling off” periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of any work stoppage, our operating expenses could increase significantly, which could have a material adverse effect on our financial condition, results of operations and cash flows.

We rely on third-party distributors.

We may rely on third-party distributors for the distribution of our products. We rely on third-party distributors to transport and distribute produce from Texas, Mexico and Canada to our distribution centers and directly to customers. In addition, our Canadian Cannabis business relies on Canadian provincial regulatory boards and private retailers and may in the future rely on other third parties, to distribute cannabis products.

If these distributors do not successfully carry out their contractual duties, if there is a labor strike or work stoppage, if there is a delay or interruption in the distribution of our products or if these third parties damage our products, it could negatively impact our revenue from product sales. Any damage to our products, such as product spoilage, could expose us to potential product liability, damage our reputation and otherwise harm our business.

Our operations depend on our key executives.

We depend heavily on each member of our management team and the departure of a member of management could cause our operating results to suffer. We maintain a “key person” insurance policy on one member of our management team. Our future success will depend on, among other things, our ability to keep the services of these key executives and to hire other highly qualified employees at all levels. We compete with other potential employers for employees, and we may not be successful in hiring and retaining the services of executives and other employees that we require. The loss of the services of, or our inability to hire, executives or key employees could hinder our business operations and growth.

In addition, our Canadian cannabis business is dependent on its ability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of our Canadian cannabis segment, results of operations of the business and could limit our ability to develop and market our cannabis-related products. The loss of any of Canadian cannabis senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and our Canadian cannabis businesses may not be able to find adequate replacements on a timely basis, or at all.

Further, each director and officer of a company that holds a license for cultivation, processing or sale under the Cannabis Regulations is subject to the requirement to obtain and maintain a security clearance under the Cannabis Regulations. Certain additional key personnel are also required to obtain and maintain a security clearance. Under the Cannabis Regulations, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of Pure Sunfarms’ operations.

TAX RISK FACTORS

If the Company is classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, certain generally adverse U.S. federal income tax consequences could apply to U.S. investors.

In general, a non-U.S. corporation will be a PFIC if (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of its assets produce, or are held for the production of, passive income. Based on the Company’s current and expected income, assets, and activities, we do not expect the Company to be classified as a PFIC for the current taxable year or in the foreseeable future. However, the PFIC determination is made annually at the end of each taxable year and depends on a number of factors, some of which are beyond the Company’s control, including the value of its assets and the amount and type of its income. Accordingly, there can be no assurance that the Company will not be classified as a PFIC for any taxable year or that the Internal Revenue Service (“IRS”) will agree with our belief regarding the Company’s PFIC status. If the Company were classified as a PFIC, a U.S. person who owns Common Shares could be subject to adverse tax consequences, including a greater tax liability than might otherwise apply, an interest charge on certain taxes deemed deferred as a result of the Company’s non-U.S. status, and additional U.S. tax filing obligations, regardless of the number of Common Shares owned. Certain elections might be available to mitigate the foregoing adverse tax consequences. U.S. investors are urged to consult their own tax advisers regarding the implications of the PFIC rules for an investment in Common Shares.

VF Canada GP and VF Canada LP may be deemed to maintain a U.S. permanent establishment for tax purposes.

Under the Canada-U.S. Income Tax Convention, the United States is permitted to tax the business profits of a Canadian resident that are attributable to a permanent establishment (“PE”) of that Canadian resident located in the United States. A Canadian resident generally will be treated as maintaining a PE in the United States if, among other situations, an agent of the Canadian resident (other than an independent agent acting in the ordinary course of its business) has, and habitually exercises in the United States, the authority to conclude contracts in the name of the Canadian resident.

Due to the cross-border activity of certain of our employees, the United States may deem VF Canada GP and VF Canada LP to maintain a U.S. PE. In such case, VF Canada GP and VF Canada LP generally would be required to file U.S. federal income tax returns and would be subject to U.S. federal net income tax with respect to their business profits attributable to such PE. These tax consequences could have a material adverse effect on our business, financial condition, and results of operations.

Changes in tax treatment of companies engaged in e-commerce could materially affect our financial condition and results of operations.

Because we engage in e-commerce activity, we may face an increased exposure to tax liability. The U.S. Supreme Court addressed the taxation of e-commerce in *South Dakota v. Wayfair Inc.*, holding that a state may now enforce or adopt laws that require an e-commerce retailer to collect and remit sales tax, even if the e-commerce retailer has no physical presence within the taxing state. In response, an increasing number of states have adopted or are considering adopting laws or administrative practices that impose sales or similar value-added or consumption taxes on e-commerce activity, as well as taxes on all or a portion of gross revenue or other similar amounts earned by an e-commerce retailer from sales to customers in the state. If any state were to assert liability for sales tax for prior periods and seek to collect such tax in arrears or impose penalties for past non-payment of taxes, it could have an adverse effect on us. New legislation or regulations, the application of laws and regulations by various taxing jurisdictions, including other countries whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and commercial online services could similarly result in significant additional taxes on our business. These taxes or tax collection obligations could have an adverse effect on us, including by way of creating additional administrative burdens on us. As a result, our effective income tax rate, as well as the cost and growth of our business could be materially and adversely affected, which could in turn have a material adverse effect on our financial condition and results of operations. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any failure to comply with these requirements.

We are also subject to U.S. federal and state laws, regulations, and administrative practices that require us to collect information from our customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. The failure to comply with such laws and regulations could result in significant penalties. We cannot predict the effect of current attempts to impose sales, income, or other taxes on e-commerce. New or modified taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes could also significantly increase our costs of capturing data and collecting and remitting taxes. Any of these consequences could have a material adverse effect on our business, financial condition, and results of operations.

We may be exposed to transfer pricing risks.

Under sales agreements, VF Opco has agreed to sell some of its produce inventory to Village Farms, L.P. ("VFLP") for resale in the United States, and VFLP has agreed to sell some of its inventory to VF Opco for resale in Canada. We believe the amounts charged for inventory pursuant to these sales agreement reflect the fair market value of the goods sold. However, no assurance can be given in this regard. Based on certain transfer pricing rules, the IRS and the Canada Revenue Agency have, in the past, and may, in the future, challenge such amounts as differing from those that would have been charged between persons dealing at arm's length. This could result in more tax (and penalties and interest) being due, which could have a material adverse effect on our business, financial condition, and results of operations.

U.S. Holdings may be treated as U.S. real property holding corporation for U.S. federal income tax purposes, which could cause VF Opco to be subject to U.S. federal income tax.

If U.S. Holdings is treated as a "United States real property holding corporation" for U.S. federal income tax purposes, then VF Opco could be subject to U.S. federal net income tax on the portion of a distribution from U.S. Holdings treated as a gain, which could have a material adverse effect on our business, financial condition, and results of operations.

COMMON SHARES RISK FACTORS

Our market price of our Common Shares has been and is likely to continue to be volatile and an investment in our Common Shares could suffer a decline in value.

You should consider an investment in our Common Shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The market price of our Common Shares has been highly volatile and is likely to continue to be volatile. This leads to a heightened risk of securities litigation pertaining to such volatility. Factors affecting our Common Share price include but are not limited to: (i) our ability to continue as a going concern; (ii) general market conditions; (iii) our ability to raise additional capital and/or secure additional financing on acceptable terms, or at all; (iv) market and/or industry developments in produce, cannabis or hemp that may directly or indirectly affect us; (v) regulatory and legislative developments, particularly with respect to cannabis and/or CBD, in Canada, the United States or elsewhere to the extent applicable; (vi) our ability to operate in the U.S. and Canada under the circumstances of current economic conditions, including as a result of the unfavorable interest rate environment, global supply chain issues, and inflation; (vii) potentially unfavorable report published by securities analysts; (viii) public concern as to the safety of the products that we and our competitors develop; (ix) our material weaknesses in our internal controls over financial reporting; and (x) fluctuations of shareholder interest in our Common Shares.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Common Shares may be materially adversely affected.

Future issuances or sales of our Common Shares could cause our share price to fall and may dilute your common shares.

The issuance of Common Shares by us will result in dilution in the equity interest of existing shareholders and adversely affect the market price of our Common Shares. For example, in January 2023 we completed the 2023 Equity Offering in which we issued an aggregate of 18,350,000 Common Shares as well as Common Warrants to purchase an additional 18,350,000 Common Shares, each exercisable at \$1.65 per Common Warrant and became exercisable commencing July 2023. Additionally, in 2022 and 2023, we implemented an ATM program through which we sold a total of 3,175,000 shares for proceeds of US\$6.9 million. No shares were issued pursuant to our existing ATM in calendar year 2023 or 2024.

Furthermore, we have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons. As of March 6, 2025 there were 6,151,854 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$4.14 per share; 4,161,317 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plans. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities or in connection with acquisitions or strategic alliances may dilute our investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares, a change in control, and could have an undesirable impact on our ability to raise capital in the future.

Our Common Shares may be delisted from the Nasdaq Capital Market if we do not regain compliance with the minimum bid price requirements by April 16, 2025.

On October 18, 2024, the Company received notification from Nasdaq that the Company is not in compliance with the minimum bid price requirement for continued listing on the Nasdaq Capital Market as the bid price of the Common Shares on Nasdaq closed below \$1.00 (the "Minimum Bid Requirement") for 30 consecutive trading days from September 6, 2024 to October 17, 2024 (the "Notification"). As set forth in the Notification, the Company has until April 16, 2025 to regain compliance with the Minimum Bid Requirement (the "Compliance Period"). In the event the Company does not regain compliance with the Minimum Bid Requirement by the end of the Compliance Period, the Company may be eligible for an additional period of 180 calendar days to regain compliance or may be subject to delisting of the Common Shares from the Nasdaq, at which time the Company may appeal the delisting determination to a Nasdaq Hearings Panel. However, if the Company fails to remedy this deficiency during the Compliance Period, Nasdaq may provide notice that the Company's Common Shares are subject to delisting.

We can provide no assurance that we will regain compliance with the Minimum Bid Requirement by the end of the Compliance Period. Additionally, even if we regain compliance with the Minimum Bid Requirement there can be no assurance that we will continue to maintain compliance with the other Nasdaq requirements for listing our Common Shares on Nasdaq. The delisting of our Common Shares from the Nasdaq Capital Market would likely result in decreased liquidity and increased volatility in the price and trading of our Common Shares and may adversely affect our ability to raise additional capital or to enter into strategic transactions. The delisting of our Common Shares from the Nasdaq Capital Market would also make it more difficult for our shareholders to sell our Common Shares in the public market.

Certain Canadian laws could delay or deter a change of control.

Limitations on the ability to acquire and hold our Common Shares may be imposed by the *Competition Act* in Canada. This legislation permits the Commissioner of Competition of Canada to review any acquisition of a significant interest in us.

This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada. The *Investment Canada Act* subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to result in a net benefit to Canada. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

The exercise of all or any number of outstanding stock options, the award of any additional options, restricted stock units or other stock-based awards or any issuance of shares to raise funds or acquire a business may dilute your Common Shares.

We have in the past and may in the future grant, to some or all of our directors, officers and employees, options to purchase our Common Shares and other stock-based awards as non-cash incentives to those persons. As of March 13, 2025 there were 6,518,409 Common Shares issuable upon exercise of outstanding options at a weighted-average exercise price of \$3.44 per share; 4,715,296 Common Shares reserved and available for issuance upon exercise of additional options and other stock-based awards that may be granted in the future under our equity compensation plans. The issuance of additional Common Shares upon exercise of outstanding options, warrants and other convertible securities will cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuances of Common Shares or a decision to acquire other businesses through the sale or issuance of equity securities may dilute our investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are issued. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our Common Shares or a change in control.

We do not expect to pay dividends for the foreseeable future.

We have not paid any cash dividends to date, and we do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest future earnings, if any, in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their Common Shares, and shareholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our Common Shares. Prospective investors seeking or needing dividend income or liquidity, or who cannot afford to lose the entire amount of their investment in our Common Shares, should not purchase our Common Shares.

GENERAL RISK FACTORS

We face risks related to cyber security attacks and other incidents.

Cyber security has become an increasingly problematic issue for issuers and businesses around the world, including us. Cyber security attacks against organizations of all sizes are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems. Our primary risk that could directly result from the occurrence of a cyber incident include operational interruption, damage to our reputation, damage to our business relationships, disclosure of confidential information regarding our employees and third parties with whom we interact, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, and litigation. We are also at risk of theft of proprietary data for the purposes of extracting payment for its return (ransomware attack). We maintain cyber security insurance and have implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident. We can provide no assurance that a cybersecurity incident could have a material adverse impact on financial performance and results of operations.

Inflation may continue to rise and increase our operating costs.

For the year ended December 2024, the US Bureau of Labor and Statistics reported that inflation increased 2.9 percent as against prices from December 2023. Rising inflation affects our cultivation costs, distribution costs and operating expenses. We believe that volatile prices for commodities have impacted our operating results. We maintain strategies to mitigate the impact of higher raw material, energy and commodity costs, which include cost reduction, sourcing, passing along certain cost increases to customers and other actions, which may help to offset a portion of the adverse impact.

We expect that the cost of our debt could increase as a result of higher interest rates.

We expect that higher interest rates may continue and could increase our cost of debt compared to prior years. This would negatively impact our operational cash flows and increase our debt service costs, which will result in needing a higher EBITDA to cover our existing bank covenants. We have no visibility into the timing or extent of interest rate decreases in the future and accordingly, we may continue to experience increased cost of debt in future periods.

The effect of sanctions and an escalation of the conflict in Ukraine may further disrupt supply chains and adversely impact our business.

As a result of the current conflict between Russia and Ukraine and related geopolitical tensions, there have been, and may continue to be, significant adverse impact on fuel, transportation costs and natural resources. Additionally, the governments of the United States, the European Union, Canada and other jurisdictions have announced the imposition of sanctions on certain industry sectors and parties in Russia as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counter responses by the governments of Russia, could adversely affect, the global supply chain, and the availability and prices of raw materials, energy prices, as well as the global financial markets and financial services industry.

It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

We are a corporation existing under the laws of Canada. Some of our directors and officers named in this Annual Report on Form 10-K are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. Consequently, although we have appointed an agent for service of process in the United States, it may be difficult for holders of our Common Shares who reside in the United States to effect service within the United States upon our directors and officers who are not residents of the United States. It may also be difficult for holders of our Common Shares who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors and officers under the United States federal securities laws. Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or our directors and officers predicated upon the civil liability provisions of the United States federal securities laws or the securities or “blue sky” laws of any state within the United States or (ii) would enforce, in original actions, liabilities against us or our directors and officers predicated upon the United States federal securities laws or any such state securities or “blue sky” laws. In addition, we have been advised by our Canadian counsel that in normal circumstances, only civil judgments and no other rights arising from United States securities legislation are enforceable in Canada and that the protections afforded by Canadian securities laws may not be available to investors in the United States.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 1C. CYBERSECURITY DISCLOSURES

Risk Management and Strategy

Management of cybersecurity risks is an integral part of our overall risk management framework and is essential for safeguarding our business and data. We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein. Following these risk assessments, we may accept identified risks; re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards.

Our cybersecurity risk management program works to balance critical infrastructure, network, application, cloud and information security objectives with overall business objectives and risk tolerance. Specific controls that are used include endpoint threat detection and response, identity and access management, privileged access management, logging and monitoring involving the use of security information and event management, multi-factor authentication, firewalls and intrusion detection and prevention, and vulnerability and patch management.

We use both external and internal threat intelligence sources to inform our defensive measures, including information from industry vendors and government agencies. We monitor evolving risks and threat events to implement security controls where applicable.

We believe in continuous improvement as part of the effort to optimize security, and we work to foster that culture through various initiatives:

- **Cybersecurity Awareness Trainings:** We educate employees on best practices for online safety and for identifying potential cybersecurity threats, including by initiating training programs for our entire workforce.
- **Security Monitoring:** We monitor our information technology environment with both our internal cybersecurity resources and third-party service providers.
- **Proactive Reporting and Investigation:** As part of our training initiatives, we educate employees on how to report any suspicious cyber activity or potential cybersecurity issues, and we investigate reported concerns.

We engage a variety of third-party service providers to process and store data, including certain customer information, some of which may include personally identifiable information. We also depend on third-party service providers to host many of the systems and infrastructure used to provide our products and services. A limited number of third-party services support essential functions of our business, including the use of cloud-based technology.

Governance

Our Board of Directors has overall oversight responsibility for our enterprise risk management program and delegates cybersecurity risk management oversight to the Audit Committee of the Board of Directors. The Audit Committee oversees major enterprise risks, and the steps management has taken to monitor and control such exposure, including risks to our information technology infrastructure and security. The Audit Committee is responsible for ensuring independent examination of management's programs to identify, assess, respond to and monitor risks, which include those performed by third party consultants. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs.

Our cybersecurity programs are managed by a team of professionals who monitor the prevention, detection, mitigation and remediation of cybersecurity incidents. Our cybersecurity team includes personnel that have obtained credentials from the International System Security Certification Consortium and the SANS Institute, such as Certified Information Systems Security Professional (CISSP), as well as experienced information systems security professionals and information security managers.

We recognize the ever-present global risk of cyberattacks from diverse threat actors, including nation-states, cybercriminals, hacktivists, insiders and organized crime. In spite of our efforts, we (or third parties we rely on) may not be able to fully, continuously and effectively implement security controls as intended. As described above, we utilize a risk-based approach and judgment to determine the security controls to implement, but it is possible we may not implement appropriate controls if we do not recognize, or we underestimate a particular risk. In addition, security controls, no matter how well designed or implemented, may only mitigate and not fully eliminate risks. Further, even events that are detected by security tools or third parties may not always be immediately understood or acted upon. While no organization is immune to attack attempts and we cannot eliminate all risks from cybersecurity threats or provide assurance that we have not experienced an undetected cybersecurity incident, in 2024 we did not identify any material cybersecurity events that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. For additional information regarding risks from cybersecurity threats, including our business strategy, results of operations, or financial condition, please refer to Item 1A, "Risk Factors," in this Annual Report on Form 10-K, including the risk factor entitled "We face risks related to cyber security attacks and other incidents."

ITEM 2. PROPERTIES

Our primary executive offices are located at 90 Colonial Parkway, Lake Mary, Florida, 32746.

The following table outlines the Company's greenhouse facilities.

Greenhouse Facility	Square Feet	Growing Area		Products Grown
		Square Meters	Acres	
Marfa, TX (2 greenhouses)				Tomatoes on-the-vine, beefsteak and specialty tomatoes
	2,527,312	234,795	60	
Fort Davis, TX (1 greenhouse)	1,684,874	156,530	40	Specialty tomatoes
Monahans, TX (1 greenhouse)				
(Permian Basin facility)	1,272,294	118,200	30	For sale
Delta, BC (Delta 1) (1 greenhouse)				Tomatoes on-the-vine, beefsteak and specialty tomatoes
	2,588,860	240,513	60	
Delta, BC (Delta 2) (1/2 greenhouse) Leased to Pure Sunfarms				Tomatoes on-the-vine, beefsteak and specialty tomatoes
	537,765	49,960	13	
Total produce operations	8,611,105	799,998	203	
Delta, BC (Delta 2) (1/2 greenhouse) Leased to Pure Sunfarms	537,765	49,960	13	Cannabis
Delta, BC (Delta 3) (1 greenhouse) Owned by Pure Sunfarms	1,100,000	100,000	25	Cannabis
Huntingdon, Quebec (1 indoor controlled growing facility) owned by Rose LifeScience	55,000	2,300	1	Cannabis
Total cannabis operations	1,692,765	152,260	39	

We believe that our existing facilities are adequate for our needs. Should we require additional facilities in the future, we believe that such facilities can be acquired or leased on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. The Company is not involved in any legal proceedings other than ordinary routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of operations. Additionally, there were no matters requiring disclosure pursuant to the requirement to disclose certain environmental matters involving potential monetary sanctions in excess of \$300,000.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Shares are currently traded on The Nasdaq Stock Market LLC under the symbol "VFF".

Holders of Record

As of March 6, 2025, there were approximately 10 shareholders of record of our Common Shares, which included Cede & Co., a nominee for Depository Trust Company, which represents two shareholders of record and CDS & Co., a nominee for The Canadian Depository for Securities Ltd. Common shares that are held by financial institutions as nominees for beneficial owners are deposited into participant accounts at either Depository Trust Company or The Canadian Depository for Securities Ltd., which represents one shareholder of record.

Dividend Policy

We have not paid any cash dividends or distributions on any class of our securities, and we have no current plans to pay dividends as we are growth focused.

Recent Sales of Unregistered Securities

None.

Repurchases of Equity Securities

The Company did not repurchase any of its Common Shares during the three months ended December 31, 2024.

Exchange and Foreign Ownership Controls

We are not aware of any Canadian federal or provincial laws, decrees, or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest, or other payments to non-Canadian holders of the Common Shares. There are no limitations under the laws of Canada or by the charter or our other constituent documents on ownership of our voting shares by non-Canadians, except the *Investment Canada Act* which may require review and approval by the Minister of Innovation (Canada) of certain acquisitions of control of us by non-Canadians. The threshold for acquisitions of control is generally defined as being one-third or more of our voting shares, provided certain financial thresholds are also exceeded. If the investment is potentially injurious to national security, it may be subject to review under the *Investment Canada Act* notwithstanding the percentage interest acquired or amount of the investment. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust, or joint venture that is ultimately controlled by non-Canadians.

Certain Canadian Federal Income Tax Considerations for U.S. Residents

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (together with the regulations thereto, the "Tax Act") to a beneficial holder of our Common Shares, Common Warrants and Common Shares issued upon exercise of the Common Warrants ("Common Warrant Shares") who, for the purposes of the Tax Act and the *Canada-United States Income Tax Convention* (1980) (the "Treaty"), and at all relevant times, (i) is not and is not deemed to be a resident in Canada, (ii) is a resident of the United States for the purposes of the Treaty and is entitled to the full benefits thereunder, (iii) holds all Common Shares, Common Warrants and Common Warrant Shares as capital property, (iv) deals at arm's length with and is not affiliated with the Company, and (v) does not use or hold and is not deemed to use or hold our Common Shares, Common Warrants and Common Warrant Shares in connection with a business carried on in Canada (each such holder, a "U.S. Resident Holder").

This summary is not generally applicable to a U.S. Resident Holder: (i) that is an insurer carrying on an insurance business in Canada and elsewhere, (ii) that is an "authorized foreign bank" (as defined in the Tax Act), (iii) that is a "financial institution" (as defined in the Tax Act) for purposes of the "mark-to-market property" rules; (ii) an interest in which is or would constitute a "tax shelter investment" (as defined in the Tax Act); (iii) that is a "specified financial institution" (as defined in the Tax Act); or (iv) that has or will enter into a "synthetic disposition arrangement" or a "derivative forward agreement" (as those terms are defined in the Tax Act) in respect of our Common Shares, Common Warrants and Common Warrant Shares. Such U.S. Resident Holders should consult their own tax advisors.

Generally, a U.S. Resident Holder's Common Shares, Common Warrants and Common Warrant Shares will be considered to be capital property of the U.S. Resident Holder provided the U.S. Resident Holder does not hold such shares and Common Warrants in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act and the Treaty in force on the date hereof, and the current administrative policies and assessing practices of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all Tax Proposals will be enacted in the form proposed. However, no assurances can be given that the Tax Proposals will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, administrative, or judicial action or decision, nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of our Common Shares, Common Warrants and Common Warrant Shares is made. Accordingly, holders and prospective holders of our Common Shares, Common Warrants and Common Warrant Shares should consult their own tax advisors with respect to the income tax consequences of purchasing, owning, and disposing of our Common Shares, Common Warrants and Common Warrant Shares in their particular circumstances.

Currency

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of our Common Shares, Common Warrants and Common Warrant Shares (including dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars based on the rate quoted by the Bank of Canada for the applicable day or such other rate of exchange that is acceptable to the Canada Revenue Agency.

Exercise of Common Warrants

No gain or loss will be realized by a U.S. Resident Holder on the exercise of a Common Warrant to acquire a Common Warrant Share. When a Common Warrant is exercised, the U.S. Resident Holder’s cost of the Common Warrant Share acquired thereby will be equal to the aggregate of the U.S. Resident Holder’s adjusted cost base of such Common Warrant and the exercise price paid for the Common Warrant Share. The U.S. Resident Holder’s adjusted cost base of the Common Warrant Share so acquired will be determined by averaging the cost of the Common Warrant Share with the adjusted cost base to the U.S. Resident Holder of all Common Shares of the Company held as capital property immediately before the acquisition of the Common Warrant Share.

