Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)

Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

Red White & Bloom Brands Inc.

(Formerly, Tidal Royalty Corp.)

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For the Years Ended December 31, 2021 and 2020

Management's Responsibility For Financial Reporting

To the Shareholders of Red White & Bloom Brands Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

July 29, 2022

/s/ Michael Marchese	/s/ Brad Rogers
Michael Marchese, Director	Brad Rogers, Director

MGO Certified Public Accountants

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Red White & Bloom Brands Inc. (Formerly, Tidal Royalty Corp.) (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

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

Emphasis of Matter

As discussed in Note 10, 28 and 30 to the consolidated financial statements, on April 14, 2022, the Company completed the sale of the Company’s operations located in Granville, Illinois. As a result of this disposition, the Company reclassified Mid-American Growers Inc. as assets held for sale and discontinued operations.

As discussed in Note 15 to the consolidated financial statements, the Company incurred $72,242,048 of impairments of its various intangible assets and goodwill.

As discussed in Note 6 to the consolidated financial statements, on April 27, 2021, the Company, through its wholly-owned subsidiary, RWB Florida, LLC, completed the acquisition of all of the issued and outstanding common shares of Acreage Florida, Inc.

We have served as the Company's auditor since 2021.

Macias Gini & O'Connell LLP

Walnut Creek, California
July 29, 2022

Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		**$ 818,753**	$ 1,146,569
Prepaid expenses and other assets		**3,700,500**	1,053,658
Accounts receivable	7	**4,823,696**	8,747,261
Biological assets	8	**5,523,061**	-
Inventory	9	**5,991,739**	17,561,002
Loans receivable	13	**51,129,395**	51,676,623
Assets held for sale	10	**55,022,520**	-
Derivative asset	16	**1,218,382**	-
		128,228,046	80,185,113
Non-current assets			
Property, plant and equipment, net	11	**24,392,475**	86,712,055
Right-of-use assets	12	**18,688,257**	392,188
Call/put option	14	**146,774,493**	112,658,740
Goodwill	6, 15	**11,890,928**	6,206,068
Intangible assets, net	15	**116,893,915**	152,979,033
		318,640,068	358,948,084
Total assets		**$ 446,868,114**	$ 439,133,197
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 27,475,664**	$ 24,115,714
License liability	6	**8,135,473**	11,997,400
Convertible debentures	16	**26,017,720**	-
Current loans payable	18	**51,876,994**	31,349,759
Lease liabilities	19	**640,159**	205,982
Credit facility	17	**65,472,909**	-
Income taxes payable	20	**3,828,818**	3,125,261
		183,447,737	70,794,116
Non-current liabilities			
Credit facility	17	**-**	64,815,872
Loans payable, net of current portion	18	**38,104,234**	18,704,092
Lease liabilities, net of current portion	19	**18,634,333**	186,487
License liability, net of current portion	6	**-**	47,989,600
Deferred income tax liability	20	**7,504,953**	27,158,251
Derivative liability	16	**2,326,101**	-
Total liabilities		**250,017,358**	229,648,418
Shareholders' equity			
Share capital	20	**282,166,160**	229,772,030
Contributed surplus		**14,192,749**	14,863,863
Cumulative translation adjustment		**(692,849)**	(1,896,622)
Accumulated deficit		**(116,877,562)**	(33,254,492)
Non-controlling interest	6	**18,062,258**	-
Total shareholders' equity		**196,850,756**	209,484,779
Total liabilities and shareholders' equity		**$ 446,868,114**	$ 439,133,197

Going concern (Note 2)
Commitments and contingencies (Note 27)
Subsequent events (Note 30)

Approved and authorized for issuance on behalf of the Board of Directors on July 29, 2022 by:

/s/ Michael Marchese
Michael Marchese, Director

/s/ Brad Rogers
Brad Rogers, Director

Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes		2021		2020 *(Note 28)*
Sales	26	$	**37,265,570**	$	19,266,708
Cost of sales, before fair value adjustments			**17,777,694**		6,366,458
			19,487,876		12,900,250
Unrealized changes in fair value of biological assets	8		**3,431,994**		-
Realized fair value amounts included in inventory sold			**297,785**		-
Gross profit			**23,217,655**		12,900,250
Expenses					
General and administration			**19,891,808**		7,788,333
Salaries and wages			**8,184,736**		2,039,957
Depreciation and amortization	11, 15		**21,012,472**		10,867,181
Earn-out expense (recovery)	6		**(9,401,250)**		9,805,500
Share-based compensation	20		**4,881,530**		3,955,976
Sales and marketing			**2,725,232**		1,673,460
			47,294,528		36,130,407
Loss from operations before other expenses (income)			**(24,076,873)**		(23,230,157)
Other expense (income)					
Finance expense, net			**23,963,702**		5,272,236
Foreign exchange			**1,243,731**		1,677,976
Management fees			**-**		(425,610)
Gain on revaluation of call/put option	14		**(32,054,789)**		(53,619,465)
Write off of deposit	6		**-**		1,853,059
Listing expense	5		**-**		31,705,481
Revaluation of financial instruments			**704,708**		530,451
Loss on settlement of debt			**663,105**		-
Loss on licensing agreement, net	6		**20,390,521**		-
Total other expense (income)			**14,910,978**		(13,005,872)
Loss before income taxes			**(38,987,851)**		(10,224,285)
Current income tax expense	21		**(3,674,224)**		(3,125,261)
Deferred income tax recovery	21		**3,513,370**		2,923,847
Net loss for the year from continuing operations			**(39,148,705)**		(10,425,699)
Loss from discontinued operations	28		**(44,201,998)**		(8,151,168)
Net loss for the year			**(83,350,703)**		(18,576,867)
Translation adjustment on consolidation of foreign subsidiaries			**(1,203,773)**		(1,896,622)
Comprehensive loss		$	**(84,554,476)**	$	(20,473,489)
Net loss attributable to:					
Shareholders of the Company			**(83,623,070)**		(10,425,699)
Non-controlling interests			**(272,367)**		-
Comprehensive loss attributable to:					
Shareholders of the Company			**(84,826,843)**		(20,473,489)
Non-controlling interests			**(272,367)**		-
Net loss per share, basic and diluted		$	**(0.18)**	$	(0.08)
Weighted average number of outstanding common shares, basic and diluted			**217,798,257**		137,571,316

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

Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

		Share Capital										
		Convertible Series I Preferred Shares		Convertible Series II Preferred Shares		Common Shares		Non-controlling Interests	Contributed Surplus	Translation Adjustment	Accumulated Deficit	Total
	Notes	#	$	#	$	#	$	$	$	$	$	$
Balance, January 1, 2020		-	-	-	-	84,211,752	61,366,160	-	5,748,889	-	(14,677,625)	52,437,424
Shares issued for acquisition	6	-	-	17,133,600	27,363,787	17,133,600	17,620,480	-	-	-	-	44,984,267
Preferred shares issued on RTO	5, 20			84,211,749	-	-	-	-	-	-	-	-
Deemed shares issued	5	3,181,250	5,637,175	-	-	23,464,462	27,031,042	-	-	-	-	32,668,217
Replacement warrants issued	5	-	-	-	-	-	-	-	303,749	-	-	303,749
Replacement options issued	6	-	-	-	-	-	-	-	486,518	-	-	486,518
Shares issued for asset acquisition6		-	-	-	-	19,800,000	41,900,000	-	-	-	-	41,900,000
Finders' shares issued	5	-	-	7,381,000	13,204,609	7,381,000	8,502,900	-	-	-	-	21,707,509
Share-based compensation	18	-	-	-	-	-	-	-	3,955,976	-	-	3,955,976
Shares issued debt settlement	18	-	-	2,339,200	3,555,584	2,339,200	2,292,416	-	-	-	-	5,848,000
Warrants exercised	18	-	-	470,340	319,871	1,087,212	739,399	-	(95,430)	-	-	963,840
Stock options exercised	18	-	-	2,050,000	1,602,237	2,050,000	1,202,074	-	(1,691,811)	-	-	1,112,500
Foreign translation adjustment		-	-	-	-	-	-	-	-	(1,896,622)	-	(1,896,622)
Shares issued for bought deal	20	-	-	-	-	33,350,000	17,144,296	-	6,155,972	-	-	23,300,268
Shares issued for bought deal	20	-	-	-	-	500,000	290,000	-	-	-	-	290,000
Net loss		-	-	-	-	-	-	-	-	-	(18,576,867)	(18,576,867)
Balances, December 31, 2020		**3,181,250**	**5,637,175**	**113,585,889**	**46,046,088**	**191,317,226**	**178,088,767**	**-**	**14,863,863**	**(1,896,622)**	**(33,254,492)**	**209,484,779**
Stock options exercised	20	-	-	1,200,000	879,325	1,375,000	903,994	-	(1,078,319)	-	-	705,000
Exercise of restricted share units	20	-	-	-	-	3,529,145	3,186,970	-	(441,715)	-	-	2,745,255
Share-based compensation	20	-	-	-	-	-	-	-	2,136,275	-	-	2,136,275
Issuance of warrants	20	-	-	-	-	-	-	-	674,415	-	-	674,415
Preferred shares conversion	20	-	-	(30,246,040)	(11,596,682)	32,290,461	11,596,682	-	-	-	-	-
Warrants exercised	20	-	-	-	-	16,180,195	20,253,387	-	(4,471,735)	-	-	15,781,652
Finance charges	6	-	-	-	-	2,184,385	2,704,030	-	-	-	-	2,704,030
Shares issued for Acreage acquisition		-	-	-	-	5,950,971	8,747,927	-	-	-	-	8,747,927
Non-controlling interest	20	-	-	-	-	-	-	17,789,891	-	-	-	17,789,891
Shares issued for debenture repayment	20		-	8,445,426	11,407,946	-	-	-	2,509,965	-	-	13,917,911
Shares issued for debt settlement		-	-	-	-	7,022,312	3,259,469	-	-	-	-	3,259,469
Shares issued for asset purchase		-	-	-	-	1,010,656	1,051,082	-	-	-	-	1,051,082
Currency translation adjustment		-	-	-	-	-	-	-	-	1,203,773	-	1,203,773
Net loss		-	-	-	-	-	-	272,367	-	-	(83,623,070)	(83,350,703)
Balances, December 31, 2021		**3,181,250**	**5,637,175**	**92,985,275**	**46,736,677**	**260,860,351**	**229,792,308**	**18,062,258**	**14,192,749**	**(692,849)**	**(116,877,562)**	**196,850,756**

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

Red White & Bloom Brands Inc.
(Formerly, Tidal Royalty Corp.)
Consolidated Statement of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	**2021**	2020 Note 28
Operating activities			
Net loss for the year		**$ (83,350,703)**	$ (18,576,867)
Items not affecting cash:			
Share-based compensation	20	**4,881,530**	3,955,976
Impairment	10, 15	**31,863,238**	-
Deferred income tax recovery	21	**(19,321,364)**	-
Foreign exchange		**1,243,731**	1,027,601
Interest not received in cash		**-**	(4,099,526)
Revaluation of call/put option	14	**(32,054,789)**	(53,619,465)
Listing expense	5	**-**	31,705,481
Depreciation and amortization	11, 15	**26,400,750**	15,291,977
Write off of deposit and bad debts		**599,990**	1,853,059
Realized gain in cost of sales		**(3,095,006)**	(45,232)
PV accretion expense (PV sellers)		**-**	307,239
Fair value adjustment on biological assets		**(3,431,994)**	543,116
Gain (loss) on disposal of property, plant and equipment	11	**-**	(232,874)
Loss on licensing agreement, net	6	**20,390,521**	(673,585)
Revaluation of financial instruments	6	**704,708**	1,093,248
Gain on settlement of debt, net		**(3,665,457)**	-
Earn-out recovery	6	**(9,401,250)**	-
Non-cash finance charges		**1,819,534**	1,581,005
		(66,416,561)	(19,888,847)
Changes in non-cash operating working capital	25	**19,834,663**	(25,198,759)
		(46,581,898)	(45,087,606)
Investing activities			
Disposition of property, plant and equipment	11	**-**	288,846
Purchase of property, plant and equipment	11	**(9,975,917)**	(180,420)
Cash received on RTO	5	**-**	1,822,156
Cash paid for acquisitions	6	**(31,757,985)**	-
Cash paid on business combination of MAG	6	**-**	(20,482,087)
Cash paid on business combination of PV	6	**-**	(7,477,069)
Loan received		**540,512**	-
Loan advanced		**(7,828,229)**	-
		(49,021,619)	(26,028,574)
Financing activities			
Issuance of share capital, net	20	**-**	22,241,753
Funds received for issuance of shares of a subsidiary	6	**18,380,187**	-
Exercise of warrants	20	**15,781,652**	963,840
Exercise of stock options	20	**705,000**	1,112,500
Convertible debentures	16	**31,353,454**	-
Loans payable received	18	**73,445,423**	15,819,517
Loans payable repaid	18	**(38,482,989)**	-
Principal lease repayments	19	**(1,980,266)**	-
Credit facility - repayment of existing loan	17	**-**	(36,610,075)
Credit facility - new borrowing	17	**-**	63,524,867
		99,202,461	67,052,402
Increase (decrease) in cash		**3,598,944**	(4,063,778)
Net effects of foreign exchange		**(3,926,760)**	3,831,660
Cash and cash equivalents, beginning of year		**1,146,569**	1,378,687
Cash and cash equivalents, ending of year		**$ 818,753**	$ 1,146,569

Supplemental disclosure of cash flow information (Note 25)

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

1. BACKGROUND AND NATURE OF OPERATIONS

Red White & Bloom Brands Inc. (formerly, Tidal Royalty Corp.) (the "Company" or "RWB") was incorporated on March 12, 1980 pursuant to the Business Corporations Act, British Columbia.

