Risk Factors Comparison 2024-03-13 to 2023-03-09 Form: 10-K

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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. • We ~~will need additional financing to maintain and further develop our business. • We~~ are dependent on the success of ~~Pure Sunfarms~~ **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). • ~~Rising~~ **We will need additional financing to maintain and further develop our business. • We have identified a material weakness in our internal controls over financial reporting relating to errors in the calculation of the fair value of goodwill and intangible assets. If we fail to remediate the errors 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. • A rise in** interest rates ~~will~~ **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. • ~~We expect to incur ongoing costs and obligations related to infrastructure, growth, regulatory compliance, and operations for Pure Sunfarms. •~~ 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 ~~potential~~ international expansion may heighten our operational risks. • ~~There can~~ **We may** be **negatively affected by the use of third- party transportation services** ~~no assurance that future mergers, acquisitions, divestitures, alliances, joint ventures, investments or~~ **for** ~~other strategic transactions will be consummated or~~ **our products** ~~have a positive impact on our business, prospects, financial condition, or results of operations~~. 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** ~~success depends on our ability to attract and retain customers. • Pure Sunfarms and Rose LifeScience may be~~ 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. • ~~Pure Sunfarms~~ **Our Canadian** and ~~Rose LifeScience~~ **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 **in our produce division**. • Retail consolidation in the markets in which we participate may negatively affect our operations and profitability. Legal and Regulatory Risks Factors • Our cannabis operations in Canada 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. • ~~Changes~~ **Uncertainty** in the laws, regulations and guidelines governing cannabis, hemp or cannabis / hemp derived products ~~may~~ **has** adversely ~~impact~~ **impacted** our business **and may continue to do so** in the ~~jurisdictions where we operate~~ **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 ~~certain~~ **extensive** regulations ~~at both the federal and provincial / state level~~. • 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 Balanced Health business is subject to FDA and USDA regulation~~. 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. ~~• We may be negatively affected by the use of third- party transportation services for our products.~~ 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 by us or by our shareholders could cause our share price to fall. • ~~There is no assurance that~~ **Our Common Shares may be delisted from the Nasdaq Capital Market if** we ~~will continue to meet~~ **do not regain compliance with** the ~~listing standards of the Nasdaq~~ **minimum bid price requirements by April 15, 2024** . • 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. General Risk Factors • 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. 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. 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** ~~may~~ **many 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) **.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~~ --- **expand** into new business lines.On December 31, ~~2023~~ **2022** ,we were not in compliance with one financial covenant under our Term Loan and accordingly we obtained a waiver from FCC for the annual test on December 31, ~~2023~~ **2022** for the one financial covenant.FCC measures our financial covenants once a year on the last calendar day of the year.We were also not in compliance with ~~one~~ **some** of the financial covenants of our FCC Term Loan on December 31, ~~2022~~ **2021** (the annual testing date) but likewise had obtained a waiver from FCC for our annual ~~2022~~ **2021** financial covenants.There can be ~~no assurance~~ need additional financing to further develop our business. The continued operations and development of our business ~~may~~ **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, we implemented an at- the- market (" ATM ") program through which we have sold 3, 175, 000 shares for proceeds of US $ 6. 9 million as of March 8, 2023. 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 ~~the~~ **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 ~~expand~~ **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 April ~~2025~~ **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 "), which matures in May 2024. 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 ~~that~~ **which** ~~mature~~ **matures** in February ~~2024~~ **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. **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, 2023, we identified a material weakness in our internal control over financial reporting related to errors in the calculation of the fair value of goodwill and intangible assets. See Item 9A of this Annual Report on Form 10- K.** We ~~are~~

~~dependent on the success~~ **had also identified this material weakness as** of ~~our Canadian Cannabis business which~~ **December 31, 2022 and it was not remediated during 2023. Although this material weakness** has **not resulted** ~~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~~ **changes in management' s determination of the fair value of** the Company **' s goodwill** ~~from Canadian Cannabis business will depend upon, among other things, its available cash flows, after taking into account its operating~~ and **intangible assets** capital requirements. There is no assurance...... and improved product lines. In addition , we can provide no assurance that ~~campaigns to promote the products of~~ **, if we make any miscalculations** ~~our~~ - **or** ~~Canadian and U. S. Cannabis businesses~~ **errors in the future, our internal controls over financial reporting** will be **able to catch** ~~successful in attracting customers,~~ and ~~any~~ **or rectify** such ~~campaigns are heavily regulated and~~ **errors. In addition, although we intend to remediate the material weakness in 2024, we** can **provide** entail significant expense. Our failure to...... 2021 financial covenants. There can be 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 weakness and maintain an effective system of internal controls in the future, we cannot assure you that** we will ~~be~~ **not experience additional material weaknesses** in ~~compliance~~ **our internal controls. Even if we are able to remediate the outstanding material weakness, 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 ~~the future financial covenants~~ **SOX 404 is costly** and ~~that~~ **challenging, and** we ~~would~~ **may not** be able to **complete evaluation, testing, and** ~~obtain a future waiver from our creditors for~~ any **required remediation** ~~non- compliance~~ in ~~connection with the next testing date. Generally, non-compliance with our covenants may increase~~ a **timely fashion** ~~risk of default on our debt (including by a cross- default to other credit agreements~~ . If we **fail to remediate the material weakness 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** ~~comply~~ **complying** with our **reporting obligations on** ~~debt covenants in the future, we may seek~~ a **timely basis, which could** ~~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 **in** ~~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~~ -- **the loss of investor confidence in the reliability of** ~~stated due dates. In addition, a default on all or~~ **our consolidated financial statements** ~~some portion of the Credit Facilities may result in foreclosure on our collateral~~ , **harm** ~~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~~ **our business and negatively** ~~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 expect that the cost of our debt ~~will~~ **could** increase as a result of higher interest rates. We expect that higher interest rates ~~will~~ **may continue and could** increase our cost of debt compared to prior years. ~~Currently, we forecast that the incremental interest burden will be more than interest expense in 2022.