Dividends

Dividends paid or credited, or deemed to be paid or credited, on our Common Shares and Common Warrant Shares to a U.S. Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to reduction under the provisions of the Treaty. Under the Treaty, the rate of Canadian withholding tax applicable to a U.S. Resident Holder that is the beneficial owner of dividends is generally reduced to 15% of the gross amount of the dividends, and, if such U.S. Resident Holder is a company that owns at least 10% of our voting shares at the time of the dividends, the rate of Canadian withholding tax is reduced to 5% of the gross amount of the dividends. U.S. Resident Holders who may be eligible for a reduced rate of withholding tax on dividends pursuant to the Treaty should consult with their own tax advisors with respect to taking all appropriate steps in this regard.

Disposition of Common Shares, Common Warrants and Common Warrant Shares

A U.S. Resident Holder who disposes or is deemed to dispose of a Common Share, Common Warrant or Common Warrant Share will not be subject to tax under the Tax Act on any capital gain realized on such disposition, unless the Common Share, Common Warrant or Common Warrant Share, as applicable, constitutes “taxable Canadian property,” within the meaning of the Tax Act, of the U.S. Resident Holder at the time of the disposition and the U.S. Resident Holder is not entitled to relief under the Treaty.

Generally, the Common Shares, Common Warrants and Common Warrant Shares of a particular U.S. Resident Holder will not be “taxable Canadian property” of such U.S. Resident Holder at any time at which the Common Shares and Common Warrant Shares are listed on a “designated stock exchange,” within the meaning of the Tax Act (which includes the Nasdaq) unless, at any particular time during the 60-month period that ends at that time, both of the following conditions are met concurrently: (a) 25% or more of the issued shares of any class of the capital stock of the Company were owned by or belonged to one or any combination of (i) the U.S. Resident Holder, (ii) persons with whom the U.S. Resident Holder did not deal at arm’s length for purposes of the Tax Act, and (iii) partnerships in which the U.S. Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships; and (b) more than 50% of the fair market value of the Common Shares and Common Warrant Shares, as applicable, was derived, directly or indirectly, from one or any combination of: (i) real or immovable property situated in Canada, (ii) “Canadian resource properties” (as defined in the Tax Act), (iii) “timber resource properties” (as defined in the Tax Act), and (iv) options in respect of, or interests in, or for civil law rights in, property described in any of (b)(i) to (iii), whether or not the

property exists. Notwithstanding the foregoing, the Common Shares, Common Warrants and Common Warrant Shares may otherwise be deemed to be “taxable Canadian property” in certain circumstances as set out in the Tax Act.

In the case of a U.S. Resident Holder to whom a Common Share, Common Warrant and Common Warrant Share of the Company represents “taxable Canadian property”, under the Treaty, such a U.S. Resident Holder will generally not be subject to tax under the Tax Act on a capital gain realized on the disposition of such share or Common Warrant, as applicable, unless the value of such share or Common Warrant, as applicable, is derived principally from real property situated in Canada (within the meaning of the Treaty).

In the event that a Common Share, Common Warrant and Common Warrant Share is “taxable Canadian property,” within the meaning of the Tax Act, to a U.S. Resident Holder, such U.S. Resident Holder should consult their own tax advisor as to the Canadian federal income tax consequences of the disposition, including potential compliance requirements and withholding under section 116 of the Tax Act.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that impact our business. In particular, we encourage you to review the risks and uncertainties described in “Risk Factors” in Part I, Item 1A in this Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected or implied by our forward-looking statements contained in this report. These forward-looking statements are made as of the date of this management’s discussion and analysis, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law.

All amounts are expressed in thousands of United States dollars unless otherwise stated.

EXECUTIVE OVERVIEW

Village Farms International, Inc. (“VFF”, together with its subsidiaries, the “Company”, “Village Farms”, “we” “us” or “our”) is a corporation existing under the Business Corporations Act (Ontario). The Company’s principal operating subsidiaries are Village Farms Canada Limited Partnership (“VFCLP”), Village Farms L.P. (“VFLP”), Pure Sunfarms Corp. (“Pure Sunfarms” or “PSF”), Balanced Health Botanicals, LLC (“Balanced Health”), Rose LifeScience Inc. (“Rose LifeScience” or “Rose”), VF Clean Energy, Inc. (“VFCE”), and Leli Holland B. V. (“Leli” or “Leli Holland”).

The Company’s vision is to be recognized as an international leader in consumer products developed from plants, whereby we produce and market value-added products that are consistently preferred by consumers. To do so, we leverage decades of cultivation expertise, investment, and experience in fresh produce into branded and wholesale cannabis products within markets with legally permissible opportunities.

In Canada, we converted two produce facilities to grow cannabis for the Canadian legal adult use (recreational) market. Our focus for our Canadian Cannabis segment is to produce high quality cannabis, leveraging our low-cost production to provide preferred products at an attractive price that address the preferred consumer segments in the market. This market positioning, combined with our cultivation expertise, has enabled us to evolve into the third best-selling producer nationally and one of the few Canadian licensed producers with consistently strong operating results.

Additionally, through organic growth, exports and/or acquisitions, we have a strategy to participate in other international markets where cannabis attains legal status. In September 2021, our Canadian Cannabis business began exporting cannabis products to Australia for that country’s medical market. In March 2022, our Canadian Cannabis business received European Union Good Manufacturing Practice (“EU GMP”) certification for Pure Sunfarms’ 1.1 million square foot Delta 3 cannabis facility located in Delta, British Columbia (“B.C.”) which permits Pure Sunfarms to export EU GMP-certified medical cannabis to importers and distributors in international markets that require EU GMP certification. In late 2022, Pure Sunfarms commenced exports to Israel and in 2023, Pure Sunfarms began exporting cannabis products to Germany and the United Kingdom for the medical markets in those countries. As a result of the typically higher margins in international medical markets, we expect international expansion to enhance our profitability while expanding our brand and experience into emerging legal cannabis markets.

During Q4 2024, we completed our acquisition of Leli Holland and we now report this business as a separate operating segment. Through our ownership of Leli Holland, we hold one of ten licenses to cultivate and distribute cannabis legally in the Netherlands under that country’s Controlled Cannabis Supply Chain Experiment, with sales beginning in the first quarter of 2025.

In the U.S., Balanced Health is our industry-leading cannabinoid business, extending our portfolio into cannabidiol (“CBD”) and hemp-derived consumer products.

We also operate a large, well-established, produce business (primarily tomatoes) under the Village Farms Fresh ("VF Fresh") brand which sells to food distribution companies and mass retail stores. We own and operate produce cultivation assets in Texas and Delta, B.C. and source produce from growing partners in Mexico and Canada.

Our intention is to use our assets, expertise and experience (across the cannabis, hemp, CBD and produce ecosystems) to participate in U.S. cannabis markets subject to compliance with applicable U.S. federal and state laws and applicable stock exchange rules.

Our Operating Segments

Canadian Cannabis Segment

Our Canadian Cannabis segment includes wholly owned Pure Sunfarms and 80% owned Rose LifeScience.

Pure Sunfarms is one of the single largest cannabis growing operations in the world, one of the lowest-cost greenhouse producers and the leading flower brand in Canada. Pure Sunfarms leverages our 30 years of experience as a vertically integrated greenhouse grower for cannabis growth opportunities in Canada with commercial distribution in all Canadian provinces and territories. Our long-term objective for Pure Sunfarms is to be the leading low-cost, high-quality cannabis producer in Canada.

Rose is one of the top-selling licensed producers of cannabis in the Province of Quebec, as well as a prominent cannabis products commercialization expert in Quebec, acting as the exclusive, direct-to-retail sales, marketing and distribution entity for some of the best-known brands in Canada, as well as Quebec-based micro and craft growers.

Our long-term objective for our Canadian Cannabis segment is to garner and sustain a leading retail market share in Canada, as well as a leading exporter of medicinal cannabis, stemming from our position as a leading low-cost, high-quality cannabis producer in Canada and expand our Canadian success into growing international cannabis markets across the globe.

U.S. Cannabis Segment

Our U.S. Cannabis segment includes Balanced Health.

Balanced Health is one of the leading cannabinoid brands and e-commerce platforms in the United States. Balanced Health develops and sells high-quality CBD and hemp-derived health and wellness products, distributing its diverse portfolio of consumer products through retail storefronts and its top-ranked e-commerce platform, CBDistillery™.

Produce Segment

Our Produce segment is composed of VF Fresh, which currently consists of Village Farms LP and Village Farms Canada LP.

Through VF Fresh, we grow, market and distribute premium-quality, greenhouse-grown produce in North America. These premium products are grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia and Texas. We also market and distribute premium tomatoes, peppers and cucumbers produced under exclusive and non-exclusive arrangements from our greenhouse supply partners located in Mexico, B.C. and Ontario. We primarily market and distribute under our Village Farms® brand name to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada.

Energy Segment

Our Energy segment is comprised of wholly owned VF Clean Energy Inc.

VFCE, which has partnered with Terreva Renewables (formerly Mas Energy) for the Delta RNG Project based on VFCE's 20-year contract (including a five-year option to extend) with the City of Vancouver to capture landfill gas at the Delta, B.C. landfill site (the "Delta RNG Project"). The Delta RNG Project, which commenced operations in 2024, converts VFCE's previous landfill gas-to-electricity business into a state-of-the-art landfill gas to high-demand renewable natural gas ("RNG") facility. Terreva Renewables sells the renewable natural gas and VFCE will receive a portion of the revenue in the form of a royalty.

Leli Segment

Our Leli operating segment is comprised of wholly owned Leli Holland, which we acquired during Q4 2024.

Through Leli, we hold one of ten licenses to cultivate and distribute cannabis legally in the Netherlands under that country's Closed Supply Chain Experiment program, with sales commencing in February 2025.

Legal, Regulatory and Other Macroeconomic and Political Trends

The future of our business continues to depend on the potential for U.S. federal legalization and/or rescheduling of cannabis, FDA regulation of CBD-derived products and the legal and regulatory landscape in Canada and other jurisdictions where we do business. See “Risk Factors—Legal and Regulatory Risk Factors—We cannot predict when, if ever, cannabis will be federally legal in the United States and any rescheduling of U.S. Schedule I cannabis to Schedule III would have an uncertain impact on our business”. Our business may also be materially affected by potential U.S./Canadian and U.S./Mexico tariffs and/or other trade restrictions, and our supply of labor may be negatively affected by immigration policy in the United States. See “Risk Factors—Industry Risk Factors—We face risks associated with cross-border trade and the potential for tariffs and other trade restrictions” and “Risk Factors—Labor and Employment Risk Factors—“Our operations are dependent on labor availability which includes accessing government sponsored foreign labor programs in both the United States and Canada”.

In addition, our business has been affected, and we expect will continue to be affected for the foreseeable future, by rising inflation, and indirectly, world conflicts (e.g., Russia/Ukraine) which may negatively affect our operating results. Inflation has affected and continues to affect, amongst other items, supply chain and labor costs as well as purchasing decisions of consumers which may impact demand for our products.

Recent Developments and Updates

Canadian Cannabis

- Remained a top three producer in Canada and was second fastest growing producer organically year-over¹;
 - Further expanded its number one national market share position in dried flower¹;
 - Held number two national market share position in the pre-roll category for 2024²;
 - Held number two market share in the provinces of Ontario and Quebec for 2024²;
 - Launched The Canna Czar presented by Soar in Q4, a 2.1g specialty twax blunt with unique construction, premium ingredients, and handcrafted process align with Soar’s tastemaker method, which emphasizes innovation and quality;
 - Launched Super Toast All-In-One Vape in Q4, combining grab n’ go functionality with classic fountain-inspired flavours and a built-in USB-C rechargeable battery and auto-draw functionality.
 - International medicinal sales in 2024 increased to \$10.9 million, with continued growth in shipment volumes to Australia, Germany and the United Kingdom;
 - International sales volumes increased 124% year-over-year during the fourth quarter;
 - Continued to hold the #1 and #4 cultivars in the German market through a supply agreement; and
 - Subsequent to year end 2024, expanded international medical cannabis distribution to New Zealand through a supply agreement with Medleaf Therapeutics, an established New Zealand-based medical cannabis company with a comprehensive distribution network.
1. For the fourth quarter of 2024. Based on estimated retail sales from HiFyre, other third parties and provincial boards.
 2. Based on estimated retail sales from HiFyre, other third parties and provincial boards

U.S. Cannabis

- Subsequent to year end 2024, Balanced Health Botanicals’ CBDistillery™ announced that its full range of hemp-derived gummies are now wholly manufactured in-house at its GMP-certified facility in Denver, Colorado. Internalization of manufacturing will enable greater innovation, operational flexibility, and inventory control in the future;
- The Company’s application for a Texas medicinal marijuana license remains pending review by the Department of Public Services. If awarded, the Company plans to work with its listing authority to structure an acceptable ownership structure; and
- The proliferation of unregulated, synthetic and intoxicating hemp-derived products in the U.S. market continues to challenge market share for the CBD industry and is causing certain states to impose significant restrictions on hemp-derived products. If legally permissible and economically beneficial for the Company in the future, the Company may seek to engage in the cultivation, manufacturing, and distribution of hemp and hemp-derived products.

VF Fresh (Produce)

- Continued improvement in our Texas greenhouse operations resulting in a year-over-year decrease in cost per pound due to ongoing labor efficiencies and increased yields;
- Implementing new cultivation technologies, including artificial intelligence, to drive further operational improvements;
- The Company has an ongoing sale process for its Monahans (Permian Basin, Texas) greenhouse facility. It is also evaluating other uses for the site and facility, some of which are outside its historical produce business.
- The Company is also exploring other options to sell Produce assets.

Leli Holland

- We acquired the remaining 15% of Leli during Q4 2024 by exercising our purchase option. Leli Holland B.V. is now a wholly owned subsidiary of Village Farms International, Inc.
- Completed its first harvest from its indoor cannabis production facility in Drachten, Netherlands in December 2024 and began deliveries of cannabis to Dutch coffee shops in February 2025, consistent with the Company's previously-disclosed timeline to commencement of sales;

Village Farms Clean Energy

- In April 2024, the Delta, British Columbia Renewable Natural Gas Project began operations, which immediately began contributing incremental profit to the Company; and
- During the fourth quarter and full year 2024 periods, Village Farms Clean Energy produced net income of \$0.4 million and \$0.8 million, respectively, through royalty payments received from its clean energy partner.

Corporate

- The ongoing Administrative Law Judge (ALJ) hearings regarding the proposed rescheduling of marijuana from a Schedule I to a Schedule III drug under the Controlled Substances Act are currently stayed pending an interlocutory appeal granted by the ALJ to resolve the Company's alleged improper ex parte communications by DEA. The Company is continuing to work to ensure a fair and transparent process and remains a strong proponent of rescheduling cannabis to Schedule III;
- On August 7, 2024, following the conclusion of an evaluation managed by the Audit Committee of the Board of Directors (the "Board") of the Company, the Board approved the appointment of KPMG LLP ("KPMG") as the Company's independent registered public accounting firm effective August 8, 2024. In connection with the appointment of KPMG, on August 7, 2024, the Audit Committee approved the dismissal of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm effective with the issuance of the Company's Form 10-Q for the quarterly period ended June 30, 2024 filed on August 8, 2024.
- In October 2024, the Company received notification from Nasdaq that it is not in compliance with the minimum bid price requirement for continued listing on the Nasdaq Capital Market (Nasdaq Listing Rule 5550(a)(2)) (the "Minimum Bid Requirement") as the bid price for the Company closed below US\$1.00 from September 6, 2024 to October 17, 2024 (the "Notification"). The Notification has no immediate effect on the listing of the Common Shares on the Nasdaq Capital Market. Under Nasdaq Listing Rule 5810(c)(3)(A), the Company has until April 16, 2025 to regain compliance with the Minimum Bid Requirement, at which point it may be eligible for a 180-day extension to regain compliance.

Presentation of Financial Results

Our consolidated results of operations for each of the three years ended December 31, 2024, 2023 and 2022 presented below reflect the operations of our consolidated wholly-owned subsidiaries, our 70% ownership in Rose LifeScience through March 31, 2024, our 80% ownership in Rose LifeScience beginning on April 1, 2024, our 85% ownership in Leli through September 22, 2024, and our 100% ownership in Leli beginning on September 23, 2024. The income (loss) from our equity method investment in Village Farms Hemp ("VF Hemp") is reflected in our net income (loss) for the year ended December 31, 2022 presented below.

Foreign Currency Exchange Rates

All currency amounts in this Annual Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of our foreign operations are translated into dollars at the exchange rate in effect as of December 31, 2024, December 31, 2023, and December 31, 2022 for each of the fiscal years ending on such dates. Transactions affecting the shareholders’ equity (deficit) are translated at historical foreign exchange rates. The condensed consolidated statements of operations and comprehensive income (loss) and condensed consolidated statements of cash flows of our foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period.

The exchange rates used to translate from Canadian dollars to U.S. dollars is shown below:

	As of December 31,		
	2024	2023	2022
Spot rate	0.6957	0.7543	0.7380
For the year ended	0.7301	0.7410	0.7689

Results of Operations

Consolidated Financial Performance

(In thousands of U.S. dollars, except per share amounts)

	For the Year Ended December 31,		
	2024	2023	2022
Sales	\$ 336,181	\$ 285,603	\$ 293,572
Cost of sales	(288,781)	(236,177)	(266,075)
Gross margin	47,400	49,426	27,497
Selling, general and administrative expenses	(71,048)	(65,501)	(72,265)
Interest expense	(3,365)	(4,509)	(3,244)
Interest income	914	1,018	207
Foreign exchange (loss) gain	(2,843)	602	(2,255)
Other income (expense)	4,015	5,616	(115)
Write-off of joint venture loan	—	—	(592)
Goodwill and intangible asset impairments	(11,939)	(14,020)	(43,299)
Other impairments	(439)	—	—
Loss before taxes and loss from equity method investments	(37,305)	(27,368)	(94,066)
Provision for income taxes	1,662	(7,451)	(4,681)
Loss including non-controlling interests and before equity losses	(35,643)	(34,819)	(98,747)
Less: net (income) loss attributable to non-controlling interests, net of tax ⁽¹⁾	(207)	21	269
Loss from equity method investments	—	—	(2,668)
Net loss attributable to Village Farms International, Inc. shareholders	\$ (35,850)	\$ (34,798)	\$ (101,146)
Adjusted EBITDA ⁽²⁾	\$ 1,788	\$ 7,585	\$ (34,633)
Basic loss per share	\$ (0.32)	\$ (0.32)	\$ (1.13)
Diluted loss per share	\$ (0.32)	\$ (0.32)	\$ (1.13)

⁽¹⁾ For the years ended December 31, 2024, 2023 and 2022 Rose LifeScience’s financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2024 and 2023 and for the period July 19, 2022 to December 31, 2022, Leli’s financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net loss attributable to non-controlling interests, net of tax.

⁽²⁾ Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA includes the Company’s 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024., and 65% interest in VFH.

We caution that our results of operations for the years ended December 31, 2024, 2023 and 2022 may not be indicative of our future performance.

Discussion of Financial Results

A discussion of our consolidated results for the years ended December 31, 2024, 2023 and 2022 is included below. The consolidated results include all five of our operating segments, Produce, Cannabis-Canada, Cannabis-U.S., Energy, and Leli, along with all public company expenses. For a discussion of our segmented results, please see "Segmented Results of Operations" below

CONSOLIDATED RESULTS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

Sales for the year ended December 31, 2024 increased \$50,578, or approximately 18%, to \$336,181 compared to \$285,603 for the year ended December 31, 2023. The increase in sales was primarily attributable to an increase in Canadian Cannabis sales of \$34,826 and an increase in VF Fresh sales of \$17,941, partially offset by a decrease in U.S. Cannabis sales of \$2,940. For additional information, refer to "Segmented Results of Operations" below.

Cost of Sales

Cost of sales for the year ended December 31, 2024 increased \$52,604, or 22%, to \$288,781 from \$236,177 for the year ended December 31, 2023. The increase in cost of sales due primarily to an increase in Canadian Cannabis cost of sales of \$40,082 and VF Fresh cost of sales of \$13,061, partially offset by a decrease in U.S. Cannabis cost of sales of \$647. For additional information, refer to "Segmented Results of Operations" below.

Gross Margin

Gross margin for the year ended December 31, 2024 decreased \$2,026, or 4%, to \$47,400 from \$49,426 for the year ended December 31, 2023. The decrease in gross margin was primarily attributable to a decrease in gross margin at Canadian Cannabis of \$5,256 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in US Cannabis of \$2,293, partially offset by an increase in gross margin at VF Fresh of \$4,880. For additional information, refer to "Segmented Results of Operations" below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$5,547 to \$71,048, or 21% of sales, from \$65,501, or 23% of sales, for the year ended December 31, 2023. The increase in sales, general and administrative expenses was due to an increase in operating expenses of \$4,911, driven by higher commercial and marketing expenses at Canadian Cannabis, and an increase in share-based compensation of approximately \$636. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2024	2023
Selling, general and administrative expenses	\$ 67,301	\$ 62,390
Share-based compensation	3,747	3,111
Total selling, general and administrative expenses	\$ 71,048	\$ 65,501

Interest Expense

Interest expense for the year ended December 31, 2024 decreased \$1,144 to \$3,365 from \$4,509 for the year ended December 31, 2023. The decrease was due to a decrease in the overall borrowing base and a decrease in the Company's interest rates on its various debt instruments.

Interest Income

Interest income for the years ended December 31, 2024 and 2023 was \$914 and \$1,018, respectively.

Other Income (Expense)

Other income for the year ended December 31, 2024 was \$4,015 as compared to \$5,616 for the year ended December 31, 2023. Other income is primarily attributable to favorable vendor settlements relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV") infestation.

Goodwill and Intangible Asset Impairments

Goodwill and Intangible Assets Impairments for the year ended December 31, 2024 was \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairment was primarily related to the U.S. Cannabis reporting unit as a result of recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry.

Loss Before Taxes and Loss from Equity Method Investments

Loss before taxes and loss from equity method investments for the year ended December 31, 2024 was \$37,305 compared to \$27,368 for the year ended December 31, 2023, an increase of \$9,937, or 36%. The increase was primarily due to a decrease in gross margin of \$2,026, an increase in selling general and administrative expenses of \$5,547, and an unfavorable effect of foreign exchange loss in 2024 of \$2,843 compared to a gain in 2023 of \$602.

(Provision for) Recovery of Income Taxes

The provision for income taxes for the years ended December 31, 2024 and 2023 was \$1,662 and (\$7,451), respectively. For the twelve months ended December 31, 2024, our effective tax rate, including both current and deferred income taxes was 4.5% which includes a change in valuation allowance against our deferred tax assets of \$6,031.

Net Loss Attributable to Non-controlling Interests, Net of Tax

For the year ended December 31, 2024, the add back for net income attributable to non-controlling interests, net of tax was \$207 compared to a net loss of \$21 for the year ended December 31, 2023.

Net Loss Attributable to Village Farms International, Inc. Shareholders

Net loss attributable to Village Farms International, Inc. shareholders for the year ended December 31, 2024 was \$35,850 as compared to \$34,798 for the year ended December 31, 2023, an increase of \$1,052, or 3%.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2024 decreased by \$5,797 to \$1,788 from \$7,585 for the year ended December 31, 2023. The decrease was primarily due to a decrease in adjusted EBITDA of Canadian Cannabis of \$7,482 resulting from the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000), and a decrease in U.S. Cannabis of \$1,533, partially offset by an improvement in VF Fresh of \$1,651. See the reconciliation of Adjusted EBITDA to net income in "Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA".

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Sales

Sales for the year ended December 31, 2023 decreased \$7,969, or 3%, to \$285,603 compared to \$293,572 for the year ended December 31, 2022. The decrease in sales was primarily attributable to a decrease in VF Fresh sales of \$9,009 and a decrease in U.S. Cannabis sales of \$2,972, partially offset by an increase in Canadian Cannabis sales of \$4,148. For additional information, refer to "Segmented Results of Operations" below.

Cost of Sales

Cost of sales for the year ended December 31, 2023 decreased \$29,898, or 11%, to \$236,177 from \$266,075 for the year ended December 31, 2022, due primarily to a decrease in VF Fresh cost of sales of \$26,570, Canadian Cannabis cost of sales of \$2,404, and U.S. Cannabis cost of sales of \$641. For additional information, refer to "Segmented Results of Operations" below.

Gross Margin

Gross margin for the year ended December 31, 2023 increased \$21,929, or 80%, to \$49,426 from \$27,497 for the year ended December 31, 2022. The increase in gross margin was primarily attributable to an increase in gross margin at VF Fresh of \$17,561 and Canadian Cannabis of \$6,552, partially offset by a decrease in US Cannabis of \$2,331. For additional information, refer to "Segmented Results of Operations" below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2023 decreased \$6,764, or 9%, to \$65,501 or 23% of sales from \$72,265 or 25% of sales for the year ended December 31, 2022. The decrease in sales, general and administrative expenses was due to lower operating expenses of \$5,888 attributable to improvements in all divisions and lower share-based compensation of approximately \$876. For additional information, refer to "Segmented Results of Operations" below.