The Company's head office and registered office is located at Suite 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's common shares currently trade on the Canadian Securities Exchange under the trading symbol "RWB" and in the United States on the OTCQB under the symbol "RWBYF".

On April 24, 2020, Tidal Royalty Corp. ("Tidal") and MichiCann Medical Inc., a private Ontario-based corporation ("MichiCann") completed an amalgamation structured as a three-cornered amalgamation whereby MichiCann was amalgamated with a newly incorporated subsidiary of Tidal.

Immediately prior to the amalgamation, Tidal completed a consolidation of the Tidal common shares on the basis of one post-consolidation Tidal share for every sixteen pre-consolidation Tidal common shares and changed its name from "Tidal Royalty Corp." to "Red White & Bloom Brands Inc.". Each MichiCann share was exchanged to one common share and one convertible series II preferred share of the Company. Due to the terms of the exchange ratio, the previous shareholders of MichiCann acquired a controlling interest in Tidal and as such, the amalgamation has been accounted for as a reverse takeover transaction with MichiCann being the resulting issuer for financial reporting purposes.

The amalgamation resulted in all the issued and outstanding shares of MichiCann being exchanged for one common share and one convertible series II preferred share of the Company. Holders of MichiCann common share purchase warrants and MichiCann stock options received one replacement warrant or stock option, as applicable, with each exercisable for units consisting of one common share and one convertible series II preferred share. Refer to Note 5 for additional details on the amalgamation.

All convertible series II preferred shares are convertible into common shares, on a one for one basis, at any time between thirteen months and twenty-four months from April 24, 2020 (Note 16 and 20). Upon conversion of series II preferred shares into common shares, preferred shareholders will receive equivalent common shares plus an additional 5% common shares for each twelve-month period up to twenty-four months (Note 20).

An aggregate 101,345,349 common shares, 101,345,349 convertible series II preferred shares, 595,430 share purchase warrants and 7,962,679 stock options were issued to the former holders of MichiCann common shares, MichiCann warrants and MichiCann stock options, respectively. Each option and warrant is convertible to one common share and one series II preferred share. Refer to Note 5 for further details on the amalgamation.

Certain shareholders entered into voluntary escrow and/or escrow and leak out agreements totaling 36,613,819 common shares and the underlying shares for 3,000,000 stock options. The escrow agreements carry various release terms between 6 and 20 months, subsequent to the amalgamation.

Immediately after the completion of the amalgamation, the former holders of MichiCann Shares held approximately 76.67% of the issued and outstanding common shares, the former holders of Tidal shares held 17.75% of the common shares and 5.58% of common shares were held by finders, on a non-diluted basis. A new board and new management assumed control of the Company on April 24, 2020, the shares of the Company resumed trading on the Canadian Securities Exchange under the new trading symbol "RWB".

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2021, the Company incurred a comprehensive loss of $ 84,554,476 (December 31, 2020 - $20,473,489), had an accumulated deficit of $116,877,562 (December 31, 2020 - $33,254,492), and had a working capital deficiency of $55,219,691 (December 31, 2020 - working capital surplus of $9,390,997). As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharges its liabilities in the normal course of business. The Company’s operations have been historically funded with debt and equity financing, which is dependent upon many external factors and, as such, it may be difficult to rely on additional debt and equity financing when required. The Company may not have sufficient cash to fund the acquisition and development of assets therefore will require additional funding, which if not raised, may result in the delay, postponement, or curtailment of some of its activities.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve-month period following December 31, 2021. To address its financing requirements, the Company will seek financing through debt and equity financing, asset sales, and rights offering to existing shareholders. While the Company has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company’s ability to raise capital may be adversely impacted by: market conditions that have resulted in a lack of normally available financing in the cannabis industry; increased competition across the industry, and overall negative investor sentiment in light of the ongoing COVID-19 pandemic. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favorable to the Company or at all.

If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the consolidated statements of financial position classifications used. Such adjustments could be material.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID- 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. Government measures did not materially disrupt the Company’s operations during the year ended December 31, 2021. The production and sale of cannabis has been recognized as an essential service across the U.S and the Company has not experienced production delays or prolonged retail closures as a result.

The duration and further impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Management has been closely monitoring the impact of COVID-19. The Company has implemented various measures to reduce the spread of the virus, including implementing social distancing at its cultivation facilities, manufacturing facilities and dispensaries, enhancing cleaning protocols and encouraging employees to practice preventive measures recommended by governments and health officials.

Due to the uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 may have on the business and financial position. In addition, the estimates in the Company’s consolidated financial statements may possibly change in the near term as a result of COVID-19 and the effect of any such changes could be material, which has and could continue to result in impairment of long-lived assets including intangibles and goodwill. Management is closely monitoring the impact of the pandemic on all aspects of its business.

3. BASIS OF PRESENTATION

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2021 and 2020.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors and Audit Committee on July 29, 2022.

b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments classified as fair value through profit or loss, which are measured at fair value, as detailed in Note 22. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of Consolidation

The consolidated financial statements for the year ended December 31, 2021 and 2020 include the accounts of the Company and its wholly-owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances, income and expenses eliminated in full upon consolidation. These consolidated financial statements include the accounts of the following active entities:

Name of Subsidiary	Jurisdiction	Percentage Ownership 2021	Percentage Ownership 2020
MichiCann Medical Inc.	Ontario, Canada	100%	100%
1251881 B.C. Ltd.	British Columbia, Canada	100%	100%
Mid-American Growers, Inc.	Delaware, USA	100%	100%
Mid-American Cultivation LLC	Illinois, USA	100%	100%
RWB Shelby, Inc.	Illinois, USA	100%	-
Real World Business Integration LLC	Illinois, USA	100%	-
RWB Michigan, LLC	Michigan, USA	100%	-
RWB Platinum Vape Inc.	California, USA	100%	100%
Vista Prime Management, LLC	California, USA	100%	100%
GC Ventures 2, LLC	Michigan, USA	100%	100%
RWB Licensing Inc.	British Columbia, Canada	100%	100%
RWB Freedom Flower, LLC	Illinois, USA	100%	100%
RWB Illinois, Inc.	Delaware, USA	100%	100%
Vista Prime 3, Inc.	California, USA	100%	100%
PV CBD LLC	California, USA	100%	100%
Vista Prime 2, Inc.	California, USA	100%	100%
Royalty USA Corp.	Delaware, USA	100%	100%
RLTY Beverage 1 LLC	Delaware, USA	100%	100%
RLTY Development MA 1 LLC	Delaware, USA	100%	100%
RLTY Development Orange LLC	Massachusetts, USA	100%	100%
RLTY Development Springfield LLC	Massachusetts, USA	100%	100%
Red White & Bloom Florida, Inc.	Florida, USA	77%	-
RWB Florida LLC	Florida, USA	77%	-

d) Functional and Presentation Currency

The Company’s presentation currency, as determined by management, is the Canadian dollar. Management has determined that the functional currency of its parent and Canadian subsidiaries is the Canadian dollar and the functional currency of its United States subsidiaries is the United States dollar. These consolidated financial statements are presented in Canadian dollars unless otherwise specified.

4. SIGNIFICANT ACCOUNTING POLICIES

a) New accounting pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statements of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

Amendments to IAS 37 - Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that "cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can be either incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated financial statements, management has made significant assumptions which are applied in determining the fair values of the various instruments at the reporting date. Should any of the assumptions be incorrect, it would result in a material adjustment to the carrying amount of certain assets and liabilities.

Other significant assumptions about the future and other sources of estimation uncertainty that management has made as at the statement of financial position date that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Valuation of biological assets and inventory

Management is required to make a number of estimates and assumptions in calculating the fair value of biological assets and harvested hemp inventory. These estimates and assumptions include the stage of growth of the hemp and cannabis, pre-harvest and post-harvest costs, sales price and expected yields.

Inventories of harvested finished goods and packaging materials are valued at the lower of cost or net realizable value. Management determines net realizable value, which is the estimated selling price less the estimated costs to completion, and the estimated selling costs. The Company estimates the net realizable value of inventories by using the most reliable evidence available at each reporting date. The future realization of these inventories may be different from estimated realization. A change to these assumptions could impact the Company's inventory valuation and gross profit from sales of inventories.

Share-based compensation

The Company measures the cost of equity-settled transactions with goods and services received by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, risk-free rate, dividend yield, and forfeiture rate, and making assumptions about them. Changes in these input assumptions can significantly affect the fair value estimate.

Convertible preferred share units

The Company issues convertible preferred share units consisting of one common share and one series II convertible preferred share. Convertible preferred share units were issued to holders of MichiCann common shares upon completion of amalgamation. Holders of MichiCann warrants and MichiCann stock options also received convertible preferred share units when those warrants and stock options were exercised. The fair value of a unit is determined using the Company's market trading price. The allocation of the components is based on the conversion rate of the preferred shares, which requires management to estimate the amount of time that will lapse between the initial issuance of the preferred share and its conversion date.

Assessment of acquisitions as an asset acquisition or business combination

Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs (or capability of producing outputs) of each acquisition in order to reach a conclusion.

Determination of purchase price allocations and contingent consideration

Judgments are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods, if any. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management’s best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management’s estimates could result in changes to liabilities recorded, which are recorded as they arise in the consolidated statements of loss and comprehensive loss.

Derivative financial instruments

A derivative is a financial instrument whose value is based on an underlying asset or set of assets. The Company's derivative financial instruments are measured at fair value in accordance with level 3 of the fair value hierarchy. Accordingly, the fair value of derivative financial instruments are determined using inputs that are not based on observable market data and therefore requires judgment from management.

Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of these consolidated financial statements.

Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts and other receivable are written off when deemed unelectable. Recoveries of accounts receivable previously written off are recorded as income as bad debt recovery on receipt.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its current liabilities for atleast the upcoming 12-month period involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable based on the circumstances

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of their useful lives which are determined through the exercise of judgment based on the projected estimated life of the asset. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Estimated useful lives and amortization of intangible assets

Amortization of intangible assets with finite lives is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets that are amortized are tested for impairment when indicators of impairment exist.

Determination of cash-generating units

The Company's assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The determination of the Company's CGU's is based on management's judgment in regards to several factors such as shared infrastructure, geographical proximity, and strategic plan.

Consolidation

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained. These consolidated financial statements include the consolidated results of all subsidiaries that Company has determined that it has control over.

Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension operation, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to the Company's specific incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Property, plant and equipment, net

Property, plant and equipment, net is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, based on the estimated useful lives of the assets, is provided using the following methods:

Building and improvements	10 - 20 years	Straight-line
Machinery and equipment	4 - 20 years	Straight-line
Right-of-use assets	Over the term of the lease	Straight-line

Property, plant and equipment that is not placed into use is not depreciated until it is placed into use.

Gains and losses on disposal of property, plant and equipment items are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statements of loss and comprehensive loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in consolidated statements of loss and comprehensive loss as incurred.

e) Biological assets

The Company's biological assets consist of medical cannabis plants and hemp plants which are valued at fair value less cost to sell. Their fair value is determined using the income approach. The Company measures and adjusts the biological assets to the fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

Production costs include all direct and indirect costs relating to biological transformation, which are capitalized to biological assets as they were incurred on the consolidated statements of loss and comprehensive loss.

The direct and indirect costs include the following:

• Direct materials consumed in the growing process such as soil, chemicals, fertilizers and other supplies

• Direct labour for individuals who work in the cultivation department

• Indirect labour for other personnel's time spent related to the cultivation process

• Indirect materials consumed related to the cultivation process

• Utility related to the cultivation process

• Depreciation and maintenance of production equipment

• Quality assurance on the plants

Unrealized gains or losses arising from the changes in fair value during the period are included as a separate line in the gross profit calculation on the consolidated statements of loss and comprehensive loss.

f) Inventory

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested medical cannabis and harvested hemp are transferred from biological assets at their fair value less costs to sell at harvest which becomes the initial cost. Inventories of harvested hemp and medical cannabis are transferred from biological assets at their fair value upon harvest which becomes the initial cost. Any subsequent post-harvest costs, either direct or indirect, are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory are written down to net realizable value.

The post-harvest direct and indirect costs include the following:

• Direct materials such as packages, labels and bottles

• Direct labour for individuals who work in the processing department

• Indirect labour for other personnel's time spent related to the production and packaging process

• Indirect materials consumed related to the production process

• Utility related to the post-harvest process

• Depreciation and maintenance on dried cannabis processing and packaging equipment

• Quality assurance for the final product

The post-harvest costs capitalized in finished cannabis products and costs of other resale products are subsequently recorded in cost of goods sold on the consolidated statements of loss and comprehensive loss when they are sold. The realized initial costs upon sales, transferred from biological assets measured at fair value less costs to sell at harvest are presented as a separate line in the gross profit calculation on the consolidated statements of loss and comprehensive loss.

g) Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and warrants based on the relative fair value of each instrument on issuance date. Transaction costs directly attributable to the issuance of units are recognized as a reduction from equity.

h) Revenue recognition

The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligations(s) are satisfied

Sales are recognized when control of the goods has been transferred to the purchaser and the collectability is reasonably assured. This is generally when goods have been delivered, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenue from sales of cannabis and hemp products to customers is recognized when the Company transfers control of the goods to the customer and the customer has accepted the goods. Revenue for branded manufacturing sales is recognized upon delivery to the customer. Excise and cultivation taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of sales. The Company also has a retail loyalty program and as at December 31, 2021, it was not material.