~~ This ~~will~~ **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 ~~. We expect to incur ongoing costs and obligations related to infrastructure, growth, regulatory compliance, and operations for our Canadian Cannabis business. Our Canadian Cannabis business expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on our results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition. Our efforts to grow our business may be costlier than expected, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in these " Risk Factors ", and unforeseen expenses, difficulties, complications and delays, and other unknown events~~ . Our operations require certain key inputs, including raw materials and energy, and we are subject to their costs 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 continue 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 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 inherit 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 ~~in~~ **, 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** ~~our acquisitions, investments or expansion of scope of existing relationships~~ will achieve the expected benefits to our business. ~~Any~~ **For example, we have recently commenced the Delta RNG Project through our partnership with Terreva Resources, and we recently commenced 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** ~~the~~ **these** ~~foregoing~~ **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. 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. 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 propriety 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.** Our ~~potential~~ international expansion 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 **road** 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, ~~they are in the early stages of the development process and~~ we can provide no assurance as to the ~~timing or~~ effectiveness of such varieties. ToBRFV- resistant varieties will also need to be commercially viable with respect to yields and taste. ~~It is expected that~~ **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** ~~accordingly, our produce business may suffer in~~ the **virus** ~~meantime, which~~ 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 ~~affected~~ **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 ~~, which could be slowed by the impact of COVID- 19~~ . 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. ~~Currently~~ **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. ~~If~~ **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 ~~continues~~ **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 ~~impact~~ **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. 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 ~~an~~ **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. 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. 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 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 **57 % and** 56 ~~% and 59~~ % of total produce revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , 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, **2023 and** 2022 ~~and 2021~~ of 93 % and ~~94~~ **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 Our cannabis operations in Canada 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. We cannot predict the time required to secure all appropriate regulatory approvals for the products and operations of Pure Sunfarms and Rose LifeScience, 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 products for Pure Sunfarms and Rose LifeScience 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. 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. 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. ~~Changes~~ **Uncertainty** in the laws, regulations and guidelines governing cannabis, U. S. hemp or CBD derived products ~~may~~ **has** adversely ~~impact~~ **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 ~~or~~ **, CBD and** U. S. hemp ~~but also including~~ **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. ~~No~~ **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 affect the Company' s business. 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. 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 or 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 ~~certain~~ **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 is 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. Our U. S. Cannabis business...... and potential harm to our reputation. 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 proposed new regulations that would place stricter limits on the advertising and promotion of vaping products and make health warnings on vaping products 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 regulatory plan for 2023- 2025 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 ~~its~~ **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.~~ 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. Previously, due to the COVID- 19 pandemic, the Canadian government closed its borders to all foreign people, but subsequently, due to the negative impact on the Canadian agricultural industry, decided that foreign worker programs would continue subject to new rules and regulations such as a mandatory 14- day quarantine period. 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 ~~are~~ **is** documented workers residing in Mexico who cross the U. S. border on a daily basis into Texas. In 2020, as a response to the COVID- 19 pandemic, the U. S. government closed the U. S.- Mexico border but determined that agricultural workers were essential, and we have not had any disruption to our Mexican labor force. 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 ~~H2~~ **H** - ~~A~~ **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 may be negatively affected by...... on our business and results of operations . 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 ~~this~~ **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 ~~a~~ 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 ~~date~~ **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 ~~rising~~ **the unfavorable** interest ~~rates~~ - **rate environment** , **global supply chain issues, and** inflation ~~and the ongoing and developing COVID- 19 pandemic~~ ; (vii) potentially unfavorable report published by securities analysts; (viii) public concern as to the safety of the products that we and our competitors develop; and (ix) 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. 