	For the Year Ended December 31,	
	2023	2022
Selling, general and administrative expenses	\$ 62,390	\$ 68,278
Share-based compensation	3,111	3,987
Total selling, general and administrative expenses	\$ 65,501	\$ 72,265

Interest Expense

Interest expense for the year ended December 31, 2023 increased \$1,265 to \$4,509 from \$3,244 for the year ended December 31, 2022. The increase was due to an increase in the Company's interest rates on its various debt instruments.

Interest Income

Interest income for the years ended December 31, 2023 and 2022 was \$1,018 and \$207, respectively.

Other Income (Expense)

Other income for the year ended December 31, 2023 was \$5,616 as compared to other expense of (\$115) for the year ended December 31, 2022. The increase in other income (expense) was primarily attributable to a favorable vendor settlement relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus ("ToBRFV") infestation of \$5,585 in the year ended December 31, 2023.

Loss Before Taxes and Loss from Equity Method Investments

Loss before taxes and loss from equity method investments for the year ended December 31, 2023 was (\$27,368) compared to (\$94,066) for the year ended December 31, 2022, an improvement of \$66,698, or 71%. The improvement was primarily due to improved operating performance, with an increase in gross margin of \$21,929, a lower impairment of goodwill and intangible assets of \$14,020 in 2023 versus \$43,299 for 2022, and a favorable vendor settlement relating to the partial recovery of operational losses from the ToBRFV infestation for the year ended December 31, 2023 of \$5,585. In addition, there were lower selling, general and administrative expenses in all segments.

(Provision for) Recovery of Income Taxes

The provision for income taxes for the year ended December 31, 2023 and 2022 was \$7,451 and \$4,681, respectively. For the twelve months ended December 31, 2023, our effective tax rate, including both current and deferred income taxes was 27.2%, and included a change in valuation allowance against our U.S. deferred tax assets of \$4,823, and a \$4,288 valuation allowance against our Canadian deferred tax assets on a net basis, recorded as of December 31, 2023.

Net Loss Attributable to Non-controlling Interests, Net of Tax

For the year ended December 31, 2023, the add back for net loss attributable to non-controlling interests, net of tax was \$21 compared to a net loss of \$269 for the year ended December 31, 2022.

Loss from Equity Method Investments

Our share of losses from our equity method investments for the year ended December 31, 2023 was \$0 compared to \$2,668 for the year ended December 31, 2022. The decrease from the prior year was primarily due to a non-cash write-down of inventory at VF Hemp in 2022 that was not present in the 2023 period.

Net Loss Attributable to Village Farms International, Inc. Shareholders

Net loss attributable to Village Farms International, Inc. shareholders for the years ended December 31, 2023 was \$34,798 as compared to \$101,146 for the year ended respectively. an improvement of \$66,348, or 66%, due to improved performance from VF Fresh and lower selling, general and administrative expenses in all segments.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2023 increased \$42,218 to \$7,585 from (\$34,633) for the year ended December 31, 2022, due to an improved adjusted EBITDA of VF Fresh of \$24,875, as well as our Canadian cannabis division of \$12,717 and our U.S. Cannabis division of \$638. In addition, for the year ended December 31, 2022, we previously included adjustments for \$11,038 of loss on inventory write-down to net realizable value for Canadian Cannabis and \$2,284 of obsolete inventory associated with the JV exit that are now being excluded from 2022 Adjusted EBITDA in response to comments from and discussions with the Staff of the U.S. Securities and Exchange Commission. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

SEGMENTED RESULTS OF OPERATIONS

(In thousands of U.S. dollars, except per share amounts, and unless otherwise noted)

For the Year Ended December 31, 2024							
	VF Fresh (Produce)	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Leli (1)	Corporate	Total
Sales	\$ 169,183	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ —	\$ 336,181
Cost of sales	(164,125)	(118,172)	(6,355)	(129)	—	—	(288,781)
Selling, general and administrative expenses	(12,249)	(34,028)	(11,990)	(38)	(1,555)	(11,188)	(71,048)
Other expense, net	1,408	(1,007)	—	170	—	(1,850)	(1,279)
Goodwill and intangible impairments	—	—	(11,939)	—	—	—	(11,939)
Other impairments	—	—	(439)	—	—	—	(439)
(Loss) income before taxes and loss from equity method investments	(5,783)	(4,351)	(13,333)	755	(1,555)	(13,038)	(37,305)
(Provision for) recovery of income taxes	(100)	1,537	—	—	391	(166)	1,662
(Loss) income from consolidated entities	(5,883)	(2,814)	(13,333)	755	(1,164)	(13,204)	(35,643)
Less: net (income) loss attributable to non-controlling interests, net of tax	—	(367)	—	—	160	—	(207)
Net (loss) income	\$ (5,883)	\$ (3,181)	\$ (13,333)	\$ 755	\$ (1,004)	\$ (13,204)	\$ (35,850)
Adjusted EBITDA (2)	\$ 2,157	\$ 7,282	\$ (672)	\$ 770	\$ (259)	\$ (7,490)	\$ 1,788
Basic (loss) income per share	\$ (0.05)	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.32)
Diluted (loss) income per share	\$ (0.05)	\$ (0.03)	\$ (0.12)	\$ 0.01	\$ (0.01)	\$ (0.12)	\$ (0.32)

For the Year Ended December 31, 2023							
	VF Fresh (Produce)	Cannabis Canada (1)	Cannabis U.S.	Clean Energy	Leli (1)	Corporate	Total
Sales	\$ 151,243	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ —	\$ 285,603
Cost of sales	(151,064)	(78,090)	(7,002)	(21)	—	—	(236,177)
Selling, general and administrative expenses	(10,625)	(29,275)	(13,118)	(32)	(1,265)	(11,186)	(65,501)
Other expense, net	3,495	(2,136)	(18)	(133)	—	1,519	2,727
Goodwill and intangible impairments	—	—	(14,020)	—	—	—	(14,020)
Loss before taxes and loss from equity method investments	(6,951)	4,529	(13,828)	(186)	(1,265)	(9,667)	(27,368)
(Provision for) recovery of income taxes	(4,284)	(1,431)	—	—	48	(1,784)	(7,451)
(Loss) income from consolidated entities	(11,235)	3,098	(13,828)	(186)	(1,217)	(11,451)	(34,819)
Less: net (income) loss attributable to non-controlling interests, net of tax	—	(162)	—	—	183	—	21
Net (loss) income	\$ (11,235)	\$ 2,936	\$ (13,828)	\$ (186)	\$ (1,034)	\$ (11,451)	\$ (34,798)
Adjusted EBITDA (2)	\$ 506	\$ 14,764	\$ 861	\$ (186)	\$ (157)	\$ (8,203)	\$ 7,585
Basic (loss) income per share	\$ (0.10)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.11)	\$ (0.32)
Diluted (loss) income per share	\$ (0.10)	\$ 0.03	\$ (0.13)	\$ (0.00)	\$ (0.01)	\$ (0.11)	\$ (0.32)

For the Year Ended December 31, 2022

	Cannabis						
	VF Fresh (Produce)	Canada (1)	Cannabis U.S.	Clean Energy	Leli (1)	Corporate	Total
Sales	\$ 160,388	\$ 109,882	\$ 23,302	\$ 0	\$ —	\$ —	\$ 293,572
Cost of sales	(177,777)	(80,494)	(7,643)	(161)	—	—	(266,075)
Selling, general and administrative expenses	(12,004)	(31,608)	(16,305)	(58)	(275)	(12,015)	(72,265)
Other expense, net	(1,187)	(2,023)	(247)	(43)	—	(1,907)	(5,407)
Write-off of joint venture loan	—	—	—	—	—	(592)	(592)
Goodwill and intangible asset impairments	—	—	(43,299)	—	—	—	(43,299)
Loss before taxes and loss from equity method investments	(30,580)	(4,243)	(44,192)	(262)	(275)	(14,514)	(94,066)
(Provision for) recovery of income taxes	(9,914)	4,091	—	—	39	1,103	(4,681)
Loss from consolidated entities	(40,494)	(152)	(44,192)	(262)	(236)	(13,411)	(98,747)
Less: net loss attributable to non-controlling interests, net of tax	—	269	—	—	—	—	269
Loss from equity method investments	—	—	—	—	—	(2,668)	(2,668)
Net (loss) income	\$ (40,494)	\$ 117	\$ (44,192)	\$ (262)	\$ (236)	\$ (16,079)	\$ (101,146)
Adjusted EBITDA (2)	\$ (24,376)	\$ 2,047	\$ 223	\$ (256)	\$ (275)	\$ (11,996)	\$ (34,633)
Basic (loss) income per share	\$ (0.45)	\$ 0.00	\$ (0.52)	\$ (0.00)	\$ (0.00)	\$ (0.16)	\$ (1.13)
Diluted (loss) income per share	\$ (0.45)	\$ 0.00	\$ (0.52)	\$ (0.00)	\$ (0.00)	\$ (0.16)	\$ (1.13)

- (1) For the years ended December 31, 2024, 2023, and 2022, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2024 and 2023 and for the period July 19, 2022 to December 31, 2022, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024., and 65% interest in VFH.

CANADIAN CANNABIS SEGMENT RESULTS

The Canadian Cannabis segment consists of Pure Sunfarms and Rose LifeScience. The comparative analysis for Canadian Cannabis is based on the consolidated results of Pure Sunfarms and Rose LifeScience for the years ended December 31, 2024, 2023, and 2022. The Rose LifeScience minority interest is presented in Net Loss Attributable to Non-controlling Interests, Net of Tax.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

Canadian cannabis net sales for the years ended December 31, 2024 increased by \$34,826, or 31%, to \$148,856 from \$114,030, for the year ended December 31, 2023. The increase in sales was due to an 26% increase in branded sales, an 86% increase in non-branded, and a 33% increase in international sales, partially offset by an unfavorable impact of exchange rate fluctuations. The increase in branded sales was due to market share gain across the flower, pre-roll and milled categories, driven by high quality cultivation and new product launches. The increase in non-branded sales resulted from improved industry supply conditions and pricing supported by a shift of many producers toward asset light models, as well as sales of non-brand-spec inventory.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (sales to provincial distributors). For the year ended December 31, 2024, the Company incurred excise tax of \$71,953 (C\$98,442) versus \$58,015 (C\$78,315) for the year ended December 31, 2023. The increase of \$13,938 (C\$20,127), or 24%, in excise taxes was due to an increase in kilograms sold in the branded channel. The Canadian excise tax is our single largest cost of participating in the adult-use (branded) market in Canada.

For the year ended December 31, 2024, 75% of Canadian Cannabis net sales was generated from branded flower, pre-roll, and cannabis derivative products, net of excise tax. For the year ended December 31, 2023, 80% of Canadian Cannabis net sales was generated from branded flower, pre-roll sales and cannabis derivative products, net of excise tax. Non-branded accounted for 19% and international accounted 4% of Canadian Cannabis net sales in 2024, as compared to non-branded of 14% and international of 4% in 2023. The increase in non-branded sales was driven by increased demand for bulk flower products.

The net average selling price of branded flower and pre-roll formats decreased in 2024 compared to 2023. Excluding pre-roll formats, the average net selling price of branded flower decreased by (2%) in 2024 due to a higher ratio of sales for our value brand Fraser Valley Weed Co and our milled and pre roll branded products. The net average selling price of bulk non-branded flower and trim increased by 45% in 2024 largely due to an increase in bulk flower, which are sold at a higher selling price, and higher demand for lower specification biomass which led to increased volumes and prices.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2024 and 2023:

(in thousands of U.S. dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 183,904	\$ 149,929
International sales	6,137	4,600
Non-branded sales	28,827	15,457
Other	1,941	2,059
Less: excise taxes	(71,953)	(58,015)
Net Sales	\$ 148,856	\$ 114,030

(in thousands of Canadian dollars)	For The Year Ended	
	December 31, 2024	December 31, 2023
Branded sales	\$ 251,708	\$ 202,367
International sales	8,417	6,208
Non-branded sales	39,625	20,967
Other	2,665	2,778
Less: excise taxes	(98,442)	(78,315)
Net Sales	\$ 203,973	\$ 154,005

Cost of Sales

Cost of sales for the years ended December 31, 2024 increased \$40,082, or 51%, to \$118,172 from \$78,090 for the year ended December 31, 2023. The increase was primarily due to a non-cash inventory impairment relative to its net realizable value of \$10,436 (C\$15,000) for the year ended December 31, 2024, resulting from older manufactured inventory products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it, and an increase in volume (kilograms) packaged and sold of branded products, as well as an increase in non-branded kilograms sold.

Gross Margin

Gross margin for the year ended December 31, 2024 decreased \$5,256, or 15%, to \$30,684 from \$35,940 for the year ended December 31, 2023. Gross margin as a percentage of net sales for the periods ended December 31, 2024 and 2023 was 21% and 32%, respectively, the lower 2024 gross margin was primarily due to the non-cash inventory impairment in the fourth quarter of \$10,436 (C\$15,000). Excluding the inventory write down, gross margin as a percentage of net sales for the period ended December 31, 2024 was 28% compared to 32% for the year ended December 31, 2023

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2024 increased \$4,753, or 16%, to \$34,028, or 23% of net sales, from \$29,275, or 26% of net sales, for the year ended December 31, 2023. The increase in selling, general and administrative expenses was primarily due to higher commercial and marketing expenses, which has helped drive increases in branded sales.

Other (Expense) Income, net

Other expense, net was \$1,007 for the year ended December 31, 2024 compared to other to \$2,136 for the year ended December 31, 2023, the decrease of \$1,129 was due primarily to lower interest expense.

Net Income (Loss)

Net loss for the year ended December 31, 2024 was \$3,181 and compared to net income of \$2,936 for the year ended December 31, 2023. The change is primarily due to the inventory write down of \$10,436 (C\$15,000). Excluding the inventory write down, net income for the year ended December 31, 2024 was \$7,255. The improvement was due primarily to increased sales, partially offset by a lower margin, higher selling, general and administrative costs, and decrease in tax provision of \$2,968 when compared to the prior year.

Adjusted EBITDA

Adjusted EBITDA was \$7,282 for the year ended December 31, 2024 and \$14,764 for the year ended December 31, 2023. The decrease of \$7,482, or 51%, between periods was due to an inventory impairment charge of \$10,436 (C\$15,000) during the year ended December 31, 2024. Excluding the inventory write down, adjusted EBITDA was \$17,718, an increase of 20% compared to the year ended December 31, 2023. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Sales

Canadian cannabis net sales for the years ended December 31, 2023 and 2022 was \$114,030 and \$109,882, respectively, a year over year increase of 4%, or \$4,148. The increase in sales was due to an 11% increase in branded sales, partially offset by a (10%) decrease in non-branded sales and an unfavorable impact of exchange rate fluctuations. The 11% increase in branded sales was due to an increase in sales in Quebec and Alberta. Canadian cannabis branded sales growth was primarily in large and small formats of flower and pre-rolls. The (10%) decrease in non-branded sales was primarily due to an oversupplied LP market and continuing desperation pricing by some LPs in the early portion of calendar year 2023. International sales increased by \$731 for the year ended December 31, 2023, or 19%, to \$4,600 versus \$3,869 for the year ended December 31, 2022. The increase was primarily driven by incremental sales to Australia and Germany.

Canadian Cannabis continues to pay a burdensome excise tax on its branded sales (provincial sales). For the year ended December 31, 2023, the Company incurred excise tax of \$58,015 (C\$78,315) versus \$50,126 (C\$65,555) for the year ended December 31, 2022. The increase of \$7,889 (C\$12,760) was due to higher kilograms sold in the provincial

For the year ended December 31, 2023, 80% of Canadian Cannabis net sales was generated from branded flower, pre-roll sales, and cannabis derivative products, net of excise tax. For the year ended December 31, 2022, 77% of Canadian Cannabis net sales was generated from branded flower, pre-roll sales and cannabis derivative products, net of excise tax. Non-branded, international, and other sales accounted for 20% of Canadian Cannabis net sales in 2023, as compared to 23% in 2022. The decrease in non-branded sales was driven by the oversupplied LP market, particularly for lower specification biomass, which drove down prices.

The net average selling price of branded flower and pre-roll formats decreased in 2023 as compared to 2022. Excluding pre-roll formats, the average net selling price of branded flower decreased by (16%) in 2023 due to a higher ratio of large format products to small format products and an increase in sales for our value brand Fraser Valley Weed Co. The decrease in the net average selling price is also attributable to the strong demand of Fraser Valley Weed Co., which targets the value segment of the market. The net average selling price of bulk non-branded flower and trim increased by 7% in 2023 largely due to a decreased volume of trim sales and an increase in bulk flower which are sold at a higher selling price relative to trim, particularly in the second half of 2023.

The following table presents sales by Canadian Cannabis revenue stream, together with the impact of excise tax, in U. S. dollars and Canadian dollars, for the years ended December 31, 2023 and 2022:

(in thousands of U.S. dollars)	For The Year Ended	
	December 31, 2023	December 31, 2022
Branded sales	\$ 149,929	\$ 135,649
International sales	4,600	3,869
Non-branded sales	15,457	17,848
Other	2,059	2,642
Less: excise taxes	(58,015)	(50,126)
Net Sales	\$ 114,030	\$ 109,882

(in thousands of Canadian dollars)	For The Year Ended	
	December 31, 2023	December 31, 2022
Branded sales	\$ 202,367	\$ 177,234
International sales	6,208	51,153
Non-branded sales	20,967	23,285
Other	2,778	3,411
Less: excise taxes	(78,315)	(65,555)
Net Sales	\$ 154,005	\$ 189,528

Cost of Sales

Cost of sales for the years ended December 31, 2023 and 2022 was \$78,090 and \$80,494, respectively, representing a decrease of 3%, or \$2,404. The primary reason for the decrease from the prior year was due to a non-cash inventory write down of \$11,038 (C\$15,000) during the year ended December 31, 2022, which represented lower potency flower that was harvested in 2021 or earlier. The decrease was mostly offset by an increase in branded kilograms sold which had an incremental cost of production to manufacture and package over bulk product sold in the wholesale channel.

Gross Margin

Gross margin for the year ended December 31, 2023 increased \$6,552, or 22%, to \$35,940 from \$29,388 for the year ended December 31, 2022. Gross margin as a percentage of net sales for the periods ended December 31, 2023 and 2022 was 32% and 27%, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2023 were \$29,275, or 26%, of net sales compared to \$31,608, or 29% of net sales for the year ended December 31, 2022. The decrease in selling, general and administrative expenses was primarily due to reduced labor costs from the ongoing optimization of operations.

Other (Expense) Income, net

Other expense, net was \$2,136 for the year ended December 31, 2023 compared to \$2,023 for the year ended December 31, 2022.

Net Income

Net income for the years ended December 31, 2023 and 2022 was \$2,936 and \$117 respectively. The increase is primarily due to the improvement in gross margin and reduced selling, general and administrative expenses, partially offset by the current year provision for income tax of \$1,431.

Adjusted EBITDA

Adjusted EBITDA was \$14,764 for the year ended December 31, 2023 and \$2,047 for the year ended December 31, 2022. The increase of \$12,717, or 621%, between periods was primarily due to an inventory impairment charge of \$11,038 during the year ended December 31, 2022 and lower selling, general and administrative expenditures in 2023 versus 2022. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

U. S. CANNABIS SEGMENT RESULTS

The U.S. Cannabis segment currently consists of Balanced Health. VF Hemp was a joint venture which ceased operations in 2022, and its results are included in “Loss from Equity Method Investments” for the year ended December 31, 2022.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Sales

U.S. Cannabis net sales for the year ended December 31, 2024 decreased \$2,940, or 14%, to \$17,390, from \$20,330 for the year ended December 31, 2023. The decrease was primarily due to new restrictions on CBD sales in eight states beginning July 1, 2024 and lower direct-to-consumer sales resulting from the proliferation of unregulated hemp-derived products on the market. All U.S. Cannabis sales were generated in the United States, with gross sales composed of 92% e-commerce sales, 7% retail sales and 1% miscellaneous.

Cost of Sales

U.S. Cannabis cost of sales for the year ended December 31, 2024 decreased \$647, or 9%, to \$6,355 from \$7,002 for the year ended December 31, 2023. The decrease was primarily due to lower sales.

Gross Margin

U.S. Cannabis gross margin for the year ended December 31, 2024 was \$11,035, or 63%, compared to \$13,328, or 66% for the year ended December 31, 2023.

Selling, General and Administrative Expenses

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2024 were \$11,990, or 69% of sales, compared to \$13,118, or 65% of sales, for the year ended December 31, 2023. The improvement in selling, general and administrative expenses when compared to the same prior year period is due to more efficient marketing and brand spending and contract renegotiation.

Goodwill and Intangible Asset Impairments

Goodwill and Intangible Assets Impairments for the year ended December 31, 2024 was \$11,939 compared to \$14,020 for the year ended December 31, 2023. The impairment was primarily related to the U.S. Cannabis reporting unit as a result of recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry.

Net Loss

U.S. Cannabis net loss for the year ended December 31, 2024 was \$13,333 compared to the loss of \$13,828 for the prior year ended December 31, 2023. The decrease in U.S. Cannabis net loss was primarily due to a lower impairment cost in 2024 of \$12,378 compared to an impairment cost of \$14,020 for the calendar year 2023.

Adjusted EBITDA

U.S. Cannabis adjusted EBITDA for the year ended December 31, 2024 was (\$672) compared to \$861 for the year ended December 31, 2023. The decline in the adjusted EBITDA was due primarily to lower sales at a lower gross margin. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**Sales**

U.S. Cannabis net sales for the year ended December 31, 2023 were \$20,330, a decrease of \$2,972 or 13%, from the prior year net sales of \$23,302. The decrease was primarily due to lower direct-to-consumer sales due to the proliferation of hemp derived cannabinoid sales. All U.S. Cannabis sales were generated in the United States, with sales composed of 82% e-commerce sales, 9% retail sales 7% freight income and 2% miscellaneous income.

Cost of Sales

U.S. Cannabis cost of sales for the year ended December 31, 2023 were \$7,002 as compared to \$7,643 for the year ended December 31, 2022. The decrease in cost of sales of 8% was primarily due to lower volumes sold in 2023 versus 2022, as margins on most products remained consistent between years, and was partially offset by a shift in product mix as consumers moved to gummy sales rather than the higher margin tincture products.

Gross Margin

U.S. Cannabis gross margin for the year ended December 31, 2023 was \$13,328, or 66%, compared to \$15,659, or 67% for the year ended December 31, 2022.

Selling, General and Administrative Expenses

U.S. Cannabis selling, general and administrative expenses for the year ended December 31, 2023 were \$13,118, or 65% of sales, compared to \$16,305, or 70% of sales, for the year ended December 31, 2022. The improvement in selling, general and administrative expenses when compared to the same prior year period is due to reductions in headcount, contract renegotiation and more efficient marketing and brand spending.

Net (Loss) Income

U.S. Cannabis net loss for the year ended December 31, 2023 was \$13,828 as compared to the loss of \$44,192 for the prior year ended December 31, 2022. The decrease in U.S. Cannabis net loss was primarily due to a lower impairment cost in 2023 of \$14,020 compared to an impairment cost of \$43,299 for the calendar year 2022.

Adjusted EBITDA

U.S. Cannabis adjusted EBITDA for the year ended December 31, 2023 was \$861 as compared to \$223 for the year ended December 31, 2022. The increase in the adjusted EBITDA was due primarily to lower selling and administrative expenses. See the reconciliation of Adjusted EBITDA to net income in “Non-GAAP Measures—Reconciliation of Net Earnings to Adjusted EBITDA”.

PRODUCE SEGMENT RESULTS

Year Ended December 31, 2024 Compared to the Year Ended December 31, 2023

Sales

Produce sales for the year ended December 31, 2024 increased by \$17,941, or 12% , to \$169,184, compared to \$151,243 for the year ended December 31, 2023. The increase was primarily due to an increase of 13% in pounds sold and an increase in supply partner average selling price, partially offset by a decrease in the average selling price from Company-owned greenhouses.

The average selling price for the specific varieties of produce sold during the year ended December 31, 2024, as compared to the year ended December 31, 2023 was as follows: tomato prices decreased 2.9%, pepper prices increased 23%, cucumber prices decreased 5% and mini cucumber prices decreased 8%.

Cost of Sales

Produce cost of sales for the year ended December 31, 2024 increased \$13,061, or 9%, to \$164,125 from \$151,064 for the year ended December 31, 2023. The increase is primarily due to increases in supply partner costs of \$12,986 due to a higher average cost per pound.

Gross Margin

Produce gross margin for the year ended December 31, 2024 increased \$4,880 to \$5,059 from a gross margin of \$179 for the year ended December 31, 2023. Total gross margin percentage was 3% for the year ended December 31, 2024, compared to 0% for the year ended December 31, 2023. The improvements in both gross profit and gross margin percentage were due to an increase from Company-owned greenhouse sales, an increase in supply partner sales, a decrease from Company-owned greenhouse cost per pound, and a decrease in freight costs.