There is a formal Licensing Agreement entered into by the Company and third party licensed producer. The Company has granted the license to the licensed producer, and the license consists of a right to manufacture, package, label and sell products containing the branding of the Company within Michigan state. The Company recognizes the License Fee based on terms as the third party licensed producer sells the products manufactured under the Licensing Agreement.

i) Intangible assets

The Company's intangible assets include retail and product licenses and brands acquired. Intangible assets acquired are recorded at fair value. Intangible assets with finite lives are assessed for indicators of impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Amortization for intangible assets with finite lives is calculated on a straight-line basis over the life of the asset less its residual value. The Company's amortization policy for intangible assets with finite lives is as follows:

Retail license	5 years	Straight-line
Product license	5.5 years	Straight-line

Retail license and product license are amortized using a useful life consistent with retail licensing agreement with High Times (Note 15). Licenses, brand and goodwill have indefinite useful lives.

j) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised.

k) Share-based compensation

Share-based compensation to employees and those providing employee like services are measured at the fair value of the instruments issued at the grant date and recognized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based expense is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and nonemployees, the fair value of share-based compensation expense is recognized in profit or loss, with a corresponding increase in contributed surplus. When stock options and share-based purchase warrants expire unexercised, these amounts are reclassified from contributed surplus into accumulated deficit.

l) Loss per share and diluted loss per share

Basic loss per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options, warrants and convertible securities are excluded from diluted loss per share if the effect of such inclusion would be anti-dilutive.

The inclusion of the Company’s stock options, restricted stock awards, warrants and convertible securities in the computation of diluted loss per share would have an antidilutive effect on loss per share and are therefore excluding from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

m) Income taxes

Deferred tax is calculated on all temporary differences at the consolidated statements of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

n) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in the consolidated statements of loss and comprehensive loss.

The financial statements of subsidiaries that have a functional currency other than the Canadian dollar were translated into Canadian dollars as follows: assets and liabilities – at the closing exchange rate at the date of the statements of financial position, and income and expenses – at the average exchange rate for the period. The resulting foreign currency translation adjustments are recorded as other comprehensive income (loss).

o) Financial instruments

The Company recognizes a financial asset or liability when it becomes party to the contractual provisions of instrument. The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value through profit or loss (“FVTPL”);

ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and

iii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets if and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in statement of loss and comprehensive loss loss. Financial assets in this category include accounts receivable, deposits and loans receivable, which are held in a business model solely to collect payments of principal and interest.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortized cost or fair value 7through other comprehensive income, are measured at FVTPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. The Company has no designated hedges. Financial instruments classified as FVTPL are stated at fair value with changes in fair value recognized in profit or loss for the period. Financial assets in this category include cash, call/put option, and loans receivable which are not held in a business model solely to collect payments of principal and interest.

Financial assets at fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive loss is reclassified to profit or loss. The Company does not have financial assets in this category.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company’s claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company assesses all information available, including on a forward looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. For loan receivable, expected credit losses are used as the basis for calculating the impairment allowance and the risk adjusted interest. After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third party insurance, and forward looking macroeconomic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities at amortized cost are classified as current or noncurrent based on their maturity date. Financial liabilities in this category include accounts payable and accrued liabilities, credit facilities, and loans payable.

Financial liabilities at fair value through profit or loss

This category is comprised of derivative financial liabilities. Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Financial liabilities in this category include convertible debentures and license liabilities.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Summary of the Company's classification and measurements of financial assets and liabilities:

	Classification and Measurement
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Loans receivable	Amortized cost
Deposits	Amortized cost
Convertible debenture	Amortized cost
Derivative assets and liabilities	FVTPL
Call/put option	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Credit facility	Amortized cost

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3	Inputs for the asset or liability that are not based upon observable market data.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

p) Accounts receivables and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

q) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a bargain purchase gain on acquisition.

r) Provisions and contingent liabilities

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

s) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

t) Lease arrangements

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company applies *IAS 36 Impairment of Assets* to determine whether a rightofuse asset is impaired. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in the consolidated statements of loss and comprehensive loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, unless it has been reduced to zero.

u) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for sets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(Expressed in Canadian Dollars)

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

5. REVERSE TAKEOVER

On April 24, 2020, Tidal and MichiCann entered into a business combination agreement (the "Combination Agreement"). The Combination Agreement was structured as a three-cornered amalgamation whereby MichiCann was combined with a newly incorporated subsidiary of Tidal, forming the Company. The amalgamation resulted in all the issued and outstanding shares of Tidal and MichiCann being exchanged for common shares and convertible series II preferred shares of the Company as described in Note 1.

The amalgamation was considered a reverse takeover ("RTO") as the legal acquiree's (Tidal) former shareholders control the consolidated entity after completion of the amalgamation. Consequently, the legal acquiree (MichiCann) is the accounting acquirer and the historical financial results presented in these consolidated financial statements are those of MichiCann.

At the time of the amalgamation, Tidal's assets consisted primarily of cash and receivables and it did not have any inputs and processes capable of generating outputs; therefore, Tidal did not meet the definition of a business. Accordingly, as Tidal did not qualify as a business in accordance with IFRS 3 Business Combinations, the amalgamation did not constitute a business combination; however, by analogy it has been accounted for as a reverse takeover. Therefore, MichiCann, the legal subsidiary, has been treated as the accounting acquirer, and Tidal, the legal parent, has been treated as the accounting acquiree.

Upon completion of the amalgamation 375,431,661 Tidal common shares and 50,900,000 Tidal preferred shares were consolidated into 23,464,462 common shares and 3,181,250 convertible series I preferred shares of the Company on the basis of one post-consolidated share for every sixteen pre-consolidation shares. The consideration relating to the deemed shares issued in the reverse acquisition was based on the fair value of common shares of $27,031,042 was based on the market price of $1.152 per share of Tidal on April 24, 2020 and fair value of convertible series I preferred shares of $5,637,175, was estimated using the option pricing model with the following assumptions.

Volatility	80%
Risk-free rate	0.319%
Time to liquidation in years	2.0

(Expressed in Canadian Dollars)

In addition, exchanged on the reverse takeover 1,186,711 Tidal common share purchase warrants and 1,799,110 Tidal stock options were fair valued on the acquisition date using a Black-Scholes option pricing model and included in the consideration paid by the Company.

The Company used Black-Scholes option pricing model to determine the fair value of the warrants and stock options with the following weighted average assumptions:

Expected life in years	2.38
Volatility	80%
Risk-free rate	0.39%
Share price	$1.152
Dividend yield	0.00%

In connection with the amalgamation, the Company issued 7,381,000 common shares and 7,381,000 convertible series II preferred shares to a finder. The fair value of these common shares amounting to $8,502,900 was determined based on the market price of $1.152 per share of Tidal on April 24, 2020 and fair value of convertible series II preferred shares of $13,204,609, was estimated using the option pricing model with the following assumptions.

Volatility	80%
Risk-free rate	0.319%
Time to liquidation in years	2.0

As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the amalgamation is expensed as a listing expense in accordance with *IFRS 2 Share-Based Payments.*

Consideration paid:		
Common shares deemed issued	$	27,031,042
Preferred shares deemed issued		5,637,175
Finder's fee - common shares		8,502,900
Finder's fee - preferred shares		13,204,609
Fair value of warrants		303,749
Fair value of stock options		486,518
	$	55,165,993
Net identifiable assets acquired:		
Cash and cash equivalents	$	1,822,156
Accounts receivable		2,229
Prepaid expenses		794,538
Promissory note receivable		4,169,009
Right-of-use asset		91,402
Convertible loan receivable		17,597,600
Accounts payable		(898,303)
Lease liability		(118,119)
	$	23,460,512
Listing expense	**$**	**31,705,481**

(Expressed in Canadian Dollars)

Convertible loan receivable consists of an amount receivable by Tidal Royalty Corp. from MichiCann Medical Inc. with a fair value of $17,597,600 on the date the amalgamation was effectively settled (Note 16).

Promissory note receivables were issued to TDMA LLC. During the year ended December 31, 2019, Tidal entered into a definitive Membership Interest Purchase Agreement (the “MIPA”) with TDMA LLC to acquire all of the issued and outstanding equity in TDMA Orange, LLC, a wholly owned subsidiary of TDMA LLC. Pursuant to the terms of the MIPA, Tidal obtains 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of Massachusetts. As consideration, Tidal will forgive the promissory notes including accrued interest. These promissory notes were interest-bearing at 10% per annum and were measured at fair value. The fair value of TDMA loan was estimated using the Discount Cashflow method with following assumptions:

Risk adjusted rate - April 24, 2020	18.31% - 18.57%
Risk adjusted rate - December 31, 2020	18.67% - 18.95%

6. ACQUISITION

During the year ended December 31, 2021, the Company completed the following acquisitions.

Acquisition of Acreage Florida, Inc.

On April 27, 2021, the Company, through its wholly-owned subsidiary, RWB Florida, LLC, completed the acquisition of all of the issued and outstanding common shares of Acreage Florida, Inc. (the "Florida Acquisition"). Subsequent to the Florida Acquisition, Acreage Florida Inc. changed its name to Red White and Bloom Florida, Inc. (“RWB Florida”). RWB Florida is licensed to operate medical marijuana dispensaries, a processing facility, and cultivation facilities in the state of Florida. The Florida Acquisition also includes the sale of property, an administrative office building and 8 leased stores in prime locations throughout the state of Florida.

The Company's consideration for the Florida Acquisition was as follows:

1. Aggregate cash consideration of $31,005,829 (US $25,000,000);

2. 5,950,971 common shares of the Company, subject to a 12 month lock-up agreement pursuant to which one-sixth of the common shares will be released each month commencing six-months post-closing;

3. A 13-month secured promissory note in the principal amount of $22,225,631 (US $18,000,000) bearing interest at 8% per annum; and

4. A 7-month secured promissory note in the principal amount of $12,347,573 (US $10,000,000) bearing interest at 8% per annum.

(Expressed in Canadian Dollars)

The Florida Acquisition was accounted for as a business combination in accordance with IFRS 3. The following table summarizes the fair value of consideration paid and the allocation of the purchase price to the assets acquired and liabilities assumed:

Consideration paid:	
Cash	$ 31,005,829
5,950,971 common shares	8,747,927
Secured promissory notes	34,573,204
	$ 74,326,960
Net identifiable assets acquired:	
Cash	$ 344,657
Inventory	379,847
Biological assets	641,633
Prepaid expenses	132,459
Other assets	219,453
Property, plant and equipment	12,213,013
Right-of-use assets	18,126,916
License	49,326,731
Current liabilities	(299,137)
Lease obligation	(18,126,916)
Goodwill	11,368,304
	$ 74,326,960

Consolidated revenue and income for the year, of the acquiree after the acquisition date, as recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2021 amounted to $1,136,061 and $73,651, respectively. If this transaction had closed on January 1, 2021, the Company estimates it would have recorded revenue of $1,678,587 and a net loss of $108,522, resulting in an increase in revenue of $542,526 and an increase in net loss of $35,171 for the year ended December 31, 2021.

Subsequent to the Florida Acquisition, RWB Florida raising funds by:
- issuing 4.00% of its membership units for a total cash consideration $3,720,900 (US $3,000,000); and
- issuing 18.84% membership units for cash consideration of $14,659,287 (US $12,067,209);

In connection with the issuance of membership units and convertible debentures (Note 16), RWB Florida incurred total financing costs of $1,574,000. Accordingly, $590,296 of this amount of was classified as a reduction of the non-controlling interest amount.
As at December 31, 2021, the total non-controlling interest of RWB Florida was 22.84%. During the year ended December 31, 2021, $(272,367) of the loss from RWB Florida was attributable to non-controlling interests.
The total non-controlling interest as at December 31, 2021 amounted to $ 18,062,258 .

(Expressed in Canadian Dollars)

Apopka, Florida

On August 4, 2021, the Company closed on the acquisition of a 45,000 square foot greenhouse situated on 4.7 acres of land in Apopka, Florida for a purchase consideration of
a) US $750,000 cash paid on closing;
b) US $125,000 in the form of a promissory note payable in 5 monthly installments commencing 30 days post closing; and
c) Issuance of 1,010,656 common shares of the Company at a price of CDN $1.04 for total consideration of $1,051,082.
.
This transaction did not meet the definition of business under IFRS 3. Accordingly, it has been recorded as an asset purchase. The consideration paid was allocated to land in the amount of $167,493 and building in the amount of $2,225,267.

During the year ended December 31, 2020, the Company completed the following acquisitions.

Mid-American Growers, Inc.

On January 10, 2020, the Company acquired 100% of the issued and outstanding shares of Mid-American Growers, Inc. (“MAG”). MAG is a company that cultivates and sells hemp-based products throughout North America. Under the terms of the agreement, the Company paid $31,249,391 in cash and issued rights to receive 17,133,600 common shares of MichiCann with a fair value of $44,984,267.