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** ~~will be~~ exercisable commencing ~~in~~ July 2023. Also, in August 2022, we filed a prospectus supplement providing for an ATM. During 2022 we issued 3, 175, 000 Common Shares generating equity proceeds of US $ 6. 9 million, and we may continue to issue additional Common Shares under the ATM in the future, up to a maximum of $ 50 million of Common Shares. **No shares were issued pursuant to our existing ATM in calendar year 2023.** In addition, the issuance of Common Shares by us in connection with acquisitions or strategic alliances, or the perception that such additional issuances or sales could occur, could cause the market price of our Common Shares to decline and could have an undesirable impact on our ability to raise capital in the future. Additionally, sales by existing shareholders of a large number of our Common Shares in the public market could also disrupt the market price of our Common Shares. For example, in June 2022 we filed a prospectus providing for resales from time to time of up to 3, 802, 055 Common Shares that were issued to the sellers of Balanced Health and Rose LifeScience. We cannot predict the timing or volume of sales of Common Shares by the selling shareholders under this prospectus or the impact such resales may have on our share price. ~~There~~ **On April 20, 2023, 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 March 7 to April 19, 2023 (the " Notification "). As set forth in the Notification, the Company had until October 17, 2023 to regain compliance with the Minimum Bid Requirement, which has subsequently been extended by Nasdaq until April 15, 2024 (the " Compliance Period "). However, if the Company fails to remedy this deficiency during the Compliance Period, Nasdaq will 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 ~~meet~~ **maintain compliance with the** ~~the~~ **other Nasdaq requirements for** listing ~~standards of the Nasdaq. We must meet continuing listing standards to maintain the listing of~~ our Common Shares on ~~the~~ Nasdaq. **The** ~~If we fail to comply with listing~~ **delisting of** ~~standards and the Nasdaq delists~~ our Common Shares **from the Nasdaq Capital** ~~, we and our shareholders could face significant material adverse consequences, including: (i) a limited availability of market~~ **Market** ~~quotations for~~ **would likely result in decreased liquidity and increased volatility in the price and trading of** our Common Shares ~~; (ii) reduced liquidity~~ **and may adversely affect our ability to raise additional capital** ~~for~~ - **or to enter into strategic transactions. The delisting of** our Common Shares ~~; (iii) a determination that~~ **from the Nasdaq Capital Market would also make it more difficult for our shareholders to sell** our Common Shares ~~are " penny stock ", which would require brokers trading~~ in the **public** ~~Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading~~ market ~~for our Common Shares; (iv) a limited amount of news and analyst coverage of us; and (v) a decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future. In particular, if we do not maintain a minimum share price of $ 1 per share for a period of 30 consecutive trading days, we could receive a notice of delisting from Nasdaq. In such circumstances, we would attempt to regain compliance in accordance with applicable grace periods and / or compliance plans in accordance with Nasdaq' s requirements; however, we can provide no assurance that we would not be delisted from Nasdaq in the future. As a public company, we are subject to evolving corporate governance and public disclosure regulations that may from time to time increase both our compliance costs and the risk of non-compliance, which could adversely impact the price of the Common Shares~~ . 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 ~~Actin~~ -- **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. 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~~ **9** , ~~2023~~ **2024** 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 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 For the year ended December ~~2022~~ **2023** , the US Bureau of Labor and Statistics reported that inflation increased ~~6~~ **3** . ~~5~~ **4** percent as against prices from December ~~2021~~ **2022** . 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 ~~. Our business may be subject to disruptions as a result of COVID- 19 pandemic. The ongoing COVID- 19 pandemic has caused a broad impact globally. While the potential economic impact brought by, and the duration of, COVID- 19 may be difficult to assess or predict, the pandemic and any resulting recession or economic slowdown (particularly in Canada and / or in the United States) could reduce our productive capacity, labor availability (see " Our operations are dependent on labor availability " above) and operations generally, may reduce demand for our products (see " our Canadian Cannabis business may be affected by cannabis supply and demand fluctuations " above) and could overall affect our ability to return to profitability. In addition, any significant disruption of global financial markets, reducing our ability to access capital or our Credit Facilities (as defined in Liquidity and Capital Resources above), could negatively affect our liquidity. Any of the foregoing effects from the COVID- 19 pandemic could materially adversely affect our business, prospects and future results of operations, and the value of our Common Shares. Given the ongoing and dynamic nature of the COVID- 19 pandemic, we cannot predict the extent to which COVID- 19 will impact our financial results and operations in the future, and our results may be materially adversely affected by COVID- 19 in 2022. We continue to closely monitor COVID - 19 with a focus on the jurisdictions in which we operate (including our subsidiaries). It is our priority to safeguard the health and safety of our personnel, support and enforce government actions to slow the spread of COVID - 19, and continually assess and mitigate the risks to our business operations. As needed, we have taken responsible measures to maximize the safety of staff working at all of our facilities. This includes reorganizing physical layouts, adjusting schedules to improve physical distancing, implementing extra health screening measures for employees, and applying rigorous standards for personal protective equipment. The production and sale of produce and cannabis has been recognized as an essential service throughout the U. S. and Canada. Cannabis sales in Canada are primarily with government bodies, which continue to offer end customers online ordering and home delivery options. Consumer market retail stores are generally permitted to remain open in the U. S. and Canada subject to adhering to the various health and safety measures. All of our facilities in the U. S. and Canada have remained operational and we work closely with local, national, and international governmental authorities to ensure that we are following the required protocols and guidelines related to COVID - 19 within each region~~ . 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.