Selling, General and Administrative Expenses

Produce selling, general and administrative expenses for the year ended December 31, 2024 increased \$1,624, or 15%, to \$12,249 from \$10,625 for the year ended December 31, 2023. The increase was primarily due to higher consulting, accounting, and legal fees partially offset by a recovery of prior period legal costs, associated with vendor settlements, for the year ended December 31, 2023.

Net Loss

Produce net loss for the year ended December 31, 2024 improved to \$5,882 from \$11,235 for the year ended December 31, 2023. The improvement in net loss was primarily due to a higher gross margin in 2024 and decrease in tax provision of \$4,184 when compared to the prior year.

Adjusted EBITDA

Produce adjusted EBITDA for the year ended December 31, 2024 improved to \$2,157 from \$506 for the year ended December 31, 2023. The improvement in Adjusted EBITDA was due to the improvement in gross margin for the year ended December 31, 2024. See the reconciliation of Adjusted EBITDA to net (loss) income in “Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA.”

Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

Sales

Sales for the year ended December 31, 2023 decreased by \$9,009 to \$151,243, compared to \$160,252 for the year ended December 31, 2022. The decrease in sales of 6% was primarily due to a decrease in supply partner revenues of \$14,141, partially offset by an increase in sales at the VF Fresh owned greenhouses of \$5,132. The supply partner revenue decrease is due to lower

volumes of 11%, with a 5% decrease in tomato pounds sold, a 26% decrease in pepper pounds sold, an 11% decrease in cucumber pounds sold, and a 13% decrease in mini cucumber pounds sold. The decrease in supply partner pounds is mostly due to the loss of two larger growers in late 2022. Sales at VF Fresh-owned greenhouses increased 7% due to a 14% increase in the selling price partially offset by a decrease of 3% in pounds produced. The decrease of 3% in production pounds was due to a planned reduction of 71% in the planted area at the Permian Basin facility as well as a decrease of 17% at the Marfa 2 facility.

The average selling price for all produce sold during the year ended December 31, 2023, as compared to the year ended December 31, 2022 was as follows: tomato prices increased 3.7%, pepper prices decreased 8%, cucumber prices increased 25% and mini cucumber prices increased 42%.

Cost of Sales

Cost of sales decreased \$26,570, or 15%, to \$151,064 for the year ended December 31, 2023, from \$177,634 for the year ended December 31, 2022. The decrease is primarily due to decreases in supply partner costs of \$9,043, reduced costs from the VF owned greenhouses of \$10,872, and lower freight expense of \$6,653. The decrease in cost of sales from the greenhouses is primarily due to lower pounds produced, cost reductions, and reduced losses from the ToBRFV infestation at the Texas greenhouses. The decrease in supply partner cost is related to the 11% decrease in pounds received from our supply partners. The decrease in freight cost is due to increased available drivers, decreases in fuel prices, and fewer pounds shipped. These decreases in cost of sales were partially offset by an increase in depreciation expense included in cost of sales of \$5,136 for 2023 versus \$4,823 for 2022.

Gross Margin

Gross margin increased \$17,561 to \$179 for the year ended December 31, 2023, from a gross margin of (\$17,382) for the year ended December 31, 2022. Total gross margin percentage was close to zero for the year ended December 31, 2023, compared to (11%) for the year ended December 31, 2022. The gross profit for VF owned produce sales was (10%) for the year ended December 31, 2023, compared to (30%) for the same period in 2022. The improvement in gross margin is due to higher pricing in 2023 versus the same period in 2022 as well as a decrease in cost per pound from our Texas facilities, in 2023 versus 2022, due to higher yields, due to better controls over the ongoing ToBRFV infestation, and lower freight costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2023 decreased \$1,379, or 11%, to \$10,625 from \$12,004 for the year period ended December 31, 2022 due to better cost management and the recovery of prior period legal costs associated with the vendor settlements.

Net Loss

Net loss for the year ended December 31, 2023 was \$11,235 compared to \$40,487 for the year ended December 31, 2022. The improvement in net loss was primarily due to a favorable vendor settlement relating to the partial recovery of operational losses from the ToBRFV infestation of \$5,585, a higher gross margin in 2023 and lower selling, general and administrative expenses.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2023 improved to \$506 from (\$24,369) for the year ended December 31, 2022. The improvement in Adjusted EBITDA was due to the favorable vendor settlement of \$5,585 as described above, a 3.7% increase in the average selling price of tomatoes, a decrease in cost per pound at VF Fresh-owned greenhouses and a decrease in freight costs for the year ended December 31, 2023. See the reconciliation of Adjusted EBITDA to net (loss) income in “Non-GAAP Measures—Reconciliation of Net Loss to Adjusted EBITDA.”

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

As of December 31, 2024, we had \$24,631 in cash and cash equivalents and \$53,800 of working capital, compared to \$35,291 in cash, cash equivalents and restricted cash and \$79,612 of working capital as of December 31, 2023. We believe that cash generated from our operating activities, together with availability under the Operating Loan and Pure Sunfarms Loans (each as defined below), will provide sufficient liquidity to meet our working capital needs, repayments of long-term debt, future contractual obligations and planned capital expenditures for the next 12 months. An additional potential source of liquidity is access to capital markets for additional equity or debt financing.

We intend to use our cash on hand for daily operational funding requirements.

<i>(in thousands of U.S. dollars unless otherwise noted)</i>	Maximum	Outstanding as of December 31, 2024
Operating Loan	\$ 8,213	\$ 4,000
FCC Term Loan	\$ 20,821	\$ 20,821
Pure Sunfarms Loans	\$ 19,741	\$ 19,741
Pure Sunfarms Revolving Line of Credit	C\$ 15,000	\$ —

The Company is required to comply with financial covenants, measured either quarterly or annually depending on the covenant. The Company was not in compliance with financial covenants related to the fixed charge coverage ratio under the FCC Loan and the Pure Sunfarm's Term Loans, for which it received waivers. The covenants will be reinstated at the end of the first quarter for the Pure Sunfarm's Term Loans and at the end of the fiscal year 2025 for the FCC loan. Management expects to regain compliance during the next testing period. FCC measures the Company's financial covenants once a year on the last day of the year and the Pure Sunfarm's Term Loan covenants are measured once a quarter on the last day of the quarter. We can provide no assurance that we will be in compliance, or receive a waiver, for any non-compliance as of the next annual date. See "Risk Factors—Business and Operational Risk Factors—We are subject to restrictive covenants under our Credit Facilities."

Accrued interest payable on the Credit Facilities and Pure Sunfarms Loans as of December 31, 2024 and 2023 was \$271 and \$398, respectively, and these amounts are included in accrued liabilities in the Consolidated Statements of Financial Position.

FCC Term Loan

The Company has a term loan financing agreement with Farm Credit Canada ("FCC"), a Canadian creditor (the "FCC Term Loan"). The non-revolving variable rate term loan has a maturity date of May 3, 2027 and a balance of \$20,821 and \$24,755 on December 31, 2024 and 2023, respectively. The outstanding balance is repayable by way of monthly installments of principal and interest, with the balance and any accrued interest to be paid in full on May 3, 2027. As of December 31, 2024 and 2023, borrowings under the FCC Term Loan agreement were subject to an interest rate of 8.12% and 8.96% per annum, respectively.

As collateral for the FCC Term Loan, the Company has provided promissory notes, a first mortgage on the VFF-owned Delta 1 and Texas greenhouse facilities, and general security agreements over its assets. In addition, the Company has provided full recourse guarantees and has granted security interests in respect of the FCC Term Loan. The carrying value of the assets and securities pledged as collateral as of December 31, 2024 and 2023 was \$77,682 and \$114,293, respectively.

Operating Loan

The Company has a revolving line of credit agreement with a Canadian chartered bank (the "Operating Loan"). The Operating Loan is subject to margin requirements stipulated by the lender. The Operating Loan had an outstanding balance of \$4,000 as of December 31, 2024 and 2023 and future availability of \$2,931 on December 31, 2024.

On May 24, 2024, the Company entered into an amendment to the Operating Loan, which extended the maturity date of the Operating Loan to May 24, 2027.

As collateral for the Operating Loan, the Company has provided promissory notes and a first priority security interest over its accounts receivable and inventory. In addition, the Company has granted full recourse guarantees and security therein. The carrying value of the assets pledged as collateral as of December 31, 2024 and 2023 was \$27,136 and \$28,034, respectively.

Pure Sunfarms Loans and Revolving Line of Credit

Pure Sunfarms has a credit facility with the Business Development Bank of Canada (the "BDC Credit Facility"), a non-revolving credit facility (the "PSF Non-Revolving Facility") and a term loan (the "PSF Term Loan") with two Canadian chartered banks (collectively, with the BDC Credit Facility, the PSF Non-Revolving Facility, and the PSF Term Loan the "Pure Sunfarms Loans"). In addition, Pure Sunfarms has a revolving line of credit (the "PSF Revolving Line of Credit") with a Canadian chartered bank.

The PSF Revolving Line of Credit can be drawn for advances of up to C\$15,000 and had an outstanding balance of \$0 as of December 31, 2024 and 2023. Pure Sunfarms had an outstanding letter of credit issued to BC Hydro at December 31, 2024 and 2023. Advances under the PSF Revolving Line of Credit may be used for working capital purposes, general corporate purposes and capital expenditures, of which capital expenditures may not exceed C\$7,500 in aggregate use of the outstanding advances, with a maturity date of February 7, 2026. Interest under the PSF Revolving Line of Credit is payable at the Canadian prime rate plus an applicable margin per annum (7.45% at December 31, 2024), payable monthly.

The PSF Non-Revolver Facility is secured by the Delta 2 and Delta 3 greenhouse facilities and contains customary financial and restrictive covenants. As of December 31, 2024, Pure Sunfarms was in compliance with these financial covenants. The outstanding amount on the PSF Non-Revolver Facility was \$6,262 on December 31, 2024 and \$8,298 on December 31, 2023, with a maturity date of February 7, 2026. Interest under the PSF Non-Revolver Facility is payable quarterly at an interest rate of 7.45% and 8.95% per annum, respectively.

The outstanding amount on the PSF Term Loan was \$10,436 on December 31, 2024 and \$13,201 on December 31, 2023, with a maturity date of February 7, 2026. Interest under the PSF Term Loan is payable quarterly at an interest rate of 7.45% and 8.95% per annum, respectively.

The outstanding amount on the BDC Credit Facility was \$3,043 on December 31, 2024 and \$3,771 on December 31, 2023. The BDC Credit Facility is a non-revolving demand loan with interest payable monthly at an interest rate of 9.20% and 10.25% per annum, respectively, and the amount outstanding matures on December 31, 2031.

Equity Offerings

On January 30, 2023, the Company issued and sold 18,350,000 Common Shares under a registered direct equity offering, at a price of \$1.35 per share, resulting in net proceeds for approximately \$22,000 after deducting commissions and offering expenses (the "2023 Equity Offering"). As part of the 2023 Equity Offering the Company also issued 18,350,000 Common Warrants at an exercise price of \$1.65 per share. The Common Warrants became exercisable after July 30, 2023, and expire on June 30, 2028.

On August 9, 2022, Village Farms entered into a Controlled Equity Offering Sales Agreement ("Sales Agreement") pursuant to which the Company may offer and sell Common Shares having an aggregate offering price up to \$50 million from time to time to or through Cantor Fitzgerald & Co. and A.G.P./Alliance Global Partners.

During the year ended December 31, 2022, the Company issued and sold 3,175,000 Common Shares under the Sales Agreement, resulting in net proceeds of approximately \$6,692 after deducting commissions and offering expenses. During the years ended December 31, 2024 and 2023, the Company did not issue or sell any Common Shares under the Sales Agreement and as of December 31, 2024, no additional sales of Common Shares may be made under the Sales Agreement.

Summary of Cash Flows

<i>(in Thousands)</i>	For the Year Ended December 31,		
	2024	2023	2022
Cash beginning of year	\$ 35,291	\$ 21,676	\$ 58,667
Net cash flow provided by (used in):			
Operating activities	10,348	5,315	(19,889)
Investing activities	(10,241)	(6,231)	(20,899)
Financing activities	(9,526)	14,137	4,496
Net cash (decrease) increase for the year	(9,419)	13,221	(36,292)
Effect of exchange rate changes on cash	(1,241)	394	(699)
Cash, end of the year	\$ 24,631	\$ 35,291	\$ 21,676

Operating Activities

For the years ended December 31, 2024 and 2023 and 2022 cash flows provided by (used in) operating activities were \$10,348, \$5,315, and (\$19,899), respectively. The operating activities for 2024 consisted of \$579 in changes of non-cash working capital items and \$9,769 in changes before working capital items, the operating activities for 2023 consisted of (\$2,081) in changes of non-cash working capital items and \$7,396 in changes before working capital items, the operating activities for 2022 consisted of (\$2,460) in changes in non-cash working capital items and (\$17,429) in changes before non-cash working capital items. The improvement in 2024 as compared to 2023 was primarily due to higher sales for Canadian Cannabis and VF Fresh and lower net loss from VF Fresh in 2024 compared to 2023. The improvement in 2023 as compared to 2022 was primarily due to lower net loss from VF Fresh in 2023 compared to 2022, proceeds from a vendor settlement in 2023, and lower goodwill and intangibles impairments in 2023 as compared to 2022.

Investing Activities

For the years ended December 31, 2024, 2023, and 2022 cash flows used in investing activities were \$10,241, \$6,231, and \$20,889, respectively. The investing activities for the year ended December 31, 2024 consisted primarily of \$6,061 in capital expenditures for Leli and \$4,022 in capital expenditures to support the VF Fresh, Canadian Cannabis, and U.S. Cannabis operations. The investing activities for the year ended December 31, 2023 primarily consisted of \$6,518 invested in capital expenditures to support the VF Fresh, Canadian Cannabis, and U.S. Cannabis operations, partially offset by the collection of a promissory note.

The investing activities for the year ended December 31, 2022 primarily consisted of \$14,292 in capital expenditures for Pure Sunfarms' partial conversion of its Delta 2 facility and the addition of hang drying rooms at its Delta 3 facility, and \$4,693 invested the acquisition of our 85% ownership in Leli.

Financing Activities

For the years ended December 31, 2024, 2023, and 2022 cash flows provided by (used in) financing activities were (\$9,562), \$14,137, and \$4,496, respectively. The financing activities for the year ended December 31, 2024 consisted primarily of debt repayments of (\$5,709) and cash used for the acquisition of an additional 10% ownership interest in Rose LifeScience and additional 15% ownership interest in Leli. The financing activities for the year ended December 31, 2023 cash flows provided by financing activities consisted of \$23,335 in proceeds from the 2023 Equity Offering net of issuance costs, \$83 in proceeds from the exercise of stock options offset by debt repayment of (\$9,281). The financing activities for the year ended December 31, 2022 consisted primarily of net repayments on borrowings of \$2,388 offset by the proceeds from the issuance of common shares under the Sales Agreement and proceeds from the exercise of outstanding warrants.

Contractual Obligations and Commitments

We expect to meet our contractual obligations and commitments through the use of our working capital and our other available liquidity sources as described above. We currently do not have any material cash requirements in the near future, other than in respect of long-term debt repayment obligations as described above.

In addition, we currently have material long-term debt and lines of credit that we rely on to meet the financing needs of the Company. The long-term debt and lines of credit have interest rate terms that may be affected by rising interest rates which can impact the cost of capital for the Company. For the sensitivity of our borrowing costs to fluctuations in interest rates, see "Item 7A – Qualitative and Quantitative Disclosures About Market Risk – Interest Rate Risk" below for additional information.

Non-GAAP Measures

References in this Management's Discussion and Analysis to "Adjusted EBITDA" are to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as further adjusted to exclude foreign currency exchange gains and losses, share-based compensation, gains and losses on asset sales and the other adjustments set forth in the table below. In addition, we present below "Adjusted EBITDA – Constant Currency" which excludes the effect of foreign currency rate fluctuations. See "—Constant Currency" below. Adjusted EBITDA and Adjusted EBITDA - Constant Currency are measures of operating performance that are not recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, these non-GAAP measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that our non-GAAP measures should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of our performance. Our non-GAAP measures are used as additional measures to evaluate the operating and financial performance of our segments. Management believes that our non-GAAP measures are important measures in evaluating the historical performance of the Company because it excludes items that do not reflect our business performance.

Reconciliation of Net Income to Adjusted EBITDA

The following table reflects a reconciliation of net income to Adjusted EBITDA, as presented by the Company:

(in thousands of U.S. dollars)	For the Year Ended December 31,		
	2024 ⁽¹⁾	2023 ⁽¹⁾	2022 ⁽¹⁾
Net loss	\$ (35,850)	\$ (34,798)	\$ (101,146)
Add:			
Amortization and depreciation	18,838	15,926	12,480
Foreign currency exchange loss (gain)	2,635	(740)	2,269
Interest expense, net	2,451	3,492	3,038
Provision for income taxes	(1,662)	7,451	4,681
Share-based compensation	3,747	3,111	3,987
Deferred financing fees	10	136	214
Goodwill and intangible impairments ⁽²⁾	11,939	14,020	43,299
Other intangibles	439	—	—
Loss (gain) on disposal of assets	17	—	(7)
Other expense, net	—	(67)	161
Adjustments attributable to non-controlling interest	(776)	(946)	29
Interest expense for JV's	—	—	38
JV exit-related costs ⁽³⁾	—	—	592
Purchase price adjustment ⁽⁴⁾	—	—	(4,268)
Adjusted EBITDA ⁽⁵⁾	\$ 1,788	\$ 7,585	\$ (34,633)
Adjusted EBITDA for JV's	\$ —	\$ —	\$ (327)
Adjusted EBITDA excluding JV's ⁽⁶⁾	\$ 1,788	\$ 7,585	\$ (34,306)

Notes:

- (1) For the years ended December 31, 2024, 2023 and 2022, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the year ended December 31, 2024 and 2023 and for the period July 19, 2022 to December 31, 2022, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. For the year ended December 31, 2022, impairments included impairments to goodwill of \$38,669 and intangible assets of \$4,630. See "Critical Accounting Policies, Estimates and Judgments" below for more information.
- (3) Represents exit-related costs incurred due to the winding down of the VFH joint venture.
- (4) The purchase price adjustment primarily reflects the non-cash accounting charge resulting from the revaluation of Pure Sunfarms' inventory to fair value at the acquisition date. In 2022, when distillate inventory acquired from Pure Sunfarms was sold, the Company realized a gain of \$4,268 that offset the initial inventory write-down taken in connection with the 2020 acquisition of the business. This gain did not accurately reflect the actual economic impact on the Company's operations because the distillate was sold for more than it was valued in 2020 according to the purchase price accounting rules. Accordingly, the Company included a non-GAAP adjustment of \$(4,268) in 2022 to reduce Adjusted EBITDA to better reflect the actual effect of sales of distillate inventory on the Company's results.
- (5) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024, and 65% interest in VFH.
- (6) Adjusted EBITDA excluding JV's is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP, and therefore may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA excluding JV's is a useful supplemental measure in evaluating the performance of the Company because in addition to excluding items that do not reflect our business performance, as reflected in Adjusted EBITDA, it further excludes the results of our joint ventures that management does not believe reflects the principal operations of the business.

Reconciliation of Segmented Net (Loss) Income to Adjusted EBITDA

The following table reflects a reconciliation of segmented net loss to Adjusted EBITDA, as presented by the Company:

For the Year Ended December 31, 2024							
(in thousands of U.S. dollars)	VF Fresh (Produce)	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Leli ⁽¹⁾	Corporate	Total
Net (loss) income	\$ (5,882)	\$ (3,181)	\$ (13,333)	\$ 754	\$ (1,004)	\$ (13,204)	\$ (35,850)
Add:							
Amortization and depreciation	5,373	11,790	204	—	1,275	196	18,838
Foreign currency exchange loss	317	42	—	—	—	2,276	2,635
Interest expense (income), net	2,232	629	—	16	—	(426)	2,451
Provision for (recovery of) income taxes	100	(1,537)	—	—	(391)	166	(1,662)
Share-based compensation	—	166	79	—	—	3,502	3,747
Deferred financing fees	—	10	—	—	—	—	10
Goodwill and intangible impairments ⁽²⁾	—	—	11,939	—	—	—	11,939
Other impairments	—	—	439	—	—	—	439
Loss on disposal of assets	17	—	—	—	—	—	17
Adjustments attributable to non-controlling interest	—	(637)	—	—	(139)	—	(776)
Adjusted EBITDA ⁽³⁾	\$ 2,157	\$ 7,282	\$ (672)	\$ 770	\$ (259)	\$ (7,490)	\$ 1,788

For the Year Ended December 31, 2023							
(in thousands of U.S. dollars)	VF Fresh (Produce)	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Leli ⁽¹⁾	Corporate	Total
Net (loss) income	\$ (11,235)	\$ 2,936	\$ (13,828)	\$ (186)	\$ (1,034)	\$ (11,451)	\$ (34,798)
Add:							
Amortization and depreciation	5,136	9,123	335	—	1,081	251	15,926
Foreign currency exchange (gain) loss	(2)	(64)	19	—	—	(693)	(740)
Interest expense (income), net	2,323	2,021	(24)	—	—	(828)	3,492
Provision for (recovery of) income taxes	4,284	1,430	—	—	(48)	1,785	7,451
Share-based compensation	—	61	317	—	—	2,733	3,111
Deferred financing fees	—	136	—	—	—	—	136
Goodwill and intangible impairments ⁽²⁾	—	—	14,020	—	—	—	14,020
Other expense	—	(89)	22	—	—	—	(67)
Adjustments attributable to non-controlling interest	—	(790)	—	—	(156)	—	(946)
Adjusted EBITDA ⁽³⁾	506	14,764	861	(186)	(157)	(8,203)	7,585

	For the Year Ended December 31, 2022						
(in thousands of U.S. dollars)	VF Fresh (Produce)	Cannabis Canada ⁽¹⁾	Cannabis U.S.	Clean Energy	Leli ⁽¹⁾	Corporate	Total
Net (loss) income	\$ (40,494)	\$ 117	\$ (44,192)	\$ (262)	\$ (236)	\$ (16,079)	\$ (101,146)
Add:							
Amortization and depreciation	5,044	6,872	564	—	—	—	12,480
Foreign currency exchange loss	—	116	47	2	—	2,104	2,269
Interest expense (income), net	1,471	1,758	—	4	—	(195)	3,038
Provision for (recovery of) income taxes	9,914	(4,091)	—	—	(39)	(1,103)	4,681
Share-based compensation	—	1,373	305	—	—	2,309	3,987
Deferred financing fees	—	214	—	—	—	—	214
Goodwill and intangible impairments ⁽²⁾	—	—	43,299	—	—	—	43,299
Gain on disposal of assets	(7)	—	—	—	—	—	(7)
Other expense, net	(304)	(73)	200	—	—	338	161
Adjustments attributable to non-controlling interest	—	29	—	—	—	—	29
Interest expense for JV's	—	—	—	—	—	38	38
JV exit-related costs ⁽³⁾	—	—	—	—	—	592	592
Purchase price adjustment ⁽⁴⁾	—	(4,268)	—	—	—	—	(4,268)
Adjusted EBITDA ⁽⁵⁾	\$ (24,376)	\$ 2,047	\$ 223	\$ (256)	\$ (275)	\$ (11,996)	\$ (34,633)
Adjusted EBITDA for JV's	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (327)	\$ (327)
Adjusted EBITDA excluding JV's ⁽⁶⁾	\$ (24,376)	\$ 2,047	\$ 223	\$ (256)	\$ (275)	\$ (11,669)	\$ (34,306)

Notes:

- (1) For the years ended December 31, 2024, 2023, and 2022, Rose LifeScience's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax. For the years ended December 31, 2024 and 2023 and for the period July 19, 2022 to December 31, 2022, Leli's financial results are fully consolidated in the financial results of the Company with the minority non-controlling interest presented in net (income) loss attributable to non-controlling interests, net of tax.
- (2) For the year ended December 31, 2024, impairments included impairments to goodwill of \$10,039 and intangible assets of \$1,900. For the year ended December 31, 2023, impairments included impairments to goodwill of \$11,300 and intangible assets of \$2,720. For the year ended December 31, 2022, impairments included impairments to goodwill of \$38,669 and intangible assets of \$4,630. See "Critical Accounting Policies, Estimates and Judgments" below for more information.
- (3) Represents exit-related costs incurred due to the winding down of the VFH joint venture.
- (4) The purchase price adjustment primarily reflects the non-cash accounting charge resulting from the revaluation of Pure Sunfarms' inventory to fair value at the acquisition date. In 2022, when distillate inventory acquired from Pure Sunfarms was sold, the Company realized a gain of \$4,268 that offset the initial inventory write-down taken in connection with the 2020 acquisition of the business. This gain did not accurately reflect the actual economic impact on the Company's operations because the distillate was sold for more than it was valued in 2020 according to the purchase price accounting rules. Accordingly, the Company included a non-GAAP adjustment of \$(4,268) in 2022 to reduce Adjusted EBITDA to better reflect the actual effect of sales of distillate inventory on the Company's results.
- (5) Adjusted EBITDA is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA presented for these segments may not be comparable to similar measures presented for comparable segments by other issuers. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024., and 65% interest in VFH.