Immediately prior to the RTO on April 24, 2020, 17,133,600 common shares of MichiCann were issued to sellers of MAG, and the 17,133,600 MichiCann shares were converted to 17,133,600 common shares of the Company and 17,133,600 convertible series II preferred shares of the Company (Note 5). 17,133,600 common shares 17,133,600 convertible series II preferred shares were escrowed, and the common shares and convertible series II preferred shares are released as follows: 1,199,352 common shares and 1,199,352 convertible series II preferred shares every month for fourteen months starting on the date that is year following the RTO and 342,669 common shares and 342,669 convertible series II preferred shares on December 24, 2021.

The fair value of rights to receive common shares was estimated using option pricing model. Key inputs and assumptions used in the valuation methods as of the acquisition date were as follows:

Share price	$2.950
Volatility	85%
Discount for lack of marketability	11%

Included in the agreement is a milestone payment of 2,640,000 common shares of the Company should the MAG sellers reasonably assist the Company in receiving a commercial cultivation license for its facility in Illinois (the “Milestone Event”). There is an additional milestone payment of USD $5,000,0000 should the Milestone Event be completed during calendar year 2020. Concurrently, the Company entered an earn-out agreement with the sellers of MAG whereby the Company will pay a 23% commission on hemp product sales during the period of April 1, 2020 to March 31, 2021. This has been accounted for as a payment for post-combination services and was not added to the purchase price. Based on the actual results, the Company has determined that no earn-out amount is payable by the Company.

(Expressed in Canadian Dollars)

Concurrent with the closing of the MAG acquisition, MichiCann's wholly owned subsidiary, RWB Illinois, Inc. acquired an additional 142 acres of land located in Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles (together with the MAG owned property, the "Illinois Facility") for USD $2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB, VW Properties LLC, as seller, and each of the MAG Sellers. The USD $2,000,000 paid to purchase the additional land has been included in the consideration to acquire the issued and outstanding shares of MAG. A pre-existing relationship consisting of an amount receivable by the Company from MAG with a fair value of $1,459,218 on the date of acquisition was effectively settled.

The acquisition of MAG was accounted for as a business combination because the acquisition met requirements under IFRS 3. The consideration and net identifiable assets acquired were recorded in the accounts of the Company at its fair values as follows:

Consideration paid:		
Cash paid upon closing	$	20,644,291
Cash paid in 2019		10,605,100
Rights to common shares		44,984,267
Settlement of pre-existing relationship		1,459,218
	$	77,692,876
Net identifiable assets acquired:		
Cash and cash equivalents	$	162,204
Accounts receivable		58,470
Inventory		4,395,361
Biological assets		26,842
Property, plant and equipment		94,197,701
Goodwill		6,083,036
Accounts payable		(1,539,657)
Other payable		(656,900)
Deferred tax liability		(25,034,181)
	$	77,692,876

If this transaction had closed on January 1, 2020, the Company's revenue for the year ended December 31, 2020 would have increased by $11,557, and net loss for the year would have increased by $342,610. Consolidated revenue and income for the year, of the acquiree after the acquisition date, as recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020 is $4,071,820 and $12,505,267, respectively.

The settlement of a pre-existing relationship consists of an amount receivable by the Company from MAG with a fair value of $1,459,218 on the date of acquisition.

(Expressed in Canadian Dollars)

1251881 B.C. Ltd.

On June 10, 2020, the Company acquired 100% of the issued and outstanding shares of 1251881 B.C. Ltd. Under the terms of the agreement, the Company issued 13,500,000 common shares and 4,500,000 special warrants as a consideration. The special warrants are automatically convertible into 4,500,000 common shares of the Company should the volume weighted average price of the Company's common shares be less than $1.50 for the first 180 days following the acquisition date. In connection with the acquisition, the Company issued 1,800,000 common shares to a finder. On December 15, 2020, all special warrants were converted into common shares for the finder's fee.

The fair value of special warrants amounting to $4,995,000 was based on the market price of $1.11 per common share of the Company as of the acquisition date. The fair value of finder's fee amounting to $1,998,000 was based on the market price of $1.11 per share as of the acquisition date.

The fair value of 13,500,000 common shares amounting to $34,907,000 was determined as a reference to the fair value of net assets acquired in accordance with IFRS 2 requirements.

At the time of the acquisition, 1251881 B.C. Ltd.'s assets consisted solely of intangible assets and it did not have any processes capable of generating outputs; therefore 1251881 B.C. Ltd. did not meet the definition of a business under IFRS 3 and the acquisition was accounted for as an asset acquisition. The consideration paid and net identifiable assets acquired were recorded in the accounts of the Company at its fair value determined as follows:

Consideration paid:	
Common shares issued	$ 34,907,000
Common shares - Finder's fee	1,998,000
Fair value of special warrants issued	4,995,000
	$ 41,900,000
Net identifiable assets acquired:	
Intangible assets	$ 101,887,000
License Liability	(59,987,000)
	$ 41,900,000

Immediately prior to the acquisition, 1251881 B.C Ltd. entered into (i) a retail license agreement with High Times Retail Licensing, LLC ("HT") whereby 1251881 B.C. Ltd was granted the right-to-use certain intellectual property associated with retail dispensary and local delivery services for cannabis products, cannabis accessories and merchandise in the States of Michigan, Illinois and Florida; and (ii) a product licensing agreement with HT whereby 1251881 B.C. Ltd. was granted an exclusive license to use certain intellectual property related to the commercialisation of cannabis products in Michigan, Illinois and Florida and CBD products nationally carrying HT brands.

During the year ended December 31, 2021, HT failed to deliver on its obligations to deliver the licensed property in each state they were granted and further failed to perform under the agreements entered into by the Company. As a result, the Company recorded an impairment on the associated intangible assets in the amount of $72,242,048 and reduction of the associated liability in the amount of $51,851,527. This has been presented as a loss on licensing agreement, net in the amount of $20,390,521 on the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

Platinum Vape LLC

On September 14, 2020, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding equity interest of Platinum Vape LLC ("Platinum Vape" or "PV") in a cash and convertible note payable amounting to USD $35,000,000, comprised of USD $7,000,000 in cash paid at closing, a further USD $13,000,000 in cash payable 120 days after closing and USD $15,000,000 convertible promissory note payable on the third anniversary of closing, which may be converted into Company stock only after 12 months. Concurrently, the Company entered an earn-out agreement with the sellers of PV whereby the Company will pay cash or common shares of the Company with equivalent value of USD $25,000,000 payable based on achievement of the following milestones during the 12-month period immediately following the closing:

- USD $7,500,000 paid on PV achieving revenue of USD $80,000,000 and maintain 15% earnings before interest and taxes;
- USD $7,500,000 paid on PV achieving revenue of USD $90,000,000 and maintain 15% earnings before interest and taxes; and
- USD $10,000,000 paid on PV achieving revenue of USD $100,000,000 and maintain 15% earnings before interest and taxes.

During the year ended December 31, 2020, this earn-out amount was accounted for as a payment for post-combination services and was not added to the purchase price. The earn-out expense during the year ended December 31, 2020 amounted to $9,805,500.

During the year ended December 31, 2021, the earn-out amount was no-longer considered payable. Accordingly, an earn-out recovery in the amount of $9,401,250 was recorded in the consolidated statements of operations and comprehensive loss. The difference between the earn-out recovery in fiscal 2021 and earn-out expense in fiscal 2020 was due to foreign exchange translation differences year over year.

The acquisition of PV was accounted for as a business combination because the acquisition met requirements under IFRS 3. The consideration and net identifiable assets acquired were recorded in the accounts of the Company at its fair value as follows:

Consideration paid:		
Cash paid on closing	$	9,222,500
Present value of cash payable 120 days after closing		16,655,835
Cash to be paid in one year		19,511,124
Convertible promissory note		17,219,398
	$	62,608,857
Net identifiable assets acquired:		
Cash and cash equivalents	$	1,745,431
Accounts receivable		4,188,780
Prepaid expenses		400,520
Inventory		3,184,355
Property, plant and equipment		319,876
Right-of-use		475,396
Licenses		29,907,250
Brand		33,991,500

(Expressed in Canadian Dollars)

Goodwill	281,172
Accounts payable	(2,416,543)
Lease liability	(475,122)
Loan	(30,628)
Deferred tax liability	(8,963,130)
	$ 62,608,857

The cash payable 120 days after closing was paid on the January 12, 2021.

If this transaction had closed on January 1, 2020, the Company's revenue for the year ended December 31, 2020 would have increased by $14,093,729, and net loss for the year would have decreased by $6,804,672. Consolidated revenue and income for the year, of the acquiree after the acquisition date, as recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020 is $19,266,708 and $6,804,672, respectively.

7. ACCOUNTS RECEIVABLE

The Company’s accounts receivable as at December 31, 2021 and 2020 consists of the following:

	2021	**2020**
Trade receivables	$ 4,906,864	$ 8,619,200
Sales tax receivable	279,082	128,261
Other receivable	237,740	-
Provision for sales returns and allowances	(599,990)	-
	$ 4,823,696	$ 8,747,461

Sales tax receivable represents excess of input tax credits on purchased goods or services received over sales tax collected on the taxable sales in Canada.

	2021	2020
Current	**$3,262,124**	$2,835,810
1-30 Days	**532,195**	4,556,868
31-60 Days	**186,992**	288,226
61-90 Days	**336,770**	916,098
91 Days and over	**588,783**	22,198
Total trade receivables	**$4,906,864**	$8,619,200

(Expressed in Canadian Dollars)

8. BIOLOGICAL ASSETS

The Company's biological assets consist of 10,864 plants growing as at December 31, 2021 and no plants growing as at December 31, 2020. The continuity of biological assets is as follows:

	2021	2020
Carrying amount, beginning of year	$ -	$ -
Acquired from MAG acquisition	-	26,842
Acquired from Acreage acquisition	**641,168**	-
Capitalized cost	**4,000,190**	12,606,343
Fair value adjustment	**3,972,360**	(543,116)
Transferred to inventory	**(3,090,657)**	(12,090,069)
Carrying value, end of year	**$ 5,523,061**	$ -

Fair Value Measurement Disclosure

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices
- Stage of growth – represents the weighted average number of weeks out of the 15 weeks growing cycle that biological assets have reached as of the measurement date
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- Attrition – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post harvest, consisting of the cost of direct and indirect materials and labour related to labeling and packaging

Sensitivity Analysis

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

	Weighted average assumption	10% Change of inputs
Selling price per gram	$9.77	$10.75
Yield by plant	110.15	121.17
Attrition	18.50%	20.35%
Post-harvest costs ($/gram)	$1.81	$1.99

(Expressed in Canadian Dollars)

As a plant matures the likelihood of wastage declines. As a result, attrition estimates were relatively low in the periods. However, due to the onset of COVID-19, a restricted labour pool forced the Company to prioritize higher margin crops while leaving less profitable plants to die.

No biological assets were on the ground as at December 31, 2020 as all plants were harvested prior to the 2020 year-end. As a plant matures the likelihood of wastage declines. As a result, attrition estimates were relatively low in 2020.

9. INVENTORY

The Company's inventory as at December 31, 2021 and 2020 consists of the following:

	2021	2020
Hemp finished goods	$ -	$ 13,101,032
Hard goods/tools	-	265,890
Cannabis and CBD derivative finished goods	3,710,344	418,116
Cannabis and CBD derivative work-in-process	1,970,185	-
Raw materials	206,126	2,477,747
Consumables and non-cannabis merchandise	105,084	1,298,217
	$ 5,991,739	$ 17,561,002

During the year ended December 31, 2021, the total inventory expensed through cost of sales was $13,285,386 (2020 - $9,459,548). During the year ended December 31, 2021, the total amount of salaries and wages expensed through cost of sales was $560,331 (2020 - $1,220,247).

10. ASSETS HELD FOR SALE

On December 29, 2021, the Company entered into a letter of intent for the sale of the Company's facility located at 14240 Greenhouse Avenue in Granville, Illinois, USA (the "Granville Facility") for a price of USD $44,500,000 (the "Granville Transaction").

Accordingly, the Granville Facility has been recorded as assets held for sale and has been written down from its carrying value of $80,023,986 (USD $63,739,746) to its fair value less costs to sell for a total consideration of $55,022,520 (USD $43,400,000 representing a sales price of USD $44,500,000 less selling costs of USD $1,100,000). The difference has been recorded as an impairment charge.

The Granville Transaction was completed on April 14, 2022. As a result of this disposition, the Company reclassified Mid-American Growers Inc. ("MAG") as discontinued operations. See Note 28 with respect to MAGs revenue, expenses and cash-flows for the year ended December 31, 2021 and 2020.