- (6) Adjusted EBITDA excluding JV's is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP, and therefore may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA excluding JV's is a useful supplemental measure in evaluating the performance of the Company because in addition to excluding items that do not reflect our business performance, as reflected in Adjusted EBITDA, it further excludes the results of our joint ventures that management does not believe reflect the principal operations of the business.

Constant Currency

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented constant currency adjusted financial measures for sales, cost of sales, selling, general and administrative, other income (expense), operating (loss) income, loss from consolidated entities, net loss, and Adjusted EBITDA for the year ended December 31, 2024 and 2023, which are considered non-GAAP financial measures. We present constant currency information to provide a framework for assessing how our underlying operations performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period income statement results in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the annual comparative period rather than the actual average exchange rates in effect during the respective current periods. All growth comparisons relate to the corresponding periods. We have provided this non-GAAP financial information to aid investors in better understanding the performance of our segments without taking into account the effect of exchange rate fluctuations. The non-GAAP financial measures presented in this Quarterly Report should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP.

The tables below set forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2024 compared with the year ended December 31, 2023 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency ⁽¹⁾			
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Sales	\$ 336,181	\$ 285,603	\$ 50,578	18%	\$ 338,433	\$ 52,830	18%	
Cost of sales	(288,781)	(236,177)	(52,604)	(22%)	(290,562)	(54,385)	(23%)	
Selling, general and administrative expenses	(71,048)	(65,501)	(5,547)	(8%)	(71,561)	(6,060)	(9%)	
Other (expense) income, net	(1,279)	2,727	(4,006)	147%	(1,292)	(4,019)	147%	
Goodwill and intangible impairments	(11,939)	(14,020)	2,081	15%	(11,939)	2,081	15%	
Other impairments	(439)	—	(439)	(100%)	(439)	(439)	(100%)	
Operating loss	(37,305)	(27,368)	(9,937)	(36%)	(37,359)	(9,991)	(37%)	
Loss including non-controlling interests	(35,643)	(34,819)	(824)	(2%)	(35,620)	(801)	(2%)	
Net loss	(35,850)	(34,798)	(1,052)	(3%)	(35,881)	(1,083)	(3%)	
Adjusted EBITDA - Constant Currency ⁽²⁾	1,788	7,585	(5,797)	76%	1,782	(5,803)	77%	

Notes:

- (1) Assumes a constant exchange rate of C\$1.00 = US\$0.7689 (the CDN/U.S. average exchange rate for the year ended December 31, 2023) for each of the years ended December 31, 2024 and 2023
- (2) Adjusted EBITDA - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes non-recurring and other items that do not reflect our business performance. Adjusted EBITDA includes the Company's 70% interest in Rose LifeScience through March 31, 2024, 80% interest in Rose LifeScience beginning on April 1, 2024, 85% interest in Leli through September 22, 2024, and our 100% interest in Leli beginning on September 23, 2024.

The table below sets forth certain measures of consolidated results from continuing operations on a constant currency basis for the year ended December 31, 2023 compared to the year ended December 31, 2022 on an as reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency ⁽¹⁾		
	For The Year Ended December 31,		As Reported Change		For The Year Ended December 31,	Constant Currency Change	
	2023	2022	\$	%	2023	\$	%
Sales	\$ 285,603	\$ 293,572	\$ (7,969)	(3%)	\$ 289,897	\$ (3,675)	(1%)
Cost of sales	(236,177)	(266,075)	29,898	11%	(239,118)	26,957	10%
Selling, general and administrative expenses	(65,501)	(72,265)	6,764	9%	(66,605)	5,660	8%
Other (expense) income, net	2,727	(5,407)	8,134	150%	2,642	8,049	149%
Write-off of joint venture loan	—	(592)	592	(100%)	—	592	(100%)
Goodwill and intangible impairments	(14,020)	(43,299)	29,279	(100%)	(13,856)	29,443	(100%)
Operating (loss) income	(27,368)	(94,066)	66,698	71%	(27,421)	66,645	71%
Loss including non-controlling interests and before equity losses	(34,819)	(98,747)	63,928	65%	(34,709)	64,038	65%
Net loss	(34,798)	(101,146)	66,348	66%	(34,804)	66,342	66%
Adjusted EBITDA - Constant Currency ⁽²⁾	7,585	(34,633)	42,218	122%	7,689	42,322	122%

Notes:

- (1) Assumes a constant exchange rate of C\$1.00 = US\$0.7689 (the CDN/U.S. average exchange rate for the year ended December 31, 2022) for each of the years ended December 31, 2023 and 2022.
- (2) Adjusted EBITDA - Constant Currency is not a recognized earnings measure and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted EBITDA - Constant Currency may not be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA - Constant Currency is a useful supplemental measure in evaluating the performance of the Company because it excludes items that do not reflect our business performance. Adjusted EBITDA - Constant Currency includes the Company's 70% interest in Rose LifeScience since acquisition, 85% interest in Leli since acquisition, and 65% interest in VFH.

Recent Accounting Pronouncements Not Yet Adopted

See Note 1, “*Business, Basis of Presentation and Significant Accounting Policies – New Accounting Pronouncements*,” of the notes to the consolidated financial statements included in Part II, Item 8 “Financial Statements and Supplementary Data” of our Annual Report for additional information about new accounting pronouncements.

Critical Accounting Policies, Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors; global events, and public health matters. These estimates form the basis for making judgments about our operating results and the carrying values of assets and liabilities, that are not readily apparent from other sources. Given that management estimates, by their nature, involve judgments regarding future uncertainties, actual results could differ materially from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be inaccurate. Our accounting policies and critical accounting estimates are reviewed periodically by the Audit Committee of the Board of Directors.

We believe that our accounting estimates pertaining to the valuations of goodwill and intangible assets are the most critical in the preparation of our consolidated financial statements as they require significant or complex judgment and estimates on the part of management. Actual results could, however, vary materially from these accounting estimates.

Refer to Note 1 - Business, Basis of Presentation and Significant Accounting Policies in the notes to the audited consolidated financial statements, which is included in this Annual Report on Form 10-K, for a more detailed discussion of our significant accounting policies and critical accounting estimates.

Assessment for Indicators of Impairment

Goodwill

Year Ended December 31, 2024

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- Terminal growth rate: A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- Forecasted Revenues: A decrease in forecasted revenues by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- Net working capital: Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

Cannabis - U.S.

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- Terminal growth rate: An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- Future cash flows: An increase in future cash flows by 10% would not result in a material change to the impairment charge.

Cannabis – U.S. Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

Year Ended December 31, 2023

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

Cannabis – U.S. – Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs. Inventory write-downs for the year ended December 31, 2024 were \$11,038 which consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than to continue incurring incremental costs to sell it. There were no inventory impairments recognized for the year ended December 31, 2023.

Revenue Recognition

The Company's produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage.

The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. “net”).

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 31, 2024, our variable interest rate debt was primarily related to our Credit Facilities and Term Loans. Outstanding borrowings under our Credit Facility and Term Loans bear interest at either the (a) Secured Overnight Financing Rate (“SOFR”) or (b) Canadian Prime Rate, as defined in the agreement, plus an applicable margin. As of December 31, 2024, we had approximately \$4,000 aggregate principal amount of outstanding revolving loans under our Operating Loan with an interest rate of 8.0% and we had approximately \$40,562 in aggregate principal amounts with Term Loans with a weighted average interest rate of 8.4%. The current interest rates for outstanding revolving loans under our Credit Facility and Term Loans reflect basis point decrease of approximately 0.7% over the comparable period in 2023.

Our interest expense is affected by the overall interest rate environment. Our variable rate interest debt subjects us to risk from increases in prevailing interest rates. An additional 50 basis point increase in the applicable interest rates under our Credit Facility and Term Loan would have increased our interest expense by approximately \$222 and \$254 for the years ended December 31, 2024 and 2023, respectively.

While we cannot predict our ability to refinance existing debt or the significance of the impact that interest rate movements will have on our existing debt, management evaluates our financial position on an ongoing basis.

Foreign Exchange Risk

As of December 31, 2024 and 2023, the Canadian/U.S. foreign exchange rate was C\$1.00 = US\$0.7301 and C\$1.00 = US\$0.7543, respectively. Assuming that all other variables remain constant, an increase of \$0.10 in the Canadian dollar would have the following impact on the ending balances of certain statements of financial position items at December 31, 2024 and 2023 with the net foreign exchange gain or loss directly impacting net income (loss).

	December 31, 2024	December 31, 2023
Financial assets		
Cash and cash equivalents	\$ 2,260	\$ 1,686
Trade receivables	3,557	3,005
Inventories	3,929	8,211
Prepaid and deposits	198	667
Financial liabilities		
Trade payables and accrued liabilities	(4,025)	(5,623)
Loan payable	(2,883)	(3,378)
Net foreign exchange gain	<u>\$ 3,036</u>	<u>\$ 4,568</u>

Our exposure to foreign exchange risk and the impact of foreign exchange rates are monitored by the Company's management but generally the Company tries to match its sales (trade receivables) and vendor payments (trade payables) such that the net impact is not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this item are included beginning on page 80 of this Annual Report on Form 10-K. See also Item 15, "Exhibits, Financial Statement Schedules."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures were not effective at a reasonable assurance level due to the material weaknesses described in management's report on internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's Management, with participation of the Principal Executive Officer and Principal Finance Officer, under the oversight of our Board of Directors, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024 using the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2024 due to the following material weaknesses that were caused by an ineffective risk assessment process.

Information Technology - We identified a failure to effectively design and implement internal controls related to our information technology general controls ("ITGCs") in the areas of user access and program change-management over the information technology ("IT") system that is utilized to support the Produce segment's financial reporting processes. Specifically, under our existing ITGCs, we determined that there were insufficient controls to limit user access to this system and to enable oversight of changes being made to the financial inputs under this system. As a result, business process controls (automated and manual) that are dependent on and use information produced from the affected ITGCs were also deemed ineffective because they could have been adversely impacted by inappropriate user access or financial input changes.

Journal Entries - We identified a failure to effectively design and implement internal controls over the review, approval, and documentation of manual journal entries by individuals separate from the preparer at our Produce segment which resulted in the unmitigated risk of management override of manual journal entries.

We did not identify any misstatements to the Consolidated Financial Statements because of these control deficiencies and there were no changes to previously released financial results. However, the control deficiencies described above created a reasonable possibility that a material misstatement to the Consolidated Financial Statements would not be prevented or detected on a timely basis. Therefore, we concluded that the deficiencies represent a material weakness in the Company's internal control over financial reporting as of December 31, 2024.

Our independent registered public accounting firm, KPMG LLP, who audited the Consolidated Financial Statements included in this Annual Report on Form 10-K issued an adverse opinion on the effectiveness of the Company's internal control over financial reporting, which is included at the end of Part II, Item 9A of this Form 10-K.

Remediation Plans

The Company's management, under the oversight of the Audit Committee, is in the process of designing controls to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. These remediation actions are ongoing and include or are expected to include:

Information Technology

- Enhancing risk assessment and control identification procedures for our Produce segment's system environment;
- Enhancing existing controls to address the design and operation of IT general controls within our Produce segment's IT environment in order to, among other things, limit privileged user access; and
- Implementing controls around timely identification and review of system access and changes. Enhancing and maintaining policy documentation underlying IT general controls to promote knowledge transfer upon personnel and function changes.

Journal Entries

- Enhancing existing controls and/or applying other appropriate procedures to ensure that manual journal entries recorded in our financial records are properly reviewed and approved preventing the potential for management override of controls.

As we continue to evaluate and enhance our internal control over financial reporting, we may determine that additional measures to address the material weaknesses or adjustments to the remediation plan may be required. Once controls are designed and implemented, the controls must be operating effectively for a sufficient period of time and be tested by management in order to consider them remediated and conclude that the design is effective to address the risks of material misstatement.

Subsequent to the identification of the material weaknesses, a privileged access management tool was implemented within the Produce segment to assist with managing and monitoring privileged access. In addition, management implemented procedures to monitor changes to the system. Also, management has enhanced their journal entry control activities to review for appropriate approval. Management believes that upon testing of the operating effectiveness of the implemented controls, they will be effective and, the material weaknesses will be remediated. However, no assurance can be given regarding the effectiveness of such controls or the timing of such remediation.

Remediation of Material Weakness Identified as of December 31, 2023

As disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we identified a material weakness in internal control over financial reporting as the Company did not effectively design and maintain controls over financial reporting due to errors in the calculation of the fair value of its goodwill and intangible assets, which was subsequently modified, resulting in no change in management's determination of the fair value of its goodwill and intangible assets.

During the year ended December 31, 2024, the Company designed and implemented corrective actions to remediate the controls over the review of the determination of the recoverable amount of its goodwill and intangible assets.

During the quarter ended December 31, 2024, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded the material weakness relating to the calculation of the fair value of the Company's goodwill and intangible assets has been remediated as of December 31, 2024.

Changes in Internal Control Over Financial Reporting

Except for the changes in connection with our implementation of the remediation plan and the remediation of our previously identified material weakness as discussed above, there have been no other changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including the Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

ITEM 9B. OTHER INFORMATION

During the quarter ended December 31, 2024, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be furnished by this Item 10 is incorporated herein by reference to the definitive proxy statement for our annual meeting of shareholders (the “2025 Proxy Statement”) to be filed within 120 days of December 31, 2024 (subject to any applicable extension period to the extent such 120th date is not a business day).

The information required by this item regarding delinquent filers pursuant to Item 405 of Regulation S-K will be included under the caption “Delinquent Section 16(a) Reports” in the 2024 Proxy Statement and is incorporated herein by reference.

The Company adopted a code of ethics that applies to all our employees, officers, and directors, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics and Whistleblowing Policy (“Code”) is available on our Company website at <http://www.villagefarms.com> under the Governance section of our Investors page. The Code covers whistle blowing and provides an anonymous means for employees and officers to report violations of the Code and other corporate policies. The Company has also developed the Insider Trading Policy to provide guidelines on employee trading in the Company’s securities. The Insider Trading Policy is designed to promote compliance with insider trading laws, rules and regulations and any applicable listing standards. Any amendments to the Insider Trading Policy, Code, or information about any waivers granted to directors or executive officers with respect to the Code, will be posted on the Company’s website.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be furnished by this Item 11 is incorporated herein by reference to the 2025 Proxy Statement to be filed within 120 days of December 31, 2024 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be furnished by this Item 12 is incorporated herein by reference to the 2025 Proxy Statement to be filed within 120 days of December 31, 2024 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be furnished by this Item 13 is incorporated herein by reference to the 2025 Proxy Statement to be filed within 120 days of December 31, 2024 (subject to any applicable extension period to the extent such 120th date is not a business day).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be furnished by this Item 14 is incorporated herein by reference to the 2025 Proxy Statement to be filed within 120 days of December 31, 2024 (subject to any applicable extension period to the extent such 120th date is not a business day).

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report.

1. Financial Statements.

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2. Financial Statement Schedules.

All schedules are omitted because they are not applicable, or the required information is shown in the Financial Statements or notes thereto.

(b) Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this report:

- 3.1 Articles of Continuance (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 3.2 By-Law No. 4 of Village Farms International, Inc. (incorporated by reference to Appendix D of the Company's Proxy Statement, filed on April 19, 2022)
- 4.1 Description of Common Shares (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 4.2 Securityholders' Agreement, as amended and restated on December 31, 2009 (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 4.3 Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 10, 2020).
- 4.4 Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 30, 2023).
- 10.1 Credit Facility Agreement by and between Village Farms Canada Limited Partnership and Farm Credit Canada, dated March 28, 2013 (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 10.2 Amendment to Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Farm Credit Canada, dated March 24, 2016 (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K filed on April 1, 2020)
- 10.3 Second Amended and Restated Credit Agreement by and between Village Farms Canada Limited Partnership and Village Farms, L.P. and Bank of Montreal, dated May 24, 2024 (incorporated by reference to Exhibit 10.2 to the Company Quarterly Report on Form 10-Q filed on August 8, 2024) ^
- 10.4 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Company Annual Report on Form 10-K filed on March 13, 2024). +
- 10.5 Credit Agreement, dated as of February 7, 2019, by and between Pure Sun Farms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.6 First Amended and Restated Credit Agreement, dated as of March 30, 2020, by and between Pure Sun Farms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.7 Second Amendment and Restated Credit Agreement, dated as of June 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canada Imperial Bank of Commerce. (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.8 Third Amended and Restated Credit Agreement, dated as of March 15, 2021, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce. (Incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A on March 18, 2021).
- 10.9 Fourth Amended and Restated Credit Agreement, dated as of May 5, 2023, by and between Pure Sunfarms Corp., Bank of Montreal, Farm Credit Canada and Canadian Imperial Bank of Commerce (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on May 10, 2023).

- 10.10 First Supplemental Credit Agreement, dated May 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.11 First Supplemental Credit Agreement, dated October 30, 2020, by and between Pure Sunfarms Corp., Bank of Montreal and Farm Credit Canada. (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.12 BDC Loan Agreement, dated December 30, 2020, by and between Pure Sunfarms Corp. and Bank of Montreal. (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed on March 16, 2021).
- 10.13 Membership Interest Purchase Agreement by and among Village Farms International, Inc. Balanced Health Botanicals, LLC and the Members of Balanced Health Botanicals, LLC, dated August 16, 2021 (incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K/A filed on March 13, 2022).[^]
- 10.14 Share Purchase Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on November 19, 2021). [^]
- 10.15 Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 (incorporated by reference to Exhibit 2.2 of the Company's Current Report on Form 8-K filed on November 19, 2021) [^]
- 10.16 First Amendment to Unanimous Shareholder Agreement by and among Village Farms International, Inc., ROSE LifeScience Inc. and the shareholders of ROSE LifeScience, dated November 15, 2021 (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed on March 9, 2023).
- 10.17 Amended and Restated Share-based Compensation Plan dated March 15, 2021 and adopted June 10, 2021 (incorporated by reference to Appendix D of the Company's Proxy Statement filed on May 7, 2021).[±]
- 10.18 Village Farms International, Inc. Share-based Compensation Plan adopted on December 31, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K filed on April 1, 2020).⁺
- 10.19 Employment Agreement, dated as of September 1, 2023, by and between Stephen C. Ruffini and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 8, 2023).
- 10.20 Employment Agreement, dated as of July 13, 2020, by and between Michael A. DeGiglio and the Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 14, 2020).⁺
- 10.21 Employment Agreement by and between Village Farms, L.P. and Michael A. DeGiglio, dated August 15, 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 19, 2024). ⁺
- 10.22 Employment Agreement by and between Bret Wiley and the Company (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed on April 1, 2020).⁺
- 10.23 Employment Agreement, dated as of October 20, 2023, by and between Orville Bovenschen and the Company (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on November 8, 2023).⁺
- 10.24 Employment Agreement dated as of February 7, 2022, by and between Ann Gillin Lefever and the Company (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed on May 10, 2023).⁺
- 19.1 Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Company Annual Report on Form 10-K filed on March 13, 2024).
- 21.1 List of Subsidiaries.
- 23.1 Consent of Independent Registered Public Accounting Firm KPMG, LLP
- 23.2 Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP

- 24.1 Powers of Attorney (included on signature page).
- 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 97.1 Clawback Policy (incorporated by reference to Exhibit 97.1 to the Company Annual Report on Form 10-K filed on March 13, 2024).
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
- 104 Cover page formatted as inline XBRL and contained in Exhibit 101

+ Indicates management contract or compensatory plan.

^ Certain confidential portions of this exhibit have been redacted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 13th day of March 2025.

Village Farms International, Inc.

By: /s/ Michael A. DeGiglio

Name: Michael A. DeGiglio

Title: Chief Executive Officer and
Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael A. DeGiglio and Stephen C. Ruffini, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 13, 2025.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael A. DeGiglio</u> Michael A. DeGiglio	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Stephen C. Ruffini</u> Stephen C. Ruffini	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
<u>/s/ John R. McLernon</u> John R. McLernon	Director, Chair
<u>/s/ John P. Henry</u> John P. Henry	Director
<u>/s/ Dave Holewinski</u> David Holewinski	Director
<u>/s/ Christopher C. Woodward</u> Christopher C. Woodward	Director
<u>/s/ Carolyn Hauger</u> Carolyn Hauger	Director
<u>/s/ Kathleen M. Mahoney</u> Kathleen M. Mahoney	Director

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Village Farms International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Village Farms International, Inc. and subsidiaries (the Company) as of December 31, 2024, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and mezzanine equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 13, 2025 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment assessment of goodwill for the Cannabis - Canada reporting unit

As discussed in Notes 1 and 6 to the consolidated financial statements, the goodwill balance as of December 31, 2024, was \$42.3 million, which related entirely to the Canadian Cannabis reportable segment and reporting unit. Goodwill is tested for impairment annually and when events or changes in circumstances indicate that the carrying value of a reporting unit likely exceeds its fair value. If it is determined that the fair value is more likely than not to be lower than the carrying value, a quantitative goodwill impairment test is performed by determining the fair value of the reporting unit. The fair value of the Canadian Cannabis reporting unit was determined based on a discounted cash flow projection and the Company concluded that the fair value was higher than its carrying amount as of December 31, 2024 and, therefore, no impairment to goodwill was required.

We identified the assessment of the goodwill impairment analysis for the Canadian Cannabis reporting unit as a critical audit matter. The estimation of fair value was complex and included estimation uncertainties such that the evaluation required subjective auditor judgment. Specifically, the assessment of the revenue growth projections required challenging auditor judgment as they represented subjective determinations of market and economic conditions. Additionally, the audit effort associated with the evaluation of the

discount rate required specialized skills and knowledge. Changes to these assumptions could have had a significant effect on the Company's estimate of the fair value of the reporting unit.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's goodwill impairment process. This included controls over the selection of the discount rate and development of the revenue growth projections. We assessed the revenue growth projections by comparing to the underlying business strategies and growth plans of the Company, correspondence with customers, third-party market data, and historical actual results. We evaluated management's ability to accurately forecast revenue growth projections by comparing actual results to management's historical forecast. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the discount rate by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities
- developing an estimate of the Canadian Cannabis reporting unit's fair value using the reporting unit's cash flow forecast and an independently developed discount rate and compared the results of our estimate of fair value to the Company's fair value estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 2024.