The assets held for sale transactions during the year ended December 31, 2021 are as follows:

Balance at December 31, 2020	**$**	**-**
Reclassification from property and equipment (Note 11)		81,334,086
Impairment (Note 28)		(26,020,708)
Currency translation adjustment		(290,858)
Balance at December 31, 2021	**$**	**55,022,520**

(Expressed in Canadian Dollars)

11. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net as of December 31, 2021 and 2020 consists of the following:

	Land	Building and Improvements	Machinery and equipment	Total
Cost				
Balance, December 31, 2019	$ -	$ -	$ 12,745	$ 12,745
Acquired from MAG	2,951,456	78,487,261	12,758,984	94,197,701
Acquired from PV	-	-	319,876	319,876
Additions	-	19,327	161,093	180,420
Disposals	-	-	(288,846)	(288,846)
Translation adjustment	(72,141)	(1,916,190)	(322,354)	(2,310,685)
Balance, December 31, 2020	**$ 2,879,315**	**$ 76,590,398**	**$ 12,641,498**	**$ 92,111,211**
Acquired from Acreage	434,082	9,152,835	2,626,096	12,213,013
Acquired from Apopka	167,493	2,225,267	-	2,392,760
Additions	1,207,146	1,619,166	7,149,605	9,975,917
Reclassified as assets held for sale (Note 10)	(2,867,103)	(76,605,642)	(12,663,438)	(92,136,183)
Translation adjustment	(20,672)	78,251	900,592	958,171
Balance, December 31, 2021	**$ 1,800,261**	**$ 13,060,275**	**$ 10,654,353**	**$ 25,514,889**
Accumulated depreciation				
Balance, December 31, 2019	**$ -**	**$ -**	**$ 1,898**	**$ 1,898**
Depreciation	-	4,221,323	1,468,548	5,689,871
Disposals	-	-	-	-
Translation adjustment	-	(217,607)	(75,006)	(292,613)
Balances, December 31, 2020	**$ -**	**$ 4,003,716**	**$ 1,395,440**	**$ 5,399,156**
Depreciation	-	4,237,999	2,181,769	6,419,768
Reclassified as assets held for sale (Note 10)	-	(8,080,855)	(2,721,242)	(10,802,097)
Translation adjustment	-	388,906	(283,319)	105,587
Balances, December 31, 2021	**$ -**	**$ 549,766**	**$ 572,648**	**$ 1,122,414**
Balances, December 31, 2020	$ 2,879,315	$ 72,586,682	$ 11,246,058	$ 86,712,055
Balances, December 31, 2021	**$ 1,800,261**	**$ 12,510,509**	**$ 10,081,705**	**$ 24,392,475**

(Expressed in Canadian Dollars)

12. RIGHT-OF-USE ASSETS

Right-of-use assets are comprised of the following:

	$
Balance, December 31, 2019	**-**
Acquired from PV	475,396
Depreciation for the year	(68,757)
Foreign exchange translation	(14,451)
Balance, December 31, 2020	**392,188**
Acquired from RWB Florida	18,126,916
Additions	805,840
Depreciation for the year	(1,075,322)
Foreign exchange translation	438,635
Balance, December 31, 2021	**18,688,257**

13. LOANS RECEIVABLE

Loans receivable as at December 31, 2021 and 2020 consist of the following:

		2021	2020
Advances to PharmaCo Inc.		$ 18,501,780	$ 11,084,278
Promissory note receivable from PharmaCo Inc.		32,627,616	32,627,616
Promissory note acquired with RTO	5	-	4,231,664
Accrued interest on promissory note acquired with RTO	5	-	686,288
Net receivable from sellers of Platinum Vape	6	-	3,046,777
Total		$ 51,129,396	$ 51,676,623

Advances to PharmaCo Inc.

The loan receivable balance amounted to $4,810,000 as at December 31, 2018. During the year ended December 31, 2019, PharmaCo paid $428,671 to the Company. The loan receivable balance was amounting to $4,381,329 as at December 31, 2019.

During the year ended December 31, 2020, the Company issued 2,339,200 units consisting of one common share and one convertible series II preferred share to a third-party to pay for $5,848,000 owed by PharmaCo to its related party. The amount of $5,848,000 has been recorded as a loan receivable from PharmaCo. The loan receivable is interest-free and does not have fixed terms of repayment. During the year ended December 31, 2020, the Company advanced additional $854,949 to PharmaCo. The Company advanced a further $2,535,600 during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company's net advances to PharmaCo increased by $7,417,502 and the balance amounted to $18,501,780 as at December 31, 2021. The Company earned royalty income from PharmaCo in the amount of $1,875,000 (2020 - $nil) during the year ended December 31, 2021. The balance will be settled upon the closing of the acquisition of PharmaCo.

Promissory note receivable from PharmaCo Inc.

On June 7, 2019, the Company entered a Promissory Note Agreement (“Promissory Note”) with PharmaCo. Under the terms of this agreement, the Company advanced a principal amount of $30,648,517. The Promissory Note is non-interest bearing, unsecured, and matured on January 2, 2020. On January 2, 2020, the Company agreed to extend the Promissory Note with PharmaCo until January 22, 2021. On January 2, 2021, the Company agreed to extend the Promissory Note with PharmaCo until January 22, 2022.

On January 2, 2020, the Company advanced a principal amount of $1,979,099. The Promissory Note is non-interest bearing, unsecured, and matures on January 22, 2021. The funds advanced under the Promissory Note were received from the Bridging Finance Inc. on which date under the credit facility (Note 17). On January 22, 2021, the Company agreed to extend the Promissory Note with PharmaCo until January 22, 2022.

The Promissory Notes is included in current loans receivable as of December 31, 2021 and the balance as at December 31, 2021 amounted to $35,163,217 (2020 - $32,627,617).

Promissory note acquired with RTO

On April 24, 2020, a promissory note in the amount of $4,169,009 was acquired pursuant to the RTO transaction (Note 5). On December 9, 2021, the Company purchased 100% interest in two cultivation licenses and a processing license from TDMA Orange LLC in the county of Orange, in the Commonwealth of Massachusetts. The promissory note balance immediately prior to the purchase was $4,985,209, and entire balance was applied against the consideration of acquisition of the licenses (Note 15). There was no other consideration made for the acquisition of the licenses.

During the year ended December 31, 2021, the Company accrued interest in the amount of $87,121 (2020 - $686,288), and recorded revaluation gain of $Nil (2020 - $673,585). The principal promissory note balance as of December 31, 2021 amounted to $Nil (2020 - $4,231,664) and accrued interest amounted to $Nil (2020 - $686,288).

14. CALL/PUT OPTION

On January 4, 2019, MichiCann entered into a call/put option agreement (the “Call/Put Option Agreement”) with PharmaCo Inc. (“PharmaCo”) and its shareholders (“PharmaCo Shareholders”) pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann common shares in aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation within the Department of Licensing and Regulatory Affairs (“LARA”) in the State of Michigan. Each PharmaCo shareholder shall have the right, but not the obligation, as its sole direction, to sell to MichiCann all, but not less than all, of the PharmaCo common shares held by it. 37,000,000 MichiCann common shares will be converted to 37,000,000 common shares and 37,000,000 convertible series II preferred shares of the Company in accordance with the terms outlined in the amalgamation transaction.

(Expressed in Canadian Dollars)

On January 4, 2019, MichiCann entered a Debenture Purchase Agreement with PharmaCo. Under the terms of this agreement, the MichiCann will advance a principal amount of up to USD $114,734,209. The principal amount of the Opco Debenture is convertible into common shares of PharmaCo at a conversion price equal to the then outstanding balance of the Opco Debenture divided by the total number of PharmaCo common shares then outstanding. As of December 31, 2019, MichiCann has advanced $48,502,029, plus $5,700,400 that was advanced during the year ended December 31, 2018, and was transferred to the OpCo Debenture in 2019. The OpCo Debenture earns interest at 8% per annum and is secured by all real and personal property and interests in the real and personal property of PharmaCo, whether now owned or subsequently acquired. The principal amount and accrued interest of the Opco Debenture outstanding is convertible at any time on or prior to the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the Company received LARA's written approval of the application seeking permission to convert the Opco Debenture and own the common shares of PharmaCo. The OpCo Debenture including all accrued interest has a maturity date of January 4, 2023.

OpCo Debenture and call/put option are measured at fair value through profit or loss. OpCo Debenture and call/put option are presented as one financial instrument for a financial statements presentation purpose. The combined fair value of OpCo Debenture and call/put option as of December 31, 2019 was amounting to $55,967,351.

The fair value of the convertible debenture and the fair value of the call/put option are measured together as one instrument. The fair value of call/put option component was estimated using a Monte Carlo simulation valuation model. Key inputs and assumptions used for the valuations as of December 31, 2021 and 2020 were as follows.

	2021	2020
Share Price	$1.21	$2.00
Volatility - MichiCann	80%	100%
Volatility - PharmaCo Inc.	290%	210%
Risk-free rate	0.39% for 1.01 years	0.13% for 2.01 years
PharmaCo Inc. enterprise value	$154.3 mm	$154.3 mm

As at December 31, 2021, the combined fair value of the OpCo Debenture, accrued interest and call/put option was determined to be $146,774,493 (2020 - $112,658,740). During the year ended December 31, 2021, the Company recorded a gain on the revalulation of put/call option in the amount of $32,054,789 (2020 - $53,619,465) in its consolidated statements of loss and comprehensive loss. During the year ended December 31, 2021, the Company recorded interest income in the amount of $2,060,964 (2020 - $4,099,526) in finance expense, net, on the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

15. INTANGIBLE ASSETS AND GOODWILL

Intangible assets as of December 31, 2021 and 2020 consist of the following:

	Platinum Vapes License	Platinum Vapes Brand	1251881 B.C. Ltd. License	Massachusetts License	Florida License	Total
Cost						
Balance, January 1, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Acquired from Platinum Vapes	29,907,250	33,991,500	-	-	-	63,898,750
Acquired from 1251881 B.C. Ltd.	-	-	101,887,000	-	-	101,887,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Translation adjustment	(1,005,610)	(1,142,940)	-	-	-	(2,148,550)
Balance, December 31, 2020	**$ 28,901,640**	**$ 32,848,560**	**$ 101,887,000**	**$ -**	**$ -**	**$ 163,637,200**
Additions	-	-	-	4,985,209	49,326,731	54,311,940
Disposals	-	-	-	-	-	-
Impairment	-	-	(72,242,048)	-	-	(72,242,048)
Translation adjustment	(122,580)	(139,320)	-	-	1,093,675	831,775
Balance, December 31, 2021	**$ 28,779,060**	**$ 32,709,240**	**$ 29,644,952**	**$ 4,985,209**	**$ 50,420,406**	**$ 146,538,867**
Accumulated amortization						
Balances, January 1, 2020	$ -	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	10,658,167	-	-	10,658,167
Disposals	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-
Balances, December 31, 2020	**$ -**	**$ -**	**$ 10,658,167**	**$ -**	**$ -**	**$ 10,658,167**
Amortization	-	-	18,986,785	-	-	18,986,785
Disposals	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-
Balances, December 31, 2021	**$ -**	**$ -**	**$ 29,644,952**	**$ -**	**$ -**	**$ 29,644,952**
Net Book Value						
Balances, December 31, 2020	**$ 28,901,640**	**$ 32,848,560**	**$ 91,228,833**	**$ -**	**$ -**	**$ 152,979,033**
Balances, December 31, 2021	**$ 28,779,060**	**$ 32,709,240**	**$ -**	**$ 4,985,209**	**$ 50,420,406**	**$ 116,893,915**

The Company has determined that the Platinum Vape License, Platinum Vape Brand, Massachuestts license and Florida License have indefinite lives. The retail license and product license acquired on 1251881 B.C. Ltd. acquisition were deemed impaired during the year ended December 31, 2021. For the year ended December 31, 2021, amortization expense amounted to $4,746,696 (2020 - $10,658,167) related to the HT retail license and product license.

During the year ended December 31, 2021, the Company obtained 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of Massachusetts in exchange of these promissory notes and accrued interest totaling to $4,985,209. These licenses have been included in the intangible assets as at December 31, 2021 as indefinite life intangible assets.

At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a Cash Generating Unit ("CGU") or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

(Expressed in Canadian Dollars)

Key assumptions used in calculating the recoverable amount for each CGU grouping tested for impairment as at December 31, 2021 are outlined in the following table:

	PV (CA & MI)	License (FL)	High Times Retail License Agreement	High Times Product lic. Agreement
Discount rate	18.00 %	28.03 %	100.00 %	100.00 %
Terminal growth rate	2.53 %	3.00 %	- %	- %
Terminal capitalization multiple	3.95	3.95	-	-
Recoverable amount	$ 95,826,308	$ 51,354,000	$ -	$ -

PV Brand and License CGU - The Company's PV Brand and License represents its operations including development, manufacturing, distribution and sale of cannabis products and accessories within the United States. This CGU is attributed to the Company's license to operate in the Cannabis industry in the State of California, Michigan, and other states to which the Company is able to enter into its PV License. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment

High Times Retail Licensing Agreement CGU - The Company's High Times Retail Licensing agreement represents its right to use certain intellectual property associated with retail dispensary and local delivery services for cannabis products, cannabis accessories and merchandise in the states of Michigan, Illinois and Florida. As a result of the impairment test, management concluded that the carrying value was considered impaired in 2021.

High Times Product Licensing Agreement CGU - The Company's High Times Retail Licensing agreement represents its right to use certain intellectual property related to the commercialization of cannabis products in Michigan, Illinois and Florida and CBD products nationally carrying HT brands. As a result of the impairment test, management concluded that the carrying value was considered impaired in 2021.

Florida License - The Company commenced its operations in the State of Florida during the year ended December 31, 2021 and has identified the Florida license as a separate CGU due its integrated operations to produce, commercialize and sell its products in the State of Florida.

MAG CGU - During the year ended December 31, 2021, the Company's CGU attributable to MAG was deemed impaired and classified as discontinued operations (Note 28). The Company's goodwill attributable to MAG was $6,083,036 (USD $4,660,973) as at December 31, 2020 which was impaired during the year ended December 31, 2021.

(Expressed in Canadian Dollars)

Goodwill arose from the acquisition of MAG, PV and Acreage. Goodwill as of December 31, 2021 and 2020 was comprised of the following:

	2021	2020
Balance, beginning of year	**$ 6,206,068**	**$ -**
Acquisition of PV	281,172	281,172
Acquisition on MAG	-	6,083,036
Acquisition on Acreage	11,368,304	-
Impairment of MAG	(6,083,036)	-
Translation adjustment	118,420	(158,140)
Balance, end of year	**$ 11,890,928**	**$ 6,206,068**

16. CONVERTIBLE DEBENTURES

The Company's convertible debentures issued during the year are comprised of the following:

	April Debentures	June Debentures
Proceeds from issuance of convertible debentures	$ 6,235,562	$ 25,117,892
Less: debt issuance costs	-	(983,704)
Net proceeds from issuance of convertible debentures	**6,235,562**	**24,134,188**
Amounts classified as an embedded derivative liability	(495,597)	(3,945,251)
Interest liability classified as a derivative liability	-	(2,935,299)
Amounts classified as convertible debentures at amortized cost	**5,739,965**	**17,253,638**
Interest accrued	342,763	1,360,055
Accretion of interest	62,477	881,637
Foreign exchange	81,264	295,921
Carrying value of convertible debentures as at December 31, 2021	**$ 6,226,469**	**$ 19,791,251**

The convertible debentures balance as at December 31, 2021 amounted to $26,017,720.

April 23, 2021 Convertible Debenture

On April 23, 2021, the Company closed a convertible debenture offering of unsecured convertible debenture units of the Company for gross proceeds of $6,235,562 (US $5,000,000) (the "April Debentures"). The April Debentures mature on April 23, 2024 and bear interest at 8% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the April Debentures are convertible into common shares at a conversion price of USD $2.75 per common share of the Company. Upon conversion, the holder will not be entitled to receive accrued interest. The Company may prepay the April Debentures in cash on or subsequent to the first anniversary date.

(Expressed in Canadian Dollars)

The April Debentures were determined to be a compound instrument, comprising of a liability and embedded derivative liabilities consisting of a conversion feature and a prepayment option. The fair values of the embedded derivative liability components were measured using a binomial lattice methdology based on a Cox-Ross-Rubenstein approach.

The fair value of the derivative liability in connection with the April Debentures amounted to $495,597 on April 23, 2021. The fair value of the derivative liability in connection with the April Debentures amounted to $49,387 as at December 31, 2021.

The following range of assumptions were used to value the embedded derivative liabilities during the year ended December 31, 2021:

	2021
Share price	$0.42 - $1.56
Volatility	90 - 97%
Credit spread	6.80 - 7.55%
Instrument-specific spread	2.50% - 3.24%
Risk-free rate	0.32% - 0.83%
Term	2.32 - 3.00 years
Discount on lack of marketability	9.89% - 13%

During the year ended December 31, 2021, the Company recorded a gain of $446,210 on the revaluation of derivative liabilities related to the April Debentures on the consolidated statements of loss and comprehensive loss.

June 4, 2021 Convertible Debenture

On June 4, 2021, the Company closed a convertible debenture offering of unsecured convertible debenture units of the Company for gross proceeds of $25,117,892 (US $20,112,015) (the "June Debentures"). The June Debentures mature on June 4, 2024 and bear interest at 8% per annum, accrued monthly and payable at maturity. The outstanding principal amount and accrued interest of the June Debentures are convertible into common shares at a conversion price of US $2.75 per common share of the Company. In connection with the June Debentures, the Company agreed to issue 753,385 common shares on the closing date and on the anniversary date and the second anniversary date, the Company shall issue common shares in an amount equal to 4% of the adjusted principal balance at the volume-weighted average trading price for a period of 15 trading days. The Company has the option to prepay the June Debentures in cash at or after the first-anniversary date. The Company has the option to prepay the June Debentures before the first-anniversary date by paying accrued interest as if no prepayment of principal was paid to the Company. In connection with the June Debentures, the Company incurred finders fees in the amount $983,704, which was capitalized against the June Debentures. $199,934 of this amount was included in interest expense during the year ended December 31, 2021.

The June Debentures were determined to be a compound instrument, comprising of a liability, embedded derivative liabilities consisting of a conversion feature and a prepayment option and a derivative liability related to additional interest payable in a variable number of shares. The fair values of the embedded derivative liability components comprising the conversion feature and a prepayment option were measured using a binomial lattice methodology based on a Cox-Ross-Rubenstein approach. The fair value of the derivative liability and derivative liability related to the additional shares payable on June 4, 2021 amounted to $3,945,251 and $2,935,299, respectively.

As at December 31, 2021, the derivative asset in connection with the June Debentures amounted to $1,218,382 as at December 31, 2021.

(Expressed in Canadian Dollars)

The following range of assumptions were used to value the embedded derivative liability/asset during the year ended December 31, 2021:

	2021
Share price	$0.42 - $1.56
Volatility	90 - 97%
Credit spread	6.80 - 7.55%
Instrument-specific spread	2.50% - 3.24%
Risk-free rate	0.32% - 0.83%
Term	2.32 - 3.00 years
Discount on lack of marketability	9.89% - 13%

During the year ended December 31, 2021, the Company recorded a gain of $5,163,633 on the revaluation of derivative liabilities related to the June Debentures on the consolidated statements of loss and comprehensive loss.

Additional Interest Payable

The fair value of the derivative liability related to the additional interest payable in variable shares was measured using a Monte Carlo simulation based on modelling the stock price using a Geometric Brownian Motion.

As at December 31, 2021, the derivative liability related to the additional shares payable amounted to $2,276,714.

The following range of assumptions were used to value this derivative liability:

	2021
Share price	$0.42 - $1.56
Volatility	90% - 97%
Risk-free rate	0.32% - 0.83%
Term	2.32 - 3.00 years
Discount on lack of marketability	0% - 13%

During the year ended December 31, 2021, the initial tranche of shares payable of 753,385 were issued on July 30, 2021. As a result of the shares being transferred subsequent to closing and the change in the Company's market price, the Company recorded a gain on the settlement of debt in the amount of $140,631. During the year ended December 31, 2021, the Company recorded a loss on the revaluation of derivative liability in the amount of $265,565 on the consolidated statements of loss and comprehensive loss.

17. CREDIT FACILITY

On June 4, 2019, Bridging Finance Inc. (the “Lender”) entered into a credit agreement (the “Credit Agreement”) with the Company and PharmaCo Inc. (“PharmaCo”) (collectively, the “Borrowers”) pursuant to which the Lender established a non-revolving credit facility (the “Facility”) for the Borrowers in a maximum principal amount of $36,610,075 (the “Facility Limit”). The purpose of the Facility was so that the Borrowers can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

The obligations under the Facility were due and payable on the earlier of: (a) the termination date (being January 4, 2020); and (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Credit Agreement).

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

(a) Interest at the prime rate plus 10.55% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and
(b) A work fee equal to $909,360 (the "Work Fee") (paid by the Company).

The obligations under the Facility are secured by general security agreements on each Borrower, mortgages on certain owned real property of PharmaCo among other security obligations.

As the funds under the Facility (net of the Work Fee, commissions and other transaction expenses of the Lender) were advanced by the Lender directly to MichiCann, MichiCann in turn advanced the funds (net of MichiCann's transaction expenses) to PharmaCo pursuant to a Promissory Note issued by PharmaCo to MichiCann in the principal amount of $30,648,547 (Note 13).

On January 10, 2020, the Facility was amended (the "Amended Facility") pursuant to an amended and restated agreement between the Lender, MichiCann (as guarantor) and PharmaCo, RWB Illinois, Inc. ("RWB") and MAG. The Amended Facility consisting of Non-revolving Facility A and Facility B. Non-revolving Facility A for USD$27,000,000 was used to pay the outstanding advances from the bridge financing of CAD$36,610,075. As a result, the old bridge financing facility balance was fully paid.

The obligations under the Amended Facility are due and payable on the earlier of:

(a) the termination date (being July 10, 2021 subject to the right of the Borrowers to extend the termination date by paying a 1% fee for two additional six-month periods for a total of 30 months); and
(b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Amended Facility).

The Company exercised the right to extend the termination date on July 10, 2021, and January 10, 2022 became a maturity date. Therefore, the outstanding balance at December 31, 2021 has been treated as a current liability.

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

(a) Interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month;
(b) A work fee equal to $1,492,500 during the year ended December 31, 2020; and
(c) A work fee equal to $1,332,075 during the year ended December 31, 2021.

The work fee of $1,492,500 was recognized as transaction cost and offset against the debt. $817,462 of the total work fee was expensed in the year ended December 31, 2020, and $657,037 of the work fee was expensed in the year ended December 31, 2021.

During the year ended December 31, 2021, the Company satisfied all financial covenants. Covenants include prompt payment, preservation of corporate existence, compliance with laws, payment of taxes, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, completion of RTO, discharge of all obligations and liabilities arising under ERISA and further assurance.
The total interest recorded during the year ended December 31, 2021 was $7,858,909 (2020 - $7,922,884).

(Expressed in Canadian Dollars)

A continuity of the credit facility balance is as follows:

Balances, December 31, 2018	$	-
Original credit agreement		36,610,075
Balances, December 31, 2019	$	36,610,075
Repaid on January 10, 2020	$	(36,610,075)
Amended credit agreement		65,490,910
Work fee recognized contra liability		(1,966,043)
Work fee expensed		1,291,005
Balances, December 31, 2020	$	64,815,872
Work fee recognized as contra liability		(654,909)
Work fee expensed		1,311,946
Balances, December 31, 2021	$	65,472,909

As at December 31, 2021, accrued interest related to this credit facility in the amount of $2,626,813 (2020 - $1,162,976) was included in accounts payable and accrued liabilities.

18. LOANS PAYABLE

Current loans payables as at December 31, 2021 and 2020 are as follow:

	2021	2020
Platinum Vapes loan - original loan of $16,655,835 – non-interest bearing, principal due on maturity, due on January 12, 2021	$ -	$16,394,996
City of San Diego - Excise tax payment plan. Original amount of US $828,200 - 7% interest, monthly payment of US $82,820	734,994	-
Private loans - original loan of $7,329,616 interest bearing, principal due on demand	253,170	1,069,617
Payable to RGR Ltd. - original loan US $11,500,000 - 10%, principal and interest payable due on demand.	14,713,347	-
Payable to Oakengate investments - original loan USD $5,000,000 - 12%, principal and interest payable due on demand	6,877,815	-
Payable to RGR Ltd. - original loan USD $11,500,000 - 12%, principal and interest payable due on demand	3,377,268	-
Acreage acquisition 1 - original loan of $12,373,013 - 8% interest, principal and interest payable at maturity, due on November 28, 2021	594,650	-

(Expressed in Canadian Dollars)

Acreage acquisition 2 - original loan of $22,271,424 - 8% interest, principal and interest payable at maturity, due on May 31, 2022	24,065,831	-
Payable to Oakshire - original loan of $1,080,947 – non-interest bearing, no fixed payment terms	1,076,362	1,080,947
Payable to Pharmaco - original loan of $1,717,056 – non-interest bearing, no fixed payment terms	-	1,717,056
1260356 Ontario Ltd. - original loan of $9,658,595 – non-interest bearing, due on demand - 1	-	9,658,595
Payable to Luna - original loan of $63,660 – non-interest bearing, no fixed payment terms	-	63,660
Mid-American Growers SBA loan 2 - original loan of $190,853 – 1% interest, principal and interest payable at maturity on April 6, 2022	183,557	-
Mid-American Growers SBA loan 1 - original loan of $1,364,888 - 1% interest, principal and interest payable at maturity, due on April 6, 2021	-	1,364,888
Mid-American Growers PPP loan - original loan of US $1,774,080 – non-interest bearing, forgiven November 2021	-	-
Total	**$51,876,994**	**$31,349,759**

Non-current loans payable as at December 31, 2021 and 2020 are as follow:

	2021	2020
Platinum Vapes note payable - original loan of $17,219,398 – non-interest bearing, principal due on maturity on September 11, 2023	$ -	$17,705,058
Vista Prime Management Ford loan - original loan of $16,218 – 5.90% interest, repayable in monthly installments of principal and interest of $314, maturing on January 12, 2023	3,610	7,313
Vista Prime Management Ram loan - original loan of $26,872 – 6.10% interest, repayable in monthly installments of principal and interest of $670, maturing on July 25, 2023	11,800	19,141
Mid-American Growers SBA loan 1 - original loan of $781,727 – 1% interest, principal and interest payable at maturity on April 6, 2022	-	781,727

(Expressed in Canadian Dollars)

Mid-American Growers SBA loan 2 - original loan of $190,853 – 1% interest, principal and interest payable at maturity on April 6, 2022	-	190,853
Payable to RGR Ltd. - original loan US $19,370,020 - 10%, principal and interest payable at maturity on January 31, 2023	25,022,136	-
Payable to DZ Investment. - original loan US $5,400,000 - 8%, principal and interest payable at maturity on September 14, 2023	6,533,344	-
Payable to SDZ Investment. - original loan US $5,400,000 - 8%, principal and interest payable at maturity on September 14, 2023	6,533,344	-
Total	**$38,104,234**	**$18,704,092**

All short-term and long term loans are unsecured and do not have any covenants.