Orlando, Florida
March 13, 2025

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Village Farms International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Village Farms International, Inc. and its subsidiaries (the Company) as of December 31, 2023, and the related consolidated statements of operations and comprehensive income (loss), of changes in shareholders' equity and mezzanine equity and of cash flows for each of the two years in the period ended December 31, 2023, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada

March 13, 2024, except for the effects of the change in composition of reportable segments and change in segment profit measure discussed in Note 14 to the consolidated financial statements, as to which the date is March 13, 2025

We served as the Company's auditor from 2006 to 2024.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Village Farms International, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Village Farms International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial position of the Company as of December 31, 2024, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and mezzanine equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively, the consolidated financial statements), and our report dated March 13, 2025 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses related to inadequate user access and program change management controls related to certain information technology systems and inadequate review of journal entries have been identified and included in management's assessment. The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Orlando, Florida

March 13, 2025

Village Farms International, Inc.
Consolidated Statements of Financial Position
(In thousands of United States dollars, except share data)

	December 31, 2024	December 31, 2023
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 24,631	\$ 30,291
Restricted cash	—	5,000
Trade receivables, net	33,665	30,561
Inventories, net	53,137	78,472
Other receivables	327	294
Prepaid expenses and deposits	4,259	7,150
Total current assets	<u>116,019</u>	<u>151,768</u>
<i>Non-current assets</i>		
Property, plant and equipment, net	190,263	205,613
Investments	2,656	2,656
Goodwill	42,315	55,918
Intangibles, net	25,105	32,275
Deferred tax asset	1,005	1,201
Right-of-use assets	9,765	12,596
Other assets	2,178	1,962
Total assets	<u>\$ 389,306</u>	<u>\$ 463,989</u>
LIABILITIES		
<i>Current liabilities</i>		
Line of credit	\$ 4,000	\$ 4,000
Trade payables	24,499	21,753
Current maturities of long-term debt	8,142	9,133
Accrued sales taxes	8,740	15,941
Accrued loyalty program	1,029	1,773
Accrued liabilities	12,208	15,076
Lease liabilities - current	2,497	2,112
Income tax payable	51	28
Other current liabilities	1,053	2,340
Total current liabilities	<u>62,219</u>	<u>72,156</u>
<i>Non-current liabilities</i>		
Long-term debt	32,420	38,925
Deferred tax liability	19,940	23,730
Lease liabilities - non-current	8,573	11,335
Other liabilities	2,196	1,902
Total liabilities	<u>125,348</u>	<u>148,048</u>
Commitments and contingencies (note 11)		
MEZZANINE EQUITY		
Redeemable non-controlling interests	9,953	15,667
SHAREHOLDERS' EQUITY		
Common stock, no par value per share - unlimited shares authorized; 112,337,049 shares issued and outstanding at December 31, 2024 and 110,248,929 shares issued and outstanding at December 31, 2023.	387,349	386,719
Additional paid in capital	30,604	25,611
Accumulated other comprehensive loss	(18,932)	(3,540)
Retained earnings	(145,016)	(109,165)
Total Village Farms International, Inc. shareholders' equity	<u>254,005</u>	<u>299,625</u>
Non-controlling interest	—	649
Total shareholders' equity	<u>254,005</u>	<u>300,274</u>
Total liabilities, mezzanine equity and shareholders' equity	<u>\$ 389,306</u>	<u>\$ 463,989</u>

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31,
(In thousands of United States dollars, except share and per share data)

	2024	2023	2022
Sales	\$ 336,181	\$ 285,603	\$ 293,572
Cost of sales	(288,781)	(236,177)	(266,075)
Gross profit	47,400	49,426	27,497
Selling, general and administrative expenses	(71,048)	(65,501)	(72,265)
Interest expense	(3,365)	(4,509)	(3,244)
Interest income	914	1,018	207
Foreign exchange (loss) gain	(2,843)	602	(2,255)
Other income (expense)	4,015	5,616	(115)
Write-off of joint venture loan	—	—	(592)
Goodwill and intangible asset impairments	(11,939)	(14,020)	(43,299)
Other impairments	(439)	—	—
Loss before taxes and loss from equity method investments	(37,305)	(27,368)	(94,066)
Recovery of (Provision for) income taxes	1,662	(7,451)	(4,681)
Loss from equity method investments	—	—	(2,668)
Loss including non-controlling interests	(35,643)	(34,819)	(101,415)
Less: net (income) loss attributable to non-controlling interests, net of tax	(207)	21	269
Net loss attributable to Village Farms International, Inc. shareholders	<u>\$ (35,850)</u>	<u>\$ (34,798)</u>	<u>\$ (101,146)</u>
Basic loss per share attributable to Village Farms International, Inc. shareholders	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ (1.13)</u>
Diluted loss per share attributable to Village Farms International, Inc. shareholders	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ (1.13)</u>
Weighted average number of common shares used in the computation of loss per share (in thousands):			
Basic	<u>111,370</u>	<u>108,728</u>	<u>89,127</u>
Diluted	<u>111,370</u>	<u>108,728</u>	<u>89,127</u>
Loss including non-controlling interests	\$ (35,643)	\$ (34,819)	\$ (101,415)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(16,265)	4,237	(15,460)
Comprehensive loss including non-controlling interests	(51,908)	(30,582)	(116,875)
Less: comprehensive loss (income) attributable to non-controlling interests	665	(436)	1,432
Comprehensive loss attributable to Village Farms International, Inc. shareholders	<u>\$ (51,243)</u>	<u>\$ (31,018)</u>	<u>\$ (115,443)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
Consolidated Statements of Changes in Shareholders' Equity and Mezzanine Equity
For the Years Ended December 31, 2024, 2023 and 2022
(In thousands of United States dollars, except for shares outstanding)

	Number of Common Shares (in thousands)	Common Stock	Additional Paid In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Non- controlling Interest	Total Permanent Shareholders' Equity	Mezzanine Equity
Balance at December 31, 2021	88,234	\$ 365,561	\$ 9,369	\$ 6,696	\$ 26,779	\$ —	\$ 408,405	\$ 16,433
Net proceeds from issuance of common stock	3,175	6,692	—	393	—	—	7,085	—
Shares issued on exercise of stock options	180	176	16	—	—	—	192	—
Share-based compensation	200	—	3,987	—	—	—	3,987	—
Recognition of non-controlling interest on acquisition	—	—	—	—	—	767	767	—
Cumulative translation adjustment	—	—	—	(15,460)	—	—	(15,460)	—
Net loss	—	—	—	—	(101,146)	—	(101,146)	(269)
Balance at December 31, 2022	91,789	\$ 372,429	\$ 13,372	\$ (8,371)	\$ (74,367)	\$ 767	\$ 303,830	\$ 16,164
Shares issued in public offering, net of issuance costs	18,350	14,207	—	—	—	—	14,207	—
Warrants issued in public offering	—	—	9,128	—	—	—	9,128	—
Shares issued on exercise of stock options	100	83	—	—	—	—	83	—
Share-based compensation	10	—	3,111	—	—	—	3,111	—
Cumulative translation adjustment	—	—	—	4,831	—	72	4,903	(666)
Net (loss) income	—	—	—	—	(34,798)	(190)	(34,988)	169
Balance at December 31, 2023	110,249	386,719	25,611	(3,540)	(109,165)	649	300,274	15,667
Share-based compensation	2,088	630	3,117	—	—	—	3,747	—
Acquisition of redeemable non- controlling interest	—	—	2,193	—	—	—	2,193	(5,209)
Acquisition of non-controlling interest	—	—	(317)	—	—	(489)	(806)	—
Cumulative translation adjustment	—	—	—	(15,392)	—	—	(15,392)	(873)
Net (loss) income	—	—	—	—	(35,851)	(160)	(36,011)	368
Balance at December 31, 2024	112,337	\$ 387,349	\$ 30,604	\$ (18,932)	\$ (145,016)	\$ —	\$ 254,005	\$ 9,953

The accompanying notes are an integral part of these consolidated financial statements.

Village Farms International, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024, 2023 and 2022
(In thousands of United States dollars)

	2024	2023	2022
Cash flows provided by (used in) operating activities:			
Loss including non-controlling interests	\$ (35,643)	\$ (34,819)	\$ (101,415)
Adjustments to reconcile loss including non-controlling interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	18,838	15,926	13,054
Amortization of deferred charges	10	136	214
Share of loss from joint venture	—	—	2,668
Interest expense	3,365	4,509	3,244
Interest paid on long-term debt	(4,203)	(4,700)	(3,420)
Unrealized foreign exchange loss	233	64	83
Goodwill and intangible asset impairments	11,939	14,020	43,299
Inventory and other impairments	10,961	—	11,038
Write-off of joint venture loan	—	—	592
Non-cash lease expense	2,402	2,103	1,798
Share-based compensation	3,747	3,111	3,987
Deferred income taxes	(1,739)	7,046	9,831
Changes in non-cash working capital items	438	(2,081)	(4,862)
Net cash provided by (used in) operating activities	<u>10,348</u>	<u>5,315</u>	<u>(19,889)</u>
Cash flows (used in) provided by investing activities:			
Purchases of property, plant and equipment	(10,083)	(6,518)	(14,292)
Purchases of intangibles	(158)	—	—
Acquisitions, net	—	—	(5,873)
Equity investment	—	(548)	—
Issuance of note receivable	—	—	(734)
Repayment of note receivable	—	835	—
Net cash used in investing activities	<u>(10,241)</u>	<u>(6,231)</u>	<u>(20,899)</u>
Cash flows (used in) provided by financing activities:			
Proceeds from borrowings	—	—	7,321
Repayments on borrowings	(5,709)	(9,281)	(9,709)
Purchase of Non-controlling interest	(3,817)	—	—
Proceeds from issuance of common stock and warrants	—	24,772	6,898
Issuance costs	—	(1,437)	(206)
Proceeds from exercise of stock options	—	83	192
Net cash (used in) provided by financing activities	<u>(9,526)</u>	<u>14,137</u>	<u>4,496</u>
Effect of exchange rate changes on cash and cash equivalents	(1,241)	394	(699)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(10,660)</u>	<u>13,615</u>	<u>(36,991)</u>
Cash, cash equivalents and restricted cash, beginning of period	<u>35,291</u>	<u>21,676</u>	<u>58,667</u>
Cash, cash equivalents and restricted cash, end of period	<u>\$ 24,631</u>	<u>\$ 35,291</u>	<u>\$ 21,676</u>
Supplemental disclosure of non-cash activities:			
Non-Cash - investing and financing activities			
Operating lease right-of-use assets	\$ 117	\$ 5,578	\$ —
Operating lease liabilities	\$ 117	\$ 5,578	\$ —
Supplemental cash flow information:			
Income taxes paid	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

VILLAGE FARMS INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

1. BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company", "we", "us", or "our") is a corporation existing under the Ontario Business Corporations Act. VFF's principal operating subsidiaries as of December 31, 2024 were Village Farms Canada Limited Partnership, Village Farms, L.P. (together, "Village Farms Fresh" or "VF Fresh"), Pure Sunfarms Corp. ("Pure Sunfarms"), Balanced Health Botanicals, LLC ("Balanced Health"), VF Clean Energy, Inc. ("VFCE") and Leli Holland B.V. ("Leli"). VFF also owns an 80% interest in Rose LifeScience Inc. ("Rose").

The address of the registered office of VFF is 79 Wellington Street West, Suite 3300, Toronto, Ontario, Canada, M5K 1N2.

The address of the principal executive office of VFF is 90 Colonial Center Pkwy, Lake Mary, Florida, United States, 32746.

The Company's shares are listed on Nasdaq Capital Market ("Nasdaq") under the symbol "VFF". On October 18, 2024, the Company received notification from Nasdaq that it is not in compliance with the minimum bid price requirement for continued listing on the Nasdaq (Nasdaq Listing Rule 5550(a)(2)) (the "Minimum Bid Requirement") as the bid price for the Company's common shares (the "Common Shares") closed below US\$1.00 from September 6, 2024 to October 17, 2024.

The notification has no immediate effect on the listing of the Common Shares on the Nasdaq. Under Nasdaq Listing Rule 5810(c)(3)(A), the Company has until April 16, 2025 (a period of 180 calendar days from the date of Notification, the "Compliance Period") to regain compliance with the Minimum Bid Requirement. During the Compliance Period, the Common Shares will continue to trade on the Nasdaq. If at any time before April 16, 2025, the bid price of the Common Shares closes at or above US\$1.00 per share for a minimum of 10 consecutive business days, it is expected that Nasdaq would notify the Company that it has regained compliance with the Minimum Bid Requirement.

In the event the Company does not regain compliance with the Minimum Bid Requirement by the end of the Compliance Period, the Company may be eligible for an additional period of 180 calendar days to regain compliance or may be subject to delisting of the Common Shares from the Nasdaq, at which time the Company may appeal the delisting determination to a Nasdaq Hearings Panel.

We can provide no assurance that the Company would receive a favorable decision from a Nasdaq Hearing Panel after the end of the Compliance Period or that the Common Shares will not be delisted from Nasdaq.

Village Farms owns and operates sophisticated, highly intensive agricultural greenhouse facilities in British Columbia and Texas, where it produces, markets and sells premium-quality tomatoes, bell peppers and cucumbers. Its wholly owned subsidiary, Pure Sunfarms, is a vertically integrated licensed producer and supplier of cannabis products sold to customers throughout Canada and internationally. Through its 80% ownership of Rose, the Company has a substantial presence in the Province of Quebec as a cannabis supplier, producer and commercialization expert. The Company's wholly owned subsidiary, Balanced Health, develops and sells high-quality, cannabidiol ("CBD") based products including ingestible, edible and topical applications within the U.S. Its wholly owned subsidiary, Leli, is a vertically integrated licensed producer and supplier of cannabis products sold to coffee shops in the Netherlands.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), and include VFF and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation. Other parties' interests in entities that VFF consolidates are reported as non-controlling interests within equity, except for mandatorily redeemable non-controlling interests, which are classified as temporary mezzanine equity. Net income or loss attributable to non-controlling interests is reported as a separate line item below net income or loss. Investments in entities for which the Company does not have a controlling financial interest, but over which it has the ability to exert significant influence, are accounted for under the equity method of accounting. For equity investees in which the Company has an undivided interest in the assets, liabilities and profits or losses of an unincorporated entity, but does not exercise control over the entity, the Company consolidates its proportional interest in the accounts of the entity. When appropriate, prior year amounts are reclassified to conform with the current period presentation. For the year ended December 31, 2023, certain deferred tax liabilities has been reclassified to deferred tax assets on the consolidated Statements of Financial Position to conform with the current period presentation. For the year ended December 31, 2023, certain inventory for finished goods has been reclassified to work-in-process and certain raw materials have been reclassified to finished goods to conform with the current period presentation. For the year ended December 31, 2022, certain non-cash lease expenses have been reclassified to changes in lease liabilities on the consolidated Statements of Cash Flows to conform with the current period presentation.

VILLAGE FARMS INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
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Revision of Prior-Period Consolidated Financial Statements

In connection with the preparation of our 2024 consolidated financial statements, the Company identified an immaterial misstatement in its estimate of its deferred tax asset valuation allowance as of December 31, 2023. As a result, we recorded a decrease to deferred tax assets as of December 31, 2023 and increase in income tax expense for the year ended December 31, 2023 for \$3,000, which decreased total assets and retained earnings as of December 31, 2023 and increased our net loss for the year ended December 31, 2023 by \$3,000. Our revision had no impact to the Company's consolidated statement of cash flows. Additionally, our revision had no impact to the Company's segment profit measures, compliance with debt covenants, or performance metrics used in the calculation of executive compensation as the impacted line items are excluded from these calculations. We evaluated the materiality of the impact quantitatively and qualitatively and concluded it was not material to any of the prior periods.

Translation of Foreign Currencies

The assets and liabilities of foreign subsidiaries with a functional currency other than the U.S. dollar are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses included within other comprehensive income or loss. Revenue and expenses are translated into U.S. dollars at average rates of exchange during the applicable period. Substantially all of the Company's foreign operations use their local currency as their functional currency. For foreign operations for which the local currency is not the functional currency, the operation's non-monetary assets are remeasured into U.S. dollars at historical exchange rates. All other accounts are remeasured at current exchange rates, with both gains or losses from remeasurement and currency gains or losses from transactions executed in currencies other than the functional currency included in foreign exchange gain (loss).

In these consolidated financial statements, "\$" means U.S. dollars and "C\$" means Canadian dollars, unless otherwise noted.

The exchange rates used to translate from Canadian dollars to U.S dollars is shown below:

	As of December 31,		
	2024	2023	2022
Spot rate	0.6957	0.7543	0.7380
For the year ended	0.7301	0.7410	0.7689

Management Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances, including the potential future effects of macroeconomic trends and events, such as inflation and interest rate levels; supply chain disruptions; uncertainty from potential recessionary effects; climate-related matters; market, industry and regulatory factors, including permitting issues; global events, such as the ongoing military conflict in Ukraine as well as potential tariff wars; and public health matters. These estimates form the basis for making judgments about the Company's operating results and the carrying values of assets and liabilities that are not readily apparent from other sources. While management believes that such estimates are reasonable when considered in conjunction with the Company's consolidated financial position and results of operations taken as a whole, actual results could differ materially from these estimates.

General Economic, Regulatory and Market Conditions

The Company has experienced, and may continue to experience, direct and indirect negative effects on its business and operations from negative economic, regulatory and market conditions, including inflationary effects on fuel prices, labor and materials costs, elevated interest rates, potential recessionary impacts and supply chain disruptions that could negatively affect demand for new projects and/or delay existing project timing or cause increased project costs. The extent to which general economic, regulatory and market conditions could affect the Company's business, operations and financial results is uncertain as it will depend upon numerous evolving factors that management may not be able to accurately predict, and, therefore, any future impacts on the Company's business, financial condition and/or results of operations cannot be quantified or predicted with specificity.

Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements.

Revenue Recognition

The Company's produce and cannabis revenue transactions consist of a single performance obligation to transfer promised goods at a fixed price. Quantities to be delivered to the customer are determined at a point near the date of delivery through purchase orders received from the customer.

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Notes to Consolidated Financial Statements
(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the customer receives the goods. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the goods. The amount of revenue recognized is measured at the fair value of the consideration received or receivable, reduced for excise duty, returns, and other customer credits, such as trade discounts and volume rebates. Payment terms are consistent with terms standard to the markets the Company serves.

Direct-to-consumer product sales for loyalty members contain two distinct performance obligations for which the Company allocates the transaction price based on the relative stand-alone value of each performance obligation, such that both revenue related to the delivery of the underlying purchased goods and deferred revenue for loyalty points issued to the customer are recognized based on the allocated consideration of value, after giving consideration to loyalty point breakage. The loyalty liability represents a performance obligation to provide goods for free or at a discount to loyalty members in exchange for the redemptions of points earned from past activities.

Judgment is required in determining whether the Company is the principal or agent in certain transactions. We evaluate the presentation of revenue on a gross or net basis based on whether we control the service provided to the end-user and are the principal (i.e. “gross”), or we arrange for other parties to provide the service to the end-user and are an agent (i.e. “net”).

For each identified performance obligation in the contract with the customer, we assess whether our agency or the third-party supplier is the principal or agent. We control the specified services before transferring those services to the customer and act as the principal if we are primarily responsible for fulfilling the promise to provide the specified good or service, have inventory risk, or discretion in establishing pricing. For performance obligations in which we act as principal, we record the gross amount billed to the customer within total revenue and the related incremental direct costs incurred as billable expenses.

If the third-party supplier, rather than the Company, is primarily responsible for the performance and deliverable to our customer, then we generally act as the agent and solely arrange for the third-party supplier to provide services to the customer. For performance obligations for which we act as the agent, we record our revenue as the net amount of our gross billings less pass-through expenses charged to a customer.

Revenue received from shipping and handling fees is reflected in net sales. Shipping and handling costs are included in cost of sales as incurred or at the time revenue is recognized for the related goods, whichever comes first.

The following table disaggregates the Company's net revenue by major source for the years ended:

Classification	December 31, 2024	December 31, 2023	December 31, 2022
Cannabis:			
Branded ⁽¹⁾	\$ 111,951	\$ 91,914	\$ 85,523
Non-Branded	28,827	15,457	17,848
International	6,137	4,600	3,869
Other	1,941	2,059	2,642
U.S. Cannabis	17,390	20,330	23,302
Produce	169,183	151,243	160,252
Energy	752	—	136
Total Revenue	<u>\$ 336,181</u>	<u>\$ 285,603</u>	<u>\$ 293,572</u>

- (1) Branded revenues are shown net of excise tax on products. For the years ended December 31, 2024, 2023, and 2022, excise tax on products was \$71,953, \$58,015, and \$50,126, respectively.

Redeemable Non-Controlling Interest

Non-controlling interest (“NCI”) in subsidiaries that are redeemable for cash or other assets outside of our control are classified as temporary mezzanine equity, outside of equity and liabilities. Initial measurement is at acquisition date fair value and subsequent measurement is at the greater of the carrying value or the redemption value. Changes in the redemption value are recognized immediately as they occur and the carrying amount of the redeemable NCI is adjusted to equal the redemption value at the end of each reporting period. This method views the end of the reporting period as if it were also the redemption date for the instrument. Increases or decreases in the estimated redemption amount are recorded with corresponding adjustments against equity and are reflected in the computation of earnings per share. However, the amount presented in temporary equity should be no less than the initial amount reported in temporary equity for the instrument.

VILLAGE FARMS INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Temporary differences arising between the tax basis of an asset or liability and its carrying amount on the Consolidated Statement of Financial Position are used to calculate future income tax assets and liabilities. This method also requires the recognition of deferred tax benefits, such as net operating loss carryforwards. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income (losses) in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment of the change. A tax benefit from an uncertain tax position is recognized only if we believe it is more likely than not that the position will be sustained on its technical merits. If the recognition threshold for the tax position is met, only the portion of the tax benefit that we believe is greater than 50 percent likely to be realized is recorded.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits held with banks, and other highly liquid short-term interest-bearing securities with maturities at the date of purchase of three months or less.

Restricted Cash

Restricted cash, as of December 31, 2023 includes a cash deposit required by the Company's directors' and officers' insurance policy which was managed by an insurer and held as a cell captive within a Bahamas-based financial institution.

Trade Receivables and Allowance for Credit Losses

Trade accounts receivable are recorded at the point control transfers and represent the amount of consideration we expect to receive in exchange for transferred goods and do not bear interest. We establish provisions for expected lifetime losses on accounts receivable at the time a receivable is recorded based on historical experience, customer credit quality and forecasted economic conditions. We regularly review our accounts receivable balances and the allowance for credit loss and establish or adjust the allowance as necessary using the specific identification method. We also evaluate the aggregation and risk characteristics of receivable pools and develop loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon we are exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventory includes capitalized production costs, including labor, materials, post-harvest costs and depreciation. Inventoriable costs are expensed to cost of goods sold on the Consolidated Statement of Operations in the same period as finished products are sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period when the write-down or loss occurs.

Long-Lived Assets

The Company's long-lived assets consist primarily of property, plant and equipment and finite-lived intangible assets. Purchased property and equipment is recorded at cost, or, if acquired in a business combination, at the acquisition date fair value. Depreciation and amortization of property and equipment is computed using the straight-line method or declining balance method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the term of the lease or the estimated useful lives of the improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements that extend the life of the related assets are capitalized and depreciated over the remaining useful lives of the assets. The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal. Gains or losses, net, from the sale of property and equipment are included within other income (expense). Depreciation of property, plant and equipment is determined on the straight-line method or declining balance method over the following useful lives of the assets:

Classification	Estimated Useful Lives
Leasehold and land improvements	5-20 years
Buildings	4-30 years
Machinery and equipment	3-30 years

The Company's intangible assets are purchased and acquired through business combinations and have both finite and infinite useful lives. Finite-lived intangible assets are amortized over their useful lives, which are generally based on contractual or legal rights, using the straight-line method. Amortization of finite-lived intangible assets is determined on the straight-line method over the following useful lives of the assets:

VILLAGE FARMS INTERNATIONAL, INC.
Notes to Consolidated Financial Statements
(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

Classification	Estimated Useful Lives
Licenses	5-22 years
Brand and trademarks	Indefinite
Customer relationships	10 years
Computer software	3-5 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets are grouped with other assets to the lowest level to which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Management assesses the recoverability of the carrying cost of the assets based on a review of projected undiscounted cash flows. If an asset is held for sale, management reviews its estimated fair value less cost to sell. Fair value is determined using pertinent market information, including appraisals or broker's estimates, and/or projected discounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset.

During the three years in the period ended December 31, 2024, 2023 and 2022 there were no material impairments of long-lived assets.

Business Combinations

The determination of the fair value of net assets acquired in a business combination requires estimates and judgments of future cash flow expectations for the acquired business and the related identifiable tangible and intangible assets. Fair values of net assets acquired are calculated using expected cash flows and industry-standard valuation techniques. For current assets and current liabilities, book value is generally assumed to equal fair value. Goodwill is the amount by which consideration paid exceeds the fair value of acquired net assets. A bargain purchase gain results when the fair value of an acquired business' net assets exceeds its purchase price. Acquisition costs are expensed as incurred and are included within general and administrative expenses in the consolidated statements of operations.

Due to the time required to gather and analyze the necessary data for each acquisition, U.S. GAAP provides a "measurement period" of up to one year in which to finalize these fair value determinations. During the measurement period, preliminary fair value estimates may be revised if new information is obtained about the facts and circumstances existing as of the date of acquisition, or based on the final net assets and working capital of the acquired business, as prescribed in the applicable purchase agreement. Such adjustments may result in the recognition of, or an adjustment to the fair values of, acquisition-related assets and liabilities and/or consideration paid, and are referred to as "measurement period" adjustments. Measurement period adjustments are recorded to goodwill. Other revisions to fair value estimates that relate to facts and circumstances that occurred subsequent to the date of acquisition are reflected as income or expense, as appropriate.

Leases

In the ordinary course of business, the Company enters into agreements that provide financing for machinery and equipment and for other of its facility, vehicle and equipment needs. The Company reviews all agreements to determine if a leasing arrangement exists. When a leasing arrangement is identified, a determination is made at inception as to whether the lease is an operating or a finance lease. A lease exists when a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Company considers whether a contract provides both the right to obtain substantially all of the economic benefits from the use of an asset and the right to direct the use of the asset. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the minimum future lease payments over the expected term of the lease. The Company's lease assets are primarily concentrated in facilities, vehicles, machinery and equipment.

Leases with an initial term of twelve months or less are classified as short-term leases and are not recognized in the consolidated balance sheets unless the lease contains a purchase option that is reasonably certain to be exercised, or unless it is reasonably certain that the equipment will be leased for greater than twelve months. The volume of lease activity for leases with an initial term of twelve months or less varies depending upon the number of ongoing projects at a given time, as well as the location and type of equipment required in connection with those projects. Lease payments for short-term leases are recognized on a straight-line basis over the lease term, and primarily relate to equipment used on construction projects, for which the rentals are based on daily, weekly or monthly rental rates, and typically contain termination for convenience provisions. Lease determinations are reassessed in the event of a change in lease terms. The Company has a limited number of sublease, equipment and other leasing arrangements, which are not considered material to the consolidated financial statements.

As of December 31, 2024, the Company's leases have remaining lease terms of up to 7 years. Lease agreements may contain renewal clauses, which, if elected, generally extend the term of the lease for one to five years for both equipment and facility leases. Certain lease agreements may also contain options to purchase the leased property and/or options to terminate the lease. In addition, lease agreements may include periodic adjustments to payment amounts for inflation or other variables, or may require payments for taxes, insurance, maintenance or other expenses, which are generally referred to as non-lease components.

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The Company accounts for non-lease components together with the related lease components for all classes of leased assets. The Company's lease agreements do not contain significant residual value guarantees or material restrictive covenants. Asset retirement obligations related to the termination of leases are not material to the financial statements.

Lease term, discount rate, variable lease costs and future minimum lease payment determinations require the use of judgment, and are based on the facts and circumstances of each lease. Economic incentives, intent, past history and business need are among the factors considered to determine if renewal and/or purchase options are reasonably certain to be exercised. The majority of the Company's lease agreements do not explicitly state the discount rate implicit in the lease, therefore, the Company generally uses an incremental borrowing rate to determine the value of its lease obligations. The incremental borrowing rate represents the rate of interest that would be paid to borrow on a collateralized basis over a similar term. The Company determines its incremental borrowing rate using a portfolio approach based on information available as of the lease commencement date, including applicable lease terms and the current economic environment.

Finance Leases

Finance lease assets are recorded within property and equipment, with a corresponding amount recorded within the Company's debt obligations. Finance lease expense is composed of depreciation expense on the leased asset and interest on the lease liability. Additions to finance leases are included within the supplemental disclosures of non-cash information in the consolidated statements of cash flows.

Operating Leases

Operating lease right-of-use assets and liabilities are recorded on the consolidated balance sheets, with the related lease expense recognized over the term of the lease on a straight-line basis. Operating lease expense is recorded as rent expense, primarily within costs of revenue. Fixed costs for operating leases are composed of initial base rent amounts plus any fixed annual increases. Variable costs for operating leases consist primarily of common area maintenance expenses and taxes for facility leases. Certain of the Company's operating leases may contain purchase options, for which the purchase option price is generally considered to be at fair market value. From time to time, the Company may terminate a lease before the end of the lease term. Payments related to such early lease terminations are generally recorded within general and administration expenses.

Goodwill and Indefinite-Lived Intangible Assets

The Company has goodwill and indefinite-lived intangible assets that have been recorded in connection with its acquisitions of businesses. Goodwill and indefinite-lived intangibles are allocated to reporting units and tested for impairment annually as of December 31 each year and when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. The Company generally elects to utilize the optional qualitative assessment for goodwill to determine whether it is more likely than not that the carrying value of a reporting unit is higher than its fair value. If it is determined that the fair value is more likely than not to be lower than the carrying value, a quantitative goodwill impairment test is performed by determining the fair value of the reporting unit. The fair value of a reporting unit is determined using either the income approach utilizing estimates of discounted future cash flows or the market approach utilizing recent transaction activity for comparable properties. These approaches are considered level 3 fair value measurements. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. During the years ended December 31, 2024, 2023, and 2022, the Company recorded impairment charges against goodwill and indefinite-lived intangible assets. For additional information refer to *Note 6. Goodwill and Intangible Assets*.

Segment Reporting

Our operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO"). The Company has identified five operating segments – Produce, Cannabis-Canada, Cannabis-U.S., Energy, and Leli.

The Company adopted the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, Segment Reporting (Topic 280) during the fiscal year ending December 31, 2024. The amendments in this ASU were applied retrospectively to all prior periods presented in the financial statements. This ASU only impacted our disclosures with no impact to our results of operations, cash flows and financial condition.

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Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, or quoted prices for identical assets and liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect our own assumptions.

For its investments, the Company has elected the practicability exception to fair value measurement, under which the investment is measured at cost, less impairment, plus or minus any observable price changes of an identical or similar investment.

Share-Based Compensation

The Company grants stock options and restricted stock ("RSU") to certain employees and directors.

Compensation costs for awards of stock-based compensation settled in shares are determined based on the fair value of the share-based instrument at the time of grant and are recognized as expense over the vesting period of the share-based instrument. The Company recognizes forfeitures as they occur.

Stock options generally vest over three years (33% per year following the grant date) and expire after ten years. Each tranche in an award is considered a separate award with its own vesting period. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing additional paid-in capital based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

RSU grants will be settled using the Company's own equity if the performance standard is met. The equity-settled share-based compensation is measured at the fair value of the Company's Common Shares as at the grant date in accordance with the terms of the Company's Stock Compensation Plan. The fair value determined at the grant date is charged to income when performance-based or time-based vesting conditions are met, based on the number of RSUs that will eventually be converted to Common Shares, with a corresponding increase in equity.

Advertising

Advertising costs are recognized when incurred and are presented within selling, general and administrative costs in the Consolidated Statements of Operations. The Company supports its products with advertising to build brand awareness of the Company's various products in addition to other marketing programs executed by the Company's marketing teams. Advertising costs for the years ended December 31, 2024, 2023, and 2022 were \$4,125, \$4,942, and \$6,122, respectively.

Other Income (Expense)

Other income for the years ended December 31, 2024 and 2023 include a favorable settlement of \$3,536 and \$5,585, respectively, relating to the partial recovery of operational losses from the Tomato Brown Rugose Fruit Virus infestation.

Comprehensive Income (Loss)

Comprehensive income or loss is a measure of net income and other changes in equity that results from transactions other than those with shareholders. Comprehensive income or loss and related accumulated comprehensive income or loss balances consist of net income, foreign currency translation adjustments, primarily from fluctuations in foreign currency exchange rates of the Company's foreign subsidiaries with a functional currency other than the U.S. dollar and net income or loss attributable to non-controlling interests.

New Accounting Pronouncements

Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which focuses on the rate reconciliation and income taxes paid. ASU No. 2023-09 requires a public business entity ("PBE") to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold.

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In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign and by jurisdiction if the amount is at least 5% of total income tax payments, net of refunds received. For PBEs, the new standard is effective for annual periods beginning after December 15, 2024, with early adoption permitted. An entity may apply the amendments in this ASU prospectively by providing the revised disclosures for the period ending December 31, 2025 and continuing to provide the pre-ASU disclosures for the prior periods, or may apply the amendments retrospectively by providing the revised disclosures for all periods presented. We expect this ASU to only impact our disclosures with no impacts to our results of operations, cash flows, and financial condition.

Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures*. The ASU requires a public business entity to provide disaggregated disclosures of certain categories of expenses on an annual and interim basis including purchases of inventory, employee compensation, depreciation, and intangible asset amortization for each income statement line item that contains those expenses. The guidance is effective for annual disclosures for fiscal years beginning after December 15, 2026, and subsequent interim periods with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. We are currently evaluating the impact this new guidance will have on our disclosures upon adoption and expect to provide additional detail and disclosures under this new guidance.

2. INVENTORIES

Inventories consisted of the following:

Classification	December 31, 2024	December 31, 2023
Cannabis:		
Raw materials	\$ 6,372	\$ 5,490
Work-in-process	7,052	10,608
Finished goods	21,872	38,514
Packaging	3,100	7,641
Produce:		
Crop inventory	13,543	15,492
Purchased produce inventory	1,198	727
Inventory	\$ 53,137	\$ 78,472

During the year ended December 31, 2024, the Company recognized \$10,436 of inventory impairments relative to its net realizable value. This inventory consisted of older manufactured products which required incremental rework costs that were higher than the resell value of the finished goods, so it was concluded to write off this inventory rather than incurring incremental costs to sell it. There were no inventory impairments recognized for the year ended December 31, 2023.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

Classification	December 31, 2024	December 31, 2023
Land	\$ 13,771	\$ 14,641
Leasehold and land improvements	11,107	5,525
Buildings	206,794	217,384
Machinery and equipment	85,552	86,674
Construction in progress	11,147	13,619
Less: Accumulated depreciation	(138,108)	(132,230)
Property, plant and equipment, net	\$ 190,263	\$ 205,613

Depreciation expense on property, plant and equipment, was \$15,552, \$12,785 and \$10,795 for the years ending December 31, 2024, 2023 and 2022, respectively.

Capitalized interest was \$1,050 and \$1,273 for the years ended December 31, 2024 and 2023, respectively.

4. ACQUISITIONS

Rose Acquisition - Put/Call Option

On November 15, 2021, the Company entered into a Share Purchase Agreement (the “Purchase Agreement”) with Rose and other parties, including the shareholders of Rose (collectively, the “Rose Sellers”), for the acquisition of a 70% interest in Rose pursuant to the terms of the Purchase Agreement.

Two of the co-founders of Rose (the “Management Shareholders”), who were among the Rose Sellers of Rose in the Acquisition, have remained in their current roles with Rose post-Acquisition and initially retained a non-voting 30% interest in Rose (the “Retained Interest”). In conjunction with the Acquisition, Village Farms and the Management Shareholders entered into a unanimous shareholders agreement (the “USA”) providing Village Farms with a call option to acquire the Retained Interest between December 31, 2024 and April 16, 2025 or upon the occurrence of certain liquidity events with respect to Village Farms (the “Call Option”). As part of the Call Option, Village Farms could also acquire 34% of the Retained Interest between December 31, 2023 and March 31, 2024. A put right has also been granted to the Management Shareholders to require Village Farms to complete the acquisition of the Retained Interest upon their death or disability or the occurrence of certain liquidity events with respect to Village Farms (the “Put Option”, and together with the Call Option, the “Put/Call Option”). The price for the Put/Call Option was set at a multiple solely based on Rose’s adjusted EBITDA performance of the applicable prior calendar year. If exercised upon a liquidity event, the Option Price is subject to a minimum amount which varies depending on the year on which it is exercised.

The consideration for the acquisition of the Retained Interest may, at Village Farms’ sole discretion, be payable solely in cash or in a pre-determined combination of cash and Village Farms shares based on a formula similar to that used for the issuance of the Village Farms shares comprising part of the Purchase Price.

On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016, which resulted in a reduction of mezzanine equity of \$5,209 and an increase in additional paid in capital of \$2,193. The Company's ownership interest in Rose is now 80%.

Leli Holland B.V. ("Leli")

In September 2021, the Company entered into an option agreement whereby the Company received the irrevocable right to acquire an 80% ownership interest (the “Option Agreement”) in Netherlands-based Leli Holland B.V. (“Leli”) upon payment of EUR50,000 (the “Option”). The Option Agreement allowed for the Company to acquire 80% of Leli’s shares for EUR3,950,000, of which EUR950,000 was due and payable to Leli’s shareholders upon the exercise of the Option and the remainder due in three equal installments subject to the achievement of certain project development milestones. The option was exercisable at the sole discretion of the Company.

On July 7, 2022, Leli received a license to cultivate cannabis legally in the Netherlands under the Dutch Closed Supply Chain Experiment program ("the Program"). On July 19, 2022, the Company exercised the Option to purchase 80% of Leli, plus an additional 5% interest, for total cash consideration of \$4,693.

The acquisition has been accounted for as an asset acquisition and the full consideration paid has been allocated to the license and accounted for as an intangible asset that will be amortized over a period of 5 years which is consistent with the term of the program. There were no other assets or liabilities acquired in the acquisition.

On September 24, 2024, the Company acquired the remaining 15% equity ownership interest in Leli for a total cash purchase price of approximately \$801, which resulted in a reduction of non-controlling interest of \$489 and a decrease in additional paid in capital of \$317. The Company's ownership interest in Leli is now 100%.

5. INVESTMENTS

Village Fields Hemp USA LLC

The net assets of VF Hemp were \$0 as of December 31, 2024 and 2023, respectively. The Company's net loss for the years ended December 31, 2024, 2023 and 2022 were \$0, \$0, and \$2,668, respectively. Included in the losses for the year ended December 31, 2022, is a loss of \$2,284 which represents the Company’s share of losses from the impairment of inventory at VF Hemp. In conjunction with the inventory write-off, the Company also wrote-off the remaining balance of its loan to VF Hemp in the amount of \$592, which has been recorded as a loss on joint venture loan in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2022.

Altum

On February 10, 2022, the Company entered into an AUD 1 million (US\$719) convertible promissory note with Altum (the “Note”). Interest accrued at a rate of 12% per annum, calculated monthly. Altum repaid the note, including accrued interest, in June 2023.

6. GOODWILL AND INTANGIBLES ASSETS

At the end of each reporting period, the Company assesses whether events or changes in circumstances have occurred that would indicate an impairment. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment. Throughout 2024 and 2023, the Company experienced macroeconomic challenges, decreases in market capitalization, decreases in transaction multiples, and continued ambiguity in federal regulations with respect to the U.S. CBD market.

During the years ended December 31, 2024 and 2023, the Company considered qualitative factors in assessing for impairment indicators for the Company’s U.S. and Canadian Cannabis segments. As part of this assessment, the Company considered both external and internal factors, including overall financial performance and outlook.

Year Ended December 31, 2024

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projections from budgets approved for 2025, which was extended to 2029 with a compound annual revenue growth rate of 7.5% from 2025 to 2029, followed by terminal growth rate of 3%. Management concluded that the fair value was higher than its carrying amount by approximately \$9,740 as of December 31, 2024 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.3% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$13,219.
- Terminal growth rate: A decrease in approximately 0.6% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$6,957.
- Forecasted Revenue: A decrease in forecasted revenue by approximately 4.1% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$12,523.
- Net working capital: Net working capital requirements are approximately 29.8% of revenue. An increase of approximately 3.8% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$12,523.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a five-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,270 by approximately \$626 as of December 31, 2024 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by approximately 1.5% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$348.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by approximately 0.2% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 4% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$1,252.

Cannabis - U.S.

At June 30, 2024, when the Company considered qualitative factors in assessing impairment indicators, it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired.

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The Company reviewed the reportable segment's assets, including goodwill and intangible assets. Based on recent historical performance during the quarter which underperformed relative to budget, a revised June 30, 2024 forecast which resulted in a shortfall compared to the March 31, 2024 forecast, the new restrictions on CBD sales in an additional eight states at July 1, 2024, and the proliferation of unregulated hemp-derived products on the market which continues to challenge market share for the CBD industry, the Company concluded that as of June 30, 2024, the fair value of the brand intangible asset and goodwill was fully impaired and an impairment charge to goodwill of \$10,039 and a charge to intangibles of \$1,900 was recorded to the U.S. Cannabis reporting unit.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection using projections for the remainder of 2024 to 2028 with an average revenue growth rate of 6% between 2025 to 2028, followed by a terminal growth rate of 2%. Management concluded that as of June 30, 2024, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$10,039 was recorded to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 12%. A decrease of 1% to the discount rate, would not result in a material change to the impairment charge.
- Terminal growth rate: An increase of 1% in the terminal growth rate would not result in a material change to the impairment charge.
- Future cash flows: An increase in future cash flows by 10% would not result in a material change to the impairment charge.

Cannabis – U.S. Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that as of June 30, 2024, the fair value was lower than its carrying value of \$1,900 as the notional brand maintenance costs exceeded the incremental royalty of 3.5%. Therefore, an impairment charge to the brand intangible of \$1,900 was allocated to the reporting unit.

Year Ended December 31, 2023

As of December 31, 2023, when the Company considered qualitative factors in assessing impairment indicators it concluded that the Company's U.S. - Cannabis segment more likely than not was impaired. The Company tested that segment's assets, including goodwill and intangible assets for impairment.

Cannabis - U.S. - Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved by senior management for 2024 to 2029 with an average revenue growth rate of 8% over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to goodwill of \$11,300 was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$1,700.
- Terminal growth rate: A decrease of 0.5% in the terminal growth rate would increase the impairment by approximately \$700.
- Future cash flows: A decrease in future cash flows by 10% would increase the impairment by approximately \$1,300.

Cannabis – U.S. – Brand

The fair value of the brand was determined based on a discounted cash flow projection. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. An average revenue growth rate of 8% was used over 6 years, followed by terminal growth rate of 4.1%. Management concluded that as of December 31, 2023, the fair value was lower than its carrying amount and as a result, an impairment charge to the brand intangible of \$2,720 was allocated to the reporting unit.

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The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: A market participant post-tax discount rate applied to the after-tax forecast cash flows was 11%. An increase of 1% to the discount rate, would increase the impairment by approximately \$200.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.5% would increase the impairment to brand by \$1,600.
- Future revenues: A decrease in future revenues by 10% would increase the impairment by approximately \$200.

Cannabis – Canada – Goodwill

The fair value of the reporting unit was determined based on a discounted cash flow projection from budgets approved for 2024, which was extended to 2027 with a compound annual revenue growth rate of 16% from 2024 to 2027, followed by terminal growth rate of 4%. Management concluded that the fair value was higher than its carrying amount by approximately \$2,565 as of December 31, 2023 and therefore no impairment to goodwill was required.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase of approximately 0.07% in the discount rate would result in the fair value being equal to the carrying value, and each additional 0.5% increase would result in an impairment of approximately \$18,858.
- Terminal growth rate: A decrease in approximately 0.1% in the terminal growth rate would result in the fair value being equal to the carrying value, and each additional 0.5% decrease would result in an impairment of approximately \$17,350.
- Future cash flows: A decrease in the future cash flows before net working capital by approximately 1.0% would result in the fair value being equal to the carrying value, and each additional 5% decrease would result in an impairment of approximately \$16,595.
- Net working capital: Net working capital ranges between 40% and 45% of revenue. An increase of 6% in net working capital investment would result in the fair value being equal to the carrying value, and each additional 5% increase would result in an impairment of approximately \$3,017.

Cannabis – Canada – Brand

The fair value of the brand was determined based on a discounted cash flow projection, covering a four-year period. Specifically, the Company utilized a relief from royalty valuation technique to arrive at the fair value of the brand. Management concluded that the fair value was higher than its carrying value of \$3,545 by approximately \$453 as of December 31, 2023 and therefore, no impairment to brand was allocated to the reporting unit.

The significant assumptions applied to the determination of the fair value are described below:

- Post-tax discount rate: An increase in the discount rate by 1% would result in the fair value being equal to the carrying value, and each additional 1% increase in the discount rate would result in an impairment of approximately \$302.
- Royalty rate: An incremental royalty rate of 3.5% of revenues was applied to brand-specific revenues. A decrease to the incremental royalty rate by 0.12% would result in the recoverable amount being equal to the carrying value.
- Future revenues: A decrease in future revenues by 12% would result in the fair value being equal to the carrying value, and each additional 10% decrease in the future revenues would result in an impairment of approximately \$317.

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Goodwill

The following table presents the changes in the carrying value of goodwill by reportable segment:

	Cannabis - Canada	Cannabis - United States	Total
Balance as of December 31, 2022	\$ 44,886	\$ 21,339	\$ 66,225
Foreign currency translation adjustment	993	—	993
Impairments	—	(11,300)	(11,300)
Balance as of December 31, 2023	<u>\$ 45,879</u>	<u>\$ 10,039</u>	<u>\$ 55,918</u>
Foreign currency translation adjustment	(3,564)	—	(3,564)
Impairments	—	(10,039)	(10,039)
Balance as of December 31, 2024	<u>\$ 42,315</u>	<u>\$ -</u>	<u>\$ 42,315</u>

Intangible Assets

Intangibles consisted of the following:

Classification	December 31, 2024	December 31, 2023
Licenses	\$ 17,196	\$ 18,540
Brand and trademarks*	12,520	12,795
Customer relationships	12,530	13,586
Computer software	2,029	1,974
Other*	144	144
Less: Accumulated amortization	(10,064)	(7,414)
Less: Impairments*	(9,250)	(7,350)
Intangibles, net	<u>\$ 25,105</u>	<u>\$ 32,275</u>

*Includes indefinite-lived intangible assets

The expected future amortization expense for definite-lived intangible assets as of December 31, 2024 is as follows:

Fiscal period	
2025	\$ 3,081
2026	2,990
2027	2,976
2028	1,772
2029	1,772
Thereafter	9,100
Intangibles, net	<u>\$ 21,691</u>

Amortization expense for intangibles for the years ended December 31, 2024, 2023 and 2022 were \$3,286, \$3,141 and \$2,259, respectively.

7. ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
Received not invoiced	\$ 2,638	\$ 4,510
Accrued payroll	3,839	3,193
Accrued grower partner payables	2,259	1,991
Other	3,472	5,382
	<u>\$ 12,208</u>	<u>\$ 15,076</u>

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8. LEASES

The Company's operating leases consist of a parcel of land in Marfa, Texas that two of its greenhouses resides on, a parcel of land in Monahans, Texas that one of its greenhouses resides on, two distribution centers located in Fort Worth, Texas and Surrey, British Columbia, and production-related equipment at its greenhouses in Texas and British Columbia. The Company also leases an office building located in Lake Mary, Florida for its corporate headquarters, and office and manufacturing spaces in Denver, Colorado for Balanced Health's headquarters and operations. Rose leases a building for headquarters in Montreal, Quebec.

The components of lease related expenses are as follows:

	Year ended December 31,	
	2024	2023
Operating lease expense ^(a)	\$ 4,468	\$ 4,879

^(a) Includes short-term and variable lease costs of \$2,066 and \$1,986 for the years ended December 31, 2024 and 2023, respectively.

Cash paid for amounts included in the measurement of lease liabilities:

	Year ended December 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows (fixed payments)	\$ 3,034	\$ 2,704
Operating cash flows (liability reduction)	\$ 2,475	\$ 1,893

ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 117	\$ 5,578

Other information related to operating leases was as follows:

	December 31, 2024
Weighted average remaining lease term:	
Operating leases	4.52
Weighted average discount rate:	
Operating leases	7.87%

Maturities of lease liabilities as of December 31, 2024 were as follows:

	Operating leases
2025	\$ 3,208
2026	3,255
2027	2,643
2028	2,184
2029	1,409
Thereafter	271
Total minimum lease payments	12,970
Less amounts representing interest	(1,900)
Total lease obligation, net of interest	11,070
Less current portion	(2,497)
Long-term portion of lease obligations, net of interest	\$ 8,573

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9. LINE OF CREDIT AND LONG-TERM DEBT

	Balance outstanding as of December 31,	
	2024	2023
Term Loan - ("FCC Loan") - repayable by monthly principle of payments of \$164 and accrued interest at Secured Overnight Financing Rate ("SOFR") plus an applicable margin per annum (8.12% at December 31, 2024); matures May 3, 2027	\$ 20,821	\$ 22,788
Term Loan - Pure Sunfarms - C\$19.0M - Canadian prime interest rate plus an applicable margin (7.45% as of December 31, 2024), repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026	6,262	8,298
Term loan - Pure Sunfarms - C\$25.0M - Canadian prime interest rate plus an applicable margin (7.45% as of December 31, 2024), repayable in quarterly payments equal to 2.50% of the outstanding principal amount, matures February 7, 2026	10,436	13,201
BDC Facility - Pure Sunfarms - non-revolving demand loan repayable by monthly principal payments of C\$52 and accrued interest at Canadian prime interest rate plus an applicable margin (9.20% at December 31, 2024), matures December 31, 2031	3,043	3,771
Total	\$ 40,562	\$ 48,058

As collateral for the FCC Loan, the Company has provided promissory notes and a first priority security interest over its accounts receivable and inventory. In addition, the Company has granted full recourse guarantees and security therein. The carrying value of the assets and securities pledged as collateral for the FCC Loan as of December 31, 2024 and 2023 was \$77,682 and \$114,293, respectively.

The PSF Non-Revolving Facility is secured by the Delta 2 and Delta 3 greenhouse facilities and contains customary financial and restrictive covenants.

The Company has a revolving line of credit agreement with a Canadian chartered bank (the "Operating Loan") maturing February 2027. The Operating Loan can be drawn in advances of up to C\$10,000, had an outstanding balance of \$4,000 drawn on the facility as of December 31, 2024 and December 31, 2023, and future availability of \$2,931 on December 31, 2024. Interest under the Operating Loan is payable at the Canadian prime rate plus an applicable margin per annum (8.02% at December 31, 2024), payable monthly.

The carrying value of the assets pledged as collateral for the Operating Loan as of December 31, 2024 and 2023 was \$27,136 and \$28,034, respectively.

Pure Sunfarms has a revolving line of credit (the "PSF Revolving Line of Credit") with a Canadian chartered bank. The PSF Revolving Line of Credit can be drawn for advances of up to C\$15,000 and had an outstanding balance of \$0 as of December 31, 2024 and December 31, 2023. Interest under the PSF Revolving Line of Credit is payable at the Canadian prime rate plus an applicable margin per annum (7.45% at December 31, 2024), payable monthly.