During the year ended December 31, 2021, the Company entered into a settlement agreement in relation to the outstanding Platinum Vape loan amount. These amounts were settled into loans payable to DZ Investment and SDZ Investment, along with certain payables, as disclosed above. As a result of this settlement, the Company recorded a gain on settlement in the amount of $1,727,664 on the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2021, interest expense related to these loans payable amounted to $17,541,237 (2020 - $7,922,884).

19. LEASE LIABILITIES

The Company's leases are comprised of leased premises and offices. The Company's lease liabilities as of December 31, 2021 were as follows:

Balance, January 1, 2020	$	-
Acquired from PV		475,122
Interest expense		6,545
Lease payments		(75,008)
Foreign exchange		(14,190)
Balance, December 31, 2020		**392,469**
Acquired from PV		805,840
Acquistion of Acreage Florida		18,126,916
Interest expense		1,423,009
Lease payments		(1,980,266)
Foreign exchange		506,524
Balance, December 31, 2021	**$**	**19,274,492**

(Expressed in Canadian Dollars)

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2021 :

Contractual undiscounted cashflows	
Less than one year	2,616,188
One to five years	9,681,614
More than five years	32,940,780
Total undiscounted lease obligations	**$ 45,238,582**
Current portion	$ 640,159
Non-current portion	18,634,333
Total discounted lease obligations	**$ 19,274,492**

- The Company has a lease for manufacturing and distribution facility in San Diego, which expires on October 15, 2022. The lease was accounted for as a long-term lease, using an incremental borrowing rate of 6.00%.
- The Company has a lease for manufacturing and distribution facility in Warren, which expires in June 2025. The lease was accounted for as a long-term lease, using an incremental borrowing rate of 10%.
- The Company also has leases for retail stores in Florida, which have terms expiring between December 2024 to January 2040.

20. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

Unlimited number of convertible series I preferred shares without par value, each share convertible into one common share by the holder, and non-voting.

Unlimited number of convertible series II preferred shares without par value, each share convertible into one common share by the holder. Upon conversion of series II preferred shares into common shares, preferred shareholders will receive equivalent number of common shares plus an additional 5% common shares for each twelve month period up to twenty-four months.

(Expressed in Canadian Dollars)

Common Shares

2021 Transactions

During the year ended December 31, 2021, the Company issued the following common shares, net of share issuance costs, as a result of acquisition of Acreage, the Apopka asset acquisition, conversion of convertible series II preferred shares, debt settlement, exercise of stock options, exercise of RSUs, exercise of warrants and finance charges.

	Number of shares	Share capital
Acquisition of Acreage	5,950,971	$ 8,747,927
Apopka asset acquisition	1,010,656	1,051,082
Conversion of convertible series II preferred shares	32,290,461	11,596,682
Debt settlement	7,022,312	3,259,469
Exercise of stock options	1,375,000	903,994
Exercise of RSU	3,529,145	3,186,970
Exercise of warrants	16,180,195	20,253,387
Finance charges	2,184,385	2,704,030
Total	**69,543,125**	**$ 51,703,542**

On April 28, 2021, the Company issued 5,950,971 common shares to acquire 100% of the issued and outstanding shares of Acreage Florida, Inc. at a price of $1.47 per share for total consideration of $8,747,927. Further details in relation to the acquisition are described in Note 6.

On August 4, 2021, the Company issued 1,010,656 common shares of the Company at a price of $1.04 per share for total consideration of $1,051,082 for the Apopka, Florida asset acquisition, as described in Note 6.

During the year ended December 31, 2021, the Company issued an aggregate of 32,290,461 common shares for the conversion of 30,246,040 convertible series II preferred shares. As a result of this exercise, $11,596,682 was transferred from convertible series II preferred shares to common shares.

During the year ended December 31, 2021, the Company issued 7,022,312 common shares at a weighted average price of $0.46 per common share for an aggregate value of $3,259,469 for the settlement of $5,248,419 of debt. The Company recognized gain of $1,988,950 on this settlement.

During the year ended December 31, 2021, the Company issued 1,375,000 common shares and 1,200,000 convertible series II preferred shares as a result of an exercise of 1,375,000 stock options for gross proceeds of $705,000. The weighted average exercise price of all stock options exercises amounted to $0.41 per common share. As a result of these stock option exercises, an aggregate of $1,078,319 was transferred from contributed surplus to common shares and convertible series II preferred shares.

During the year ended December 31, 2021, the Company issued 3,529,145 common shares pursuant to the exercise of RSUs. The value of these common shares amounted to $3,186,970.

During the year ended December 31, 2021, the Company issued 16,180,195 common shares pursuant to the exercise of warrants for gross proceeds of $15,781,652. As a result of this exercise, contributed surplus in the amount of $4,471,735 was transferred to common shares.

During the year ended December 31, 2021, the Company issued 2,184,385 common shares at a weighted average price of $1.24 per share for an aggregate amount of $2,704,030 related to debt. This amount was recorded as contra liability on the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

2020 Transactions

During the year ended December 31, 2020, the Company issued the following common shares, net of share issuance costs, as a result of acquisition of Mid-American growers, Bought deal, debenture repayment, debt settlement, High times acquisition, reverse takeover, exercise of stock options, exercise of warrants and finance charges.

	Number of shares	Share capital
Bought deal	33,350,000	$ 17,144,296
Reverse takeover	23,464,462	27,031,042
Finance charges	7,381,000	8,502,900
High times acquisition	19,800,000	41,900,000
Acquisition of Mid-American growers	17,133,600	17,620,480
Debenture repayment	500,000	290,000
Debt settlement	2,339,200	2,292,416
Exercise of stock options	2,050,000	1,202,074
Exercise of warrants	1,087,212	739,399
Total	**107,105,474**	**$ 116,722,607**

Private Placement

On September 24, 2020, the Company closed a bought deal offering for a total issuance of 33,350,000 units of the Company at a price of $0.75 per unit for aggregate gross proceeds of $25,012,500, which includes the full exercise of the over-allotment option.

Each unit consists of one common share in the capital of the Company (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $1.00, for a period of 24 months following the close. If, at any time prior to the expiry date of the Warrants, the volumeweighted average price of the Common Shares on the Canadian Securities Exchange (or such other stock exchange where the majority of the trading volume occurs) exceeds $1.50 for 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants by way of a news release advising that the Warrants will expire at 5:00 p.m. (Vancouver time) on the 30th day following the date of such notice unless exercised by the holders prior to such date.

The Company paid the Underwriters a cash fee of 6% ($1,500,750) of the aggregate gross proceeds, and an aggregate of 2,001,000 non-transferable compensation warrants, with each compensation warrant being exercisable into units at a price of $0.75 for a period of 24 months following the closing of the Offering. Other transaction fees were also incurred in the amount of $211,482. Net cash proceeds received after the underwriter fee is $23,300,268.

A unit price of $0.75 per unit was allocated to a common share and a common share purchase warrant using a relative fair value of $0.58 and $0.178 per common share and common share purchase warrant respectively. The gross proceeds of $19,138,852 and $5,873,648 were allocated to common shares and common shares purchase warrants respectively. The fair value of the common share purchase warrants was determined using a Monte Carlo valuation model with the following main assumptions:

Black-Scholes inputs	September 24, 2020
Risk-free rate	0.23% (2 yrs)
Exercise price	$1.00
Stock price	$0.58
Expected volatility	101%

(Expressed in Canadian Dollars)

The fair value of the compensation warrants of $894,450 was estimated using both Black-Scholes and Monte Carlo valuation models with the following main assumptions:

Black-Scholes inputs	September 24, 2020
Risk-free rate	0.23% (2 yrs)
Exercise price	$0.75
Stock price	$0.58
Expected volatility	101%

Total transaction fees paid in cash and compensation warrants amounted to $2,606,682 which were deducted $1,994,556 and $612,126 from common shares and common shares purchase warrants, respectively.

The Company issued 1,411,333 units to settle a debt of $1,058,500, of which 866,666 units were issued to the CEO of the Company.

On January 10, 2020, the Company issued 17,133,600 rights to common shares of MichiCann medical Inc. to acquire 100% of the issued and outstanding shares of Mid-American Growers, Inc. Immediately prior to the RTO on April 24, 2020, 17,133,600 common shares of MichiCann were issued to sellers of Mid-American Growers, Inc. and 17,133,600 common shares of MichiCann were converted to 17,133,600 common shares of the Company and 17,133,600 convertible series II preferred shares. The fair value of shares was determined as described in Note 6.

On April 24, 2020, the Company issued 23,464,462 common shares and 3,181,250 convertible series I preferred shares pursuant to reverse takeover transaction. The fair value of shares was determined as described in Note 5.

On April 24, 2020, the Company issued 7,381,000 common shares and 7,381,000 convertible series II convertible common shares as finance charges pursuant to reverse takeover transaction. The fair value of shares was determined as described in Note 5.

On June 10, 2020, the Company issued 15,300,000 common shares and 4,500,000 special warrants to acquire 100% of the issued and outstanding shares of 1251881 B.C. Ltd. The fair value of shares was determined as described in Note 6.

On September 24, 2020, the Company closed the bought deal offering for a total issuance of 33,350,000 units of the Company at a price of $0.75 per unit for aggregate gross proceeds of $25,012,500, which includes the full exercise of the over-allotment option.

During the year ended December 31, 2020, the Company issued 500,000 common shares to settle $290,000 debenture at a price of $0.58 per share.

During the year ended December 31, 2020, the Company issued 2,339,200 common shares and 2,339,200 convertible series II preferred shares to settle $5,848,000 debt to a third-party.

During the year ended December 31, 2020, the Company issued 2,050,000 common shares and 2,050,000 convertible series II preferred shares pursuant to the exercise of stock options for gross proceeds of $1,112,500.

During the year ended December 31, 2020, the Company issued 1,087,212 common shares and 470,340 convertible series II preferred shares pursuant to the exercise of warrants for gross proceeds of $963,840.

(Expressed in Canadian Dollars)

Convertible Series I Preferred Shares

On April 24, 2020, as a result of the reverse takeover transaction, the Company issued 3,181,250 convertible series I preferred shares to Tidal shareholders. (Note 5)

Convertible Series II Preferred Shares

During the year ended December 31, 2021, the Company issued and converted the following convertible series II preferred shares, net of share issuance costs, as a result of acquisition of debenture repayment, exercise of stock options and conversion of convertible series II preferred share.

	Number of shares	Share capital
Debenture repayment	8,445,426	$11,407,946
Conversion to common shares	(30,246,040)	(11,596,682)
Exercise of stock options	1,200,000	879,325
Total	**(20,600,614)**	**$ 1,067,711**

During the year ended December 31, 2021, the Company issued 8,445,426 convertible series II preferred shares at a price of $1.35 per share, and 4,222,713 share purchase warrants with a fair value of $2,509,965 to settle a debenture with an outstanding amount of $9,376,585. As a result of this settlement, the Company recognized a loss in the amount of $4,541,326. $11,407,946 was recorded as convertible series II preferred shares while the remaining $2,509,965 was recorded in contributed surplus.

During the year ended December 31, 2021, the Company issued 1,200,000 convertible series II preferred shares pursuant to the exercise of stock options as in common shares.

During the year ended December 31, 2021, 30,246,040 convertible series II preferred share were converted to 32,290,461 common shares resulting in a transfer between convertible series II preferred shares and common shares in the amount of $11,596,682.

During the year ended December 31, 2020, the Company issued the following convertible series II preferred shares, net of share issuance costs, as a result of acquisition of MidAmerican growers, debt settlement, conversion of MichiCann shares to RWB shares, exercise of stock options, exercise of warrants and finance charges.

	Number of shares	Share capital
Acquisition of Mid American Growers	17,133,600	$27,363,787
Conversion of MichiCann shares to RWB shares	84,211,749	$Nil
Finance charges	7,381,000	13,204,609
Debt settlement	2,339,200	3,555,584
Exercise of stock options	2,050,000	1,602,237
Exercise of warrants	470,340	319,871
Total	**113,585,889**	**$ 46,046,088**

On January 10, 2020, the Company 17,133,600 common shares of MichiCann Medical Inc. to acquire 100% of the issued and outstanding shares of MidAmerican Growers, Inc. Immediately prior to the RTO on April 24, 2020, 17,133,600 common shares of MichiCann were issued to sellers of MidAmerican Growers, Inc. and 17,133,600 common shares of MichiCann were converted to 17,133,600 common shares of the Company and 17,133,600 convertible series II preferred shares. The fair value of shares was determined as described in Note 6.

(Expressed in Canadian Dollars)

On April 24, 2020, the Company issued 84,211,749 convertible series II preferred shares to MichiCann shareholders immediately prior to reverse takeover transaction. No fair value was allocated.

On April 24, 2020, the Company issued 7,381,000 common shares and 7,381,000 convertible series II convertible common shares as finance charges pursuant to reverse takeover transaction. The fair value of shares was determined as described in Note 5.