The Company is required to comply with financial covenants, measured either quarterly or annually depending on the covenant. The Company was not in compliance with financial covenants related to the fixed charge coverage ratio under the FCC Loan and the Pure Sunfarm's Term Loans, for which it received waivers. The covenants will be reinstated at the end of the first quarter for the Pure Sunfarm's Term Loans and at the end of the fiscal year 2025 for the FCC loan. Management expects to regain compliance during the next testing period. FCC measures the Company's financial covenants once a year on the last day of the year and the Pure Sunfarm's Term Loan covenants are measured once a quarter on the last day of the quarter.

Village Farms was in compliance with all of its remaining covenants under its other credit facilities.

The weighted average interest rate on short-term borrowings as of December 31, 2024 and 2023 was 8.22% and 9.44%, respectively.

Accrued interest payable on all long term-debt as of December 31, 2024 and 2023 was \$271 and \$390, respectively, and these amounts are included in accrued liabilities in the consolidated statements of financial position.

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The aggregate annual principal maturities of long-term debt for the next five years and thereafter are as follows:

2025	\$ 5,533
2026	15,969
2027	17,321
2028	435
2029	435
Thereafter	869
	<u>\$ 40,562</u>

10. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized on the consolidated statements of financial position at fair value in a hierarchy for those assets and liabilities measured at fair value on a recurring basis.

At December 31, 2024 and 2023, the Company's financial instruments included cash and cash equivalents, trade receivables, minority investments, line of credit, trade payables, accrued liabilities, lease liabilities, and note payables. The carrying value of cash and cash equivalents, trade receivables, trade payables, and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of line of credit, lease liabilities, notes payable, and debt approximate their fair values due to the short-term nature of these instruments or the use of market interest rates for debt instruments.

There were no financial instruments categorized as Level 3 at December 31, 2024 and December 31, 2023, other than the minority investments discussed below. There were no transfers of assets or liabilities between levels during the years ended December 31, 2024 and 2023, respectively.

11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. The Company is not involved in any defendant legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of operations.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company leases its Rose office building from a Company employee who also owns a minority interest in Rose. For the years ended December 31, 2024, 2023 and 2022, the Company paid C\$277, C\$213 and C\$163, respectively to lease this office space.

One of the Company's employees is related to a member of the Company's executive management team and received approximately \$165, \$118 and \$115 in salary and benefits during the years ended December 31, 2024, 2023 and 2022, respectively.

On May 29, 2024, the Company entered into a Share Purchase Agreement with Rose and non-controlling shareholders, which includes two company employees, for the acquisition of an additional 10% interest in Rose for a total cash purchase price of approximately \$3,016 (note 4).

13. INCOME TAXES

The components of the provision for (recovery of) income tax for the years ended December 31, 2024, 2023 and 2022 are as follows:

	2024		
	Current	Deferred	Total
US Federal	\$ —	\$ 1,201	\$ 1,201
US State	47	—	47
Canadian	30	(2,940)	(2,910)
	<u>\$ 77</u>	<u>\$ (1,739)</u>	<u>\$ (1,662)</u>

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	2023		
	Current	Deferred	Total
US Federal	\$ —	\$ 3,000	\$ 3,000
US State	34	—	34
Canadian	371	4,046	4,417
	<u>\$ 405</u>	<u>\$ 7,046</u>	<u>\$ 7,451</u>

	2022		
	Current	Deferred	Total
US Federal	\$ —	\$ 14,650	\$ 14,650
US State	72	(2,085)	(2,013)
Canadian	(5,222)	(2,734)	(7,956)
	<u>\$ (5,150)</u>	<u>\$ 9,831</u>	<u>\$ 4,681</u>

The (recovery of) provision for income taxes reflected in the consolidated statement of operations for the years ended December 31, 2024, 2023 and 2022 differs from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax (recovery) and the effective provision for (recovery of) income taxes are summarized as follows:

	Year Ended December 31,		
	2024	2023	2022
(Loss) income before income taxes	\$ (37,305)	\$ (27,368)	\$ (96,734)
Tax (recovery) calculated at US domestic tax rates	(7,834)	(5,747)	(20,339)
State tax adjustments	(364)	(457)	(1,799)
Non-deductible items	920	1,100	928
True up of prior year income tax estimates	(39)	318	—
Deferred adjustment	(135)	32	(3,324)
Tax rate differences on deferred items	(318)	(34)	308
Foreign rate differentials	—	—	88
Change in tax rates	71	135	5
Change in valuation allowance	6,031	12,111	28,684
Other	6	(7)	130
Recovery of income taxes	<u>\$ (1,662)</u>	<u>\$ 7,451</u>	<u>\$ 4,681</u>

The statutory tax rate in effect in Canada and the United States for the years ended December 31, 2024, 2023 and 2022 was 27% and 21%, respectively.

The blended effective tax rate for 2024 was 4.5% compared to -27.2% and -4.8% in 2023 and 2022, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The deferred tax assets and liabilities presented on the consolidated statements of financial position are net amounts corresponding to their reporting jurisdiction. The deferred tax assets and liabilities presented in the note disclosure are grouped based on asset and liability classification without consideration of their corresponding reporting jurisdiction.

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Significant components of the Company's net deferred income taxes at December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Other assets	\$ 6,969	\$ 6,473
Long-term debt	928	824
Tax losses: Non-capital and farm losses	37,563	37,665
Provisions: Debt and unit issuance costs	415	1,058
Tax Losses: Capital Losses	129	—
Intangibles	6,409	3,458
Lease Liability	2,075	2,534
Tax losses: Valuation allowance	(48,561)	(42,530)
	<u>5,927</u>	<u>9,482</u>
Deferred tax liabilities:		
Joint venture shares	(2,346)	(2,464)
Cash adjustment	(10,506)	(15,356)
Right-of-use Assets	(1,850)	(2,371)
Property, plant and equipment	(10,160)	(11,820)
	<u>(24,862)</u>	<u>(32,011)</u>
Net deferred tax liabilities	<u>\$ (18,935)</u>	<u>\$ (22,529)</u>

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon available positive and negative evidence and future taxable income, the Company has recorded a valuation allowance on its deferred tax assets for the years ended December 31, 2024 and 2023 of \$48,561 and \$42,530, respectively.

Included in the schedule of deferred tax assets and liabilities above are US federal net operating loss carryforwards of approximately \$119,095 and \$111,831 as of December 31, 2024 and 2023, respectively, which will begin to expire in 2031. At the state level, the Company has a combined state net operating loss carry forwards of approximately \$46,416 and \$43,554 as of December 31, 2024 and 2023, respectively, which will begin to expire in 2029. The Canadian Federal Non-Capital Loss carry forwards are C\$50,337 and C\$56,009 as of December 31, 2024 and 2023, respectively, which will begin to expire in 2027. The Canadian Provincial Non-Capital Loss carry forwards are C\$7,948 and C\$13,158, as of December 31, 2024 and 2023, respectively, which will begin to expire in 2036. The Netherlands Federal Non-Capital Losses carry forward is EUR1,122 as of December 31, 2024.

At December 31, 2024 and 2023, the balance of uncertain tax benefits is zero. The Company does not anticipate that the amount of the uncertain tax benefit will significantly increase within the next 12 months. The Company recognizes accrued interest related to uncertain tax benefits and penalties as income tax expense. As of December 31, 2024 and 2023, there are no recognized liabilities for interest or penalties.

The Company is subject to taxation in the U.S. and various states, as well as the Netherlands and Canada and its provinces. As of December 31, 2024, the Company's tax years for 2021, 2022 and 2023 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2024, the Company is no longer subject to U.S. federal, state or local examinations by tax authorities for years before 2021 due to the expiration of the statute of limitations.

14. SEGMENT AND GEOGRAPHIC INFORMATION

The Company regularly monitors its reportable segments to determine if changes in facts and circumstances would indicate whether changes in the determination or aggregation of operating segments are necessary. In the fourth quarter of 2024, the Company determined that Leli had met the quantitative threshold to be a reportable segment. In addition, during the fourth quarter of 2024, the CODM changed the segment profit measure to operating income or loss from gross margin.

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We believe that segment operating (loss) income is a more useful measure because it allows management, analysts, investors, and other interested parties to evaluate the profitability of our business operations before the effects of certain expenses that directly arise from non-operating activities (other income/expense), financing decisions (interest), and tax strategies (income taxes). These changes have been applied to all periods presented.

Segment reporting is prepared on the same basis that the Company's Chief Executive Officer, who is the CODM, manages the business, makes operating decisions and assesses performance. Management has determined that the Company operates in five reportable segments: Produce, Cannabis-Canada, Cannabis-U.S., Clean Energy, and Leli (previously Cannabis - Netherlands). The Produce segment produces, markets and sells premium quality tomatoes, bell peppers and cucumbers. The Cannabis-Canada segment produces and supplies cannabis products to be sold to other licensed providers and provincial governments across Canada and internationally. The Cannabis-U.S. segment develops and sells high-quality, CBD-based health and wellness products including ingestible, edible and topical applications. The Energy business receives a royalty representing a portion of the natural gas that is sold to one customer pursuant to its long-term contract. The Leli segment produces and supplies cannabis products to designated coffee shops in the Netherlands.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance for all of its reportable segments based on segment operating (loss) income from operations.

For all of its reportable segments, the chief operating decision maker uses segment operating (loss) income to allocate resources (including employees, property, and financial or capital resources) for each segment, predominantly in the annual budget and forecasting process. The CODM considers budget-to-actual variances on a monthly basis for the (loss) income when making decisions about allocating capital and personnel to the segments. The CODM also uses segment (loss) income to assess the performance for each segment by comparing the results with one another.

The following tables reflect the reconciliation of segment revenue, measures of a segments profit or loss, and significant segment expenses reconciled to the consolidated loss before income taxes:

	For the Year Ended December 31, 2024					
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Total
Sales from external customers	\$ 169,183	\$ 148,856	\$ 17,390	\$ 752	\$ —	\$ 336,181
Cost of sales	(164,125)	(118,172)	(6,355)	(129)	—	(288,781)
Selling, general and administrative expenses	(12,249)	(34,028)	(11,990)	(38)	(1,555)	(59,860)
Segment operating (loss) income	\$ (7,191)	\$ (3,344)	\$ (955)	\$ 585	\$ (1,555)	\$ (12,460)
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net ⁽²⁾						(1,279)
Impairment of goodwill and intangibles						(11,939)
Other impairments						(439)
Other corporate expenses ⁽³⁾						(11,188)
Loss before taxes and loss from equity method investments						<u>\$ (37,305)</u>

	For the Year Ended December 31, 2023					
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Total
Sales from external customers	\$ 151,243	\$ 114,030	\$ 20,330	\$ —	\$ —	\$ 285,603
Cost of sales	(151,064)	(78,090)	(7,002)	(21)	—	(236,177)
Selling, general and administrative expenses	(10,625)	(29,275)	(13,118)	(32)	(1,265)	(54,315)
Segment operating (loss) income	\$ (10,446)	\$ 6,665	\$ 210	\$ (53)	\$ (1,265)	\$ (4,889)
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other income, net ⁽²⁾						2,727
Impairment of goodwill and intangibles						(14,020)
Other corporate expenses ⁽³⁾						(11,186)
Loss before taxes and loss from equity method investments						<u>\$ (27,368)</u>

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	For the Year Ended December 31, 2022					
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Total
Sales from external customers	\$ 160,388	\$ 109,882	\$ 23,302	\$ —	\$ —	\$ 293,572
Cost of sales	(177,777)	(80,494)	(7,643)	(161)	—	(266,075)
Selling, general and administrative expenses	(12,004)	(31,608)	(16,305)	(58)	(275)	(60,250)
Segment operating (loss) income	\$ (29,393)	\$ (2,220)	\$ (646)	\$ (219)	\$ (275)	\$ (32,753)
Reconciliation of segment operating (loss) income to net loss before taxes and loss from equity method investments						
Other expense, net ⁽²⁾						(5,407)
Write off of joint venture loan						(592)
Impairment of goodwill and intangibles						(43,299)
Other corporate expenses ⁽³⁾						(12,015)
Loss before taxes and loss from equity method investments						<u>\$ (94,066)</u>

- (1) The significant expense categories and amounts align with the segment-level information that is regularly provided to the chief operating decision maker.
- (2) Other income (expense), net is comprised of Interest expense, interest income, foreign exchange (loss) gain, other income (expense).
- (3) Other corporate expenses are comprised of expenses related to centralized corporate functions such as accounting, treasury, information technology, legal, human services, and internal audit expenses.

The following tables summarizes our interest income, interest expense, depreciation and amortization, other significant non-cash items, and expenditures for capital assets by operating segment:

	For the Year Ended December 31, 2024							
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Segment Totals	Corporate	Consolidated Totals
Interest income	4	484	—	—	—	488	426	914
Interest expense	2,237	1,112	—	16	—	3,365	—	3,365
Depreciation and amortization	5,373	11,790	204	—	1,275	18,642	196	18,838
Share based compensation	—	166	79	—	—	245	3,502	3,747
Other significant noncash items:								
Non-cash lease expense	1,798	86	518	—	—	2,402	—	2,402
Impairments of goodwill and intangibles	—	—	11,939	—	—	11,939	—	11,939
Inventory and other impairments	—	10,522	439	—	—	10,961	—	10,961
Expenditures for segment assets	3,724	261	37	—	6,061	10,083	—	10,083

	For the Year Ended December 31, 2023							
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Segment Totals	Corporate	Consolidated Totals
Interest income	9	157	24	—	—	190	828	1,018
Interest expense	2,332	2,177	—	—	—	4,509	—	4,509
Depreciation and amortization	5,136	9,123	335	—	1,081	15,675	251	15,926
Share based compensation	—	61	317	—	—	378	2,733	3,111
Other significant noncash items:								
Non-cash lease expense	1,407	118	578	—	—	2,103	—	2,103
Impairments of goodwill and intangibles	—	—	14,020	—	—	14,020	—	14,020
Expenditures for segment assets	4,428	914	218	—	958	6,518	—	6,518

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	For the Year Ended December 31, 2022							Consolidated Totals
	VF Fresh (Produce)	Cannabis Canada	Cannabis U.S.	Clean Energy	Leli	Segment Totals	Corporate	
Interest income	1	11	—	—	—	12	195	207
Interest expense	1,471	1,769	—	4	—	3,244	—	3,244
Depreciation and amortization	5,044	7,376	564	—	—	12,984	—	12,984
Share based compensation	—	1,373	305	—	—	1,678	2,309	3,987
Other significant noncash items:								
Non-cash lease expense	1,190	69	539	—	—	1,798	—	1,798
Impairments of goodwill and intangibles	—	—	43,299	—	—	43,299	—	43,299
Inventory Impairments	—	11,038	—	—	—	11,038	—	11,038
Expenditures for segment assets	2,520	11,783	(11)	—	—	14,292	—	14,292

The following tables summarizes our total assets by operating segment for the years ended December 31:

	2024	2023
Assets		
Produce	\$ 97,332	\$ 94,695
Cannabis - Canada	266,433	320,942
Cannabis - United States	6,728	21,861
Clean Energy	360	2
Leli	11,093	6,145
Total assets for reportable segments	\$ 381,946	\$ 443,645
Corporate	7,360	20,344
Consolidated total	<u>\$ 389,306</u>	<u>\$ 463,989</u>

For years ended December 31, 2024, 2023 and 2022, approximately 50%, 54% and 51%, respectively, of the Company's total sales were in the United States and approximately 48%, 44%, and 48%, respectively, of the Company's total sales were in Canada. In 2024, the Company had two customers that individually represented more than 10% of total sales, comprising of 14.1% and 10.2%. In 2023, the Company had one customer that individually represented more than 10% of total sales, comprising of 11.9%. In 2022, the Company had one customer that individually represented more than 10% of total sales, comprising of 14.6%.

As of December 31, 2024, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 26.7% and 13.4% of the balance. As of December 31, 2023, the Company's trade receivables included two customers that represented more than 10% of the balance of trade receivables, representing 21.1% and 10.2% of the balance, respectively.

The Company's primary operations are in the United States and Canada. The following tables summarizes our assets by geographic location for the years ended December 31:

Total assets	2024	2023
United States	\$ 87,894	\$ 100,345
Canada	290,319	357,499
Netherlands	11,093	6,145
	<u>\$ 389,306</u>	<u>\$ 463,989</u>
Long-lived assets	2024	2023
United States	\$ 43,686	\$ 60,553
Canada	219,735	245,523
Netherlands	9,866	6,145
	<u>\$ 273,287</u>	<u>\$ 312,221</u>

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15. LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of Common Shares outstanding for the period. Basic and diluted net income per ordinary share is calculated as follows:

(shares in thousands)	For the Years Ended December 31,		
	2024	2023	2022
Numerator:			
Net loss including non-controlling interests	\$ (35,643)	\$ (34,819)	\$ (101,415)
Less: Net (income) loss attributable to non-controlling interests	(207)	21	269
Net loss attributable to Village Farms International, Inc. shareholders	<u>\$ (35,850)</u>	<u>\$ (34,798)</u>	<u>\$ (101,146)</u>
Denominator:			
Weighted average number of common shares – basic	111,370	108,728	89,127
Effect of dilutive securities – share-based employee options and awards	—	—	—
Weighted average number of common shares – diluted	<u>111,370</u>	<u>108,728</u>	<u>89,127</u>
Anti-dilutive options and awards ⁽¹⁾	<u>8,052</u>	<u>8,456</u>	<u>4,089</u>
Net loss per ordinary share:			
Basic	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ (1.13)</u>
Diluted	<u>\$ (0.32)</u>	<u>\$ (0.32)</u>	<u>\$ (1.13)</u>

⁽¹⁾ Options to purchase shares of common stock, warrants, and unvested RSUs are not included in the calculation of net (loss) income per share because the effect would have been anti-dilutive.

16. SHAREHOLDERS' EQUITY AND SHARE-BASED COMPENSATION

On January 30, 2023, the Company closed a public offering (the "Offering") of 18,350,000 Common Shares at a price of US\$1.35 per share together with accompanying warrants to purchase up to 18,350,000 Common Shares, which have an exercise price of US\$1.65 per share (the "Warrants"). The gross proceeds from the Offering were approximately US\$25 million before deducting placement agent fees and other offering expenses payable by the Company. The proceeds from the Offering are being used for general working capital. The accompanying Warrants have an exercise price of US\$1.65 and became exercisable beginning six months from issuance and will expire five years from the date of initial exercisability.

On August 9, 2022, Village Farms entered into a Controlled Equity Offering Sales Agreement ("Sales Agreement") pursuant to which the Company may offer and sell Common Shares having an aggregate offering price up to \$50 million from time to time to or through Cantor Fitzgerald & Co. and A.G.P./Alliance Global Partners. As of December 31, 2022, the Company had issued and sold 3,175,000 Common Shares under the Sales Agreement, resulting in net proceeds of \$6,692 after deducting commissions and offering expenses.

The Company's Share-Based Compensation Plan (the "Plan") dated January 1, 2010, was most recently approved by Shareholders on June 10, 2021. The Plan provides that the number of Common Shares reserved for issuance upon the exercise or redemption of awards granted under the Plan is a rolling maximum of ten percent (10%) of the outstanding Common Shares at any point in time. Approximately 4,715 shares remain available for issuance as of December 31, 2024.

Stock options have been granted with an exercise price equal to the fair market value of the common stock on the date of grants and have a ten-year contractual term. The stock options vest ratably over a 3- year period. Compensation expense is recognized over the vesting period, using the graded vesting method, by increasing additional paid-in capital based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact recognized immediately.

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The fair market value of stock options is estimated using the Black-Scholes-Merton valuation model and the Company uses the following methods to determine its underlying assumptions: expected volatilities are based on the historical volatilities of the weekly closing price of the Company's common stock; the expected term of options granted is based historical exercises and forfeitures; the risk-free interest rate is based on Canadian Treasury bonds issued with similar life terms to the expected life of the grant; and the expected dividend yield is based on the current annual dividend amount divided by the stock price on the date of grant. Forfeitures are recorded when incurred.

The following key assumptions were used in the valuation model to value stock option grants for each respective period:

	2024	2023	2022
Expected volatility	77.2% - 85.8%	85.7% - 87.8%	84.0% - 89.9%
Dividend	\$nil	\$nil	\$nil
Risk-free interest rate	3.08% - 3.71%	2.76% - 4.15%	1.41% - 3.28%
Expected life	4.4 years	6.5 years	6.5 years
Fair value	\$0.56 - \$0.62	\$0.44 - \$0.82	\$0.93 - \$4.33

Stock option transactions under the Company's plan for the years ended December 31, 2024, 2023 and 2022 are summarized as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2021	3,622,558	\$ 6.20	7.89	\$ 6,530
Granted during 2022	725,360	\$ 2.74	9.70	\$ 16
Exercised during 2022	(180,000)	\$ 1.30	0.51	\$ 772
Forfeited during 2022	(78,500)	\$ 8.45		
Outstanding at December 31, 2022	4,089,418	\$ 5.76	6.77	\$ 152
Exercisable at December 31, 2022	2,549,401	\$ 5.88	5.46	\$ 133
Granted during 2023	3,492,991	\$ 0.94	9.34	\$ 130
Exercised during 2023	(100,000)	\$ 0.83		\$ 71
Forfeited during 2023	(535,833)	\$ 4.04		
Outstanding at December 31, 2023	6,946,576	\$ 3.50	7.54	\$ 83
Exercisable at December 31, 2023	3,081,262	\$ 6.07	5.44	\$ 1
Granted during 2024	170,000	\$ 0.95	5.96	\$ 0
Forfeited/expired during 2024	(598,167)	\$ 3.32		
Outstanding at December 31, 2024	6,518,409	\$ 3.44	6.79	\$ 90
Exercisable at December 31, 2024	4,038,856	\$ 4.88	5.96	\$ 31

The weighted-average grant-date fair value of options granted during the years 2024, 2023 and 2022 was \$0.58, \$0.71 and \$3.31, respectively. The total intrinsic value of options exercised during the years ended December 31, 2024, 2023 and 2022, was \$0, \$71 and \$772, respectively.

A summary of the status of the Company's non-vested stock options, and the changes during the year ended December 31, 2024 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested at January 1, 2024	3,865,314	\$ 1.07	
Granted	170,000	\$ 0.58	
Vested	(957,594)	\$ 0.90	
Forfeited	(598,167)	\$ 2.27	
Non-vested at December 31, 2024	2,479,553	\$ 0.82	\$ 59

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Notes to Consolidated Financial Statements

(In thousands of United States dollars, except share and per share amounts and unless otherwise noted)

As of December 31, 2024, there was approximately \$2,022 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan; that cost is expected to be recognized over a period of three years.

The Company has also issued performance-based or time-based restricted share units to Village Farms employees involved with future developments of the Company. Once a performance or time based target is met and the share units are deemed earned and vested, compensation expense is recognized, based on the fair value of the share units on the grant date.

Performance-based restricted share unit activity for the years ended December 31, 2024, 2023 and 2022 is as follows:

	Number of Performance- based Restricted Share Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2021	230,000	\$ 6.83
Exercised	(200,000)	\$ 6.41
Outstanding at December 31, 2022	30,000	\$ 8.31
Exercisable at December 31, 2022	30,000	\$ 8.31
Issued	(10,000)	\$ 8.31
Forfeited	(20,000)	\$ 8.31
Outstanding at December 31, 2023	—	\$ 8.31
Exercisable at December 31, 2023	—	—
Granted	2,179,884	\$ 0.71
Vested and Issued	(1,479,024)	\$ 1.25
Outstanding at December 31, 2024	<u>700,860</u>	<u>\$ 0.17</u>
Exercisable at December 31, 2024	<u>—</u>	<u>\$ -</u>

On September 3, 2024, the Company granted 600,000 shares to a director of the Company.

Total share-based compensation for the years ended December 31, 2024, 2023 and 2022 of \$3,747, \$3,111 and \$3,987, respectively, was recorded in selling, general and administrative expenses and the corresponding amount credited to additional paid in capital.

17. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	For the Years Ended December 31,		
	2024	2023	2022
Trade receivables	\$ (3,985)	\$ (2,525)	\$ 3,310
Inventories	10,383	(5,282)	(14,583)
Lease liabilities	(2,475)	(1,893)	(2,402)
Other receivables	(6)	9	(4)
Prepaid expenses and deposits	2,771	(1,151)	3,815
Trade payables	2,648	(3,546)	6,697
Accrued liabilities	(4,893)	5,665	7,805
Other assets, net of other liabilities	(4,005)	6,642	(9,500)
	<u>\$ 438</u>	<u>\$ (2,081)</u>	<u>\$ (4,862)</u>

18. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date the financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

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