During the year ended December 31, 2020, the Company issued 2,339,200 convertible series II preferred shares and 2,339,200 common shares to settle $5,848,000 debt to a third party.

During the year ended December 31, 2020, the Company issued 2,050,000 convertible series II preferred shares and 2,050,000 common shares pursuant to the exercise of stock options for gross proceeds of $1,112,500.

During the year ended December 31, 2020, the Company issued 470,340 convertible series II preferred shares and 1,087,212 common shares pursuant to the exercise of warrants for gross proceeds of $963,840.

Warrants

The following warrants were outstanding and exercisable at December 31, 2021:

Issue Date	Expiry Date		Exercise Price	Number of Warrants Outstanding and Exercisable	Weighted Average Life
September 24, 2020	September 24, 2022	$	1.00	18,763,979	0.73
September 24, 2020	September 24, 2022		0.75	406,826	0.73
January 14, 2021	January 14, 2023		1.00	25,000	1.04
January 29, 2021	January 29, 2023		1.00	3,745	1.08
February 3, 2021	February 3, 2023		1.00	7,489	1.09
February 4, 2021	February 4, 2023		1.20	1,000,000	1.10
February 9, 2021	February 9, 2023		1.00	199,194	1.11
February 11, 2021	February 11, 2023		1.00	871,732	1.12
March 11, 2021	March 11, 2023		1.00	487,014	1.19
May 12, 2021	May 12, 2023		1.15	4,222,713	1.36
Balance at December 31, 2021		$	1.03	25,987,692	0.87

	Number of Warrants		Weighted average Exercise Price
Balances, December 31, 2019	595,340	$	1.00
Issued	41,037,711		1.07
Exercised	(5,587,215)		0.17
Cancelled	(694,836)		2.92
Balances, December 31, 2020	35,351,000	$	0.99
Issued	6,816,887		1.12
Exercised	(16,180,195)		1.00
Balances, December 31, 2021	25,987,692	$	1.03

Warrant transactions and the number of warrants outstanding are summarized as follows:

During the year ended December 31, 2021, the Company issued an aggregate of 1,594,174 pursuant to exercise of broker warrants issued in a bought deal financing agreement. These warrants are exercisable at the price of $1.00 per unit for a period of 24 months.

(Expressed in Canadian Dollars)

On February 3, 2021, the Company issued 1,000,000 warrants in connection with the issuance of debt. The warrants vest immediately and are exercisable at the price of $1.20 per unit for a period of 24 months.

On May 12, 2021, the Company issued 4,222,713 warrants pursuant to the settlement of a debenture as disclosed previously. These warrants are exercisable at the price of $1.15 per unit for a period of 24 months. Fair value of these warrants was determined $2,509,965, and the Company recognized the amount as a loss on the settlement.

On April 24, 2020, the Company issued 862,813 warrants to holders of Tidal warrants pursuant to Amended Agreement of the reverse takeover transaction. The warrants are exercisable at the price of $0.80 per common share of the Company.

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 323,898 warrants towards finder's fee. The warrants are exercisable at the price of $5.28 per common share of the Company.

On June 10, 2020, the Company issued 4,500,000 special warrants related to the 1251881 B.C. Ltd. acquisition. The special warrants are automatically convertible into 4,500,000 common shares of the Company should the volume weighted average price of the Company's common shares be less than $1.50 for the first 180 days following the acquisition date. The 4,500,000 warrants were exercised on December 14, 2020.

On September 24, 2020, the Company issued 33,350,000 warrants pursuant to bought deal financing agreement. The warrants are exercisable at the price of $1.00 per common share of the Company for a period of 24 months.

On September 24, 2020, the Company issued 2,001,000 warrants to finders pursuant to bought deal financing agreement. The warrants are exercisable at the price of $0.75 per unit for a period of 24 months. The unit consists of one common share of the Company and one warrant exercisable at the price of $1.00 per common share of the Company.

The warrants issued during the year ended December 31, 2021 had a fair value of $3,184,380 (December 31, 2020 - $6,155,972) valued using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	**2020**
Risk-free interest rate	0.30%	0.20%
Stock price	$1.23	$0.58
Expected term (in years)	2.00	2.00
Estimated dividend yield	N/A	N/A
Estimated volatility	91.34%	101%

The risk-free interest rate is based on yields on Bank of Canada bonds that correspond with the term of the warrant contracts. Stock prices are taken from the closing market price on the warrant grant dates. Terms are stated on each warrant contract. There are no dividends on the underlying stock, hence dividends were not considered when running the Black-Scholes option pricing model. Volatility is estimated using the standard deviation of the Company's historical daily stock returns. The expected volatility of the Company's equity instruments was estimated based on the historical vesting method.

(Expressed in Canadian Dollars)

Options

Options transactions and the number of options outstanding are summarized are as follows:

	Number of Options	Weighted average Exercise Price
Balances, December 31, 2019	7,417,500	$ 0.80
Granted	6,657,679	0.37
Assumed from RTO	1,799,110	0.64
Exercised	(2,050,000)	0.54
Cancelled	(775,000)	2.14
Balances, December 31, 2020	13,049,289	1.42
Granted	3,595,000	0.70
Exercised	(1,375,000)	0.51
Balances, December 31, 2021	15,269,289	$ 1.26

Issue Date	Expiry Date	Exercise Price	Number of Stock Options	Weighted Average Life
October 1, 2018 - December 21, 2021	October 1, 2023 - December 21, 2026	$0.40 - $0.93	10,502,500	3.82
January 15, 2019 - July 27, 2020	February 4, 2022 - July 27, 2025	$1.00	2,550,179	2.12
June 22, 2018 - July 6, 2021	June 22, 2023 July 6, 2025	$1.10 - $5.44	2,216,610	2.36
Balance at December 31, 2021		$ 1.26	15,269,289	0.87

On July 27, 2020, the Company adopted a rolling stock option plan (the “Option Plan”), under which the maximum number of common shares reserved for issuance under the Option Plan at any one time shall not exceed at any time 20% of the then issued and outstanding common shares.

Under the Option Plan, the Board of Directors may from time to time, in its discretion, grant stock options to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10) years from the date of grant. The minimum exercise price of an option granted under the Option Plan must not be less than the closing price of the common shares on the date preceding the option grant date.

The total number of options awarded to any one individual in any 12 month period shall not exceed 5% of the issued and outstanding common shares as at the grant date.

The total number of options awarded to any one Consultant in a 12 month period shall not exceed 2% of the issued and outstanding common shares as of the grant date. The total number of Options awarded in any 12 month period to employees performing investor relations activities for the Company shall not exceed 2% of the issued and outstanding common shares as of the grant date.

Stock option transactions during the years ended December 31, 2021 and 2020 are as follows:

In connection with the RTO, the Company assumed 1,799,110 Tidal stock options. Vesting periods of these options ranges from 0 to 2 years from the grant dates. The weighted average exercise price is $0.64 per share.

(Expressed in Canadian Dollars)

During the year ended December 31, 2021, the Company granted 3,595,000 stock options to employees and consultants of the Company. Vesting periods range from 0 to 3 years from the grant dates. The weighted average exercise price of these granted stock options were $0.70 per common share.

During the year ended December 31, 2021, an aggregate 1,375,000 stock options were exercised for gross proceeds of $705,000, resulting in the issuance of 1,375,000 common shares and 1,200,000 convertible series II preferred shares. The weighted average exercise price of these stock options exercises amounted to $0.51 per common share. As a result of these stock option exercises, an aggregate of $1,078,319 was transferred from contributed surplus to common shares and convertible series II preferred shares.

During the year ended December 31, 2020, the Company granted 6,657,679 stock options to employees and consultants of the Company. Vesting periods range from 0 to 3 years from grant dates. The weighted average exercise price is $0.37 per share.

During the year ended December 31, 2020, 2,050,000 options were exercised. The weighted average exercise price is $0.54 per share.

During the year ended December 31, 2020, 775,000 options were cancelled. The weighted average exercise price is $2.14 per share.

The options granted during the year ended December 31, 2021 had a fair value of $2,136,275 (2020 - $3,983,752) estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	**2020**
Risk-free interest rate	1.23%	0.45%
Stock Price	$0.76	$0.77
Expected term (in years)	5.00	5.00
Estimated dividend yield	N/A	N/A
Estimated volatility	88%	105.27%

The risk-free interest rate is based on yields on Bank of Canada bonds that correspond with the term of the option contracts. Stock prices are taken from the closing market price on the option grant dates. Terms are stated on each option contract. There are no dividends on the underlying stock, hence dividends were not considered when running the Black-Scholes option pricing model. Volatility is estimated using the standard deviation of the Company's historical daily stock returns. The expected volatility of the Company's equity instruments was estimated based on the historical vesting method.

Restricted Share Units

The Company has a restricted share plan (the "RSU Plan") that allows the issuance of restricted share units (“RSU”) and deferred share units (“DSU”) Under the terms of the RSU Plan the Company may grant RSUs and DSUs to directors, officers, employees and consultants of the Company. Each RSU gives the participant the right to receive one common share of the Company. The Company may reserve up to a maximum of 20% of the issued and outstanding common shares at the time of grant pursuant to awards granted under the RSU Plan.

During the year ended December 31, 2021 and 2020, the Company had the following RSU issuances:

- On January 27, 2021, the Company granted 354,645 RSUs to certain employees of the Company. These RSUs vested immediately and were valued at $1.17 per RSU;

(Expressed in Canadian Dollars)

- On March 31, 2021, the Company granted 174,500 RSUs to certain employees of the Company. These RSUs vested immediately and were valued at $1.43 per RSU;
- On April 1, 2021, the Company granted 500,000 RSUs to certain employees of the Company. These RSUs vested immediately and were valued at $1.43 per RSU;
- On May 5, 2021, the Company granted 500,000 RSUs certain to employees of the Company. These RSUs vested immediately and were valued at $1.30 per RSU;
- On August 13, 2021, the Company granted 750,000 RSUs to certain employees of the Company. These RSUs vested immediately and were valued at $0.94 per RSU;
- On December 22, 2021, the Company granted 135,000 RSUs to certain employees of the Company. These RSUs vested immediately and were valued at $0.41 per RSU;
- During the year ended December 31, 2021, 3,529,145 RSUs were exercised resulting in the issuance of 3,529,145 common shares of the Company; and
- On October 1, 2020, the Company granted 1,500,000 RSUs to certain employees of the Company. These RSUs vested immediately and expire on October 1, 2025.

Total stock-based compensation as a result of the RSU grants during the year amounted to $2,745,255. As a result of these grants and exercises, $441,715 was transferred from contributed surplus to common shares during the year ended December 31, 2021.

RSUs transactions and the number of RSUs outstanding are summarized are as follows:

	Number of RSU
Balances, December 31, 2019	**-**
Granted	1,500,000
Balances, December 31, 2020	**1,500,000**
Granted	2,414,145
Exercised	(3,529,145)
Balances, December 31, 2021	**385,000**

(Expressed in Canadian Dollars)

21. INCOME TAXES

The Company owns a wholly-owned subsidiary, RWB Platinum Vape Inc., that operates in the cannabis industry. As such, the Company is subject to the limits of IRC Section 280E under which they are only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

Income tax expense (recovery) for the years ended December 31, 2021 and 2020 is comprised of:

	2021	2020
Income tax expense (recovery)		
Current tax - continuing operations	**$ 3,674,224**	$ 3,125,261
Deferred tax - continuing operations	**(3,513,370)**	(2,923,847)
Deferred tax - discontinued operations	**(15,807,994)**	(3,319,821)
	$ (15,647,140)	$ (3,118,407)

Income tax recovery differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2020 - 26.5%) to income before income taxes. The reconcilliation of the differences are as follows:

	2021	2020
Loss before income taxes	**$ (98,997,843)**	$ (21,695,274)
Statutory income tax rate	**26.5%**	26.5%
Expected income tax recovery	**(26,250,445)**	(5,749,248)
Effect of change in tax rates	**111,704**	(186,145)
Non-deductible recoveries and other	**661,426**	253,284
Listing expense	**-**	8,436,570
Stock based compensation	**1,293,605**	1,048,334
Foreign exchange	**398,564**	467,291
Fair value adjustments	**(7,819,574)**	(14,209,158)
280E expenses	**4,481,797**	670,731
Amortization of intangible assets	**6,373,387**	2,824,413
Gain on settlement of debt	**1,197,893**	-
Share issuance costs booked through equity	**-**	(530,595)
Changes in unrecognized deductible temporary differences	**3,904,503**	3,856,116
Income tax recovery	**$ (15,647,140)**	$ (3,118,407)

The following table summarizes the movement in deferred tax assets and liabilities:

	2021
Balance at December 31, 2019	$ -
Future income tax recovery (expense)	6,243,668
Income tax recovery on share issuance costs	595,393
Acquired through business combination	(33,997,312)
Balance at December 31, 2020	**$ (27,158,251)**
Future income tax recovery (expense)	3,513,370
Reduction in deferred tax liability related to discontinued operations	15,988,332

(Expressed in Canadian Dollars)

Translation adjustment	151,596
Balance at December 31, 2021	**$ (7,504,953)**

The following table summarizes the components of deferred tax assets (liabilities):

	2021	2020
Deferred tax assets		
Non-capital loss carry forward	**10,174,800**	$ 2,611,138
Earn-out	**-**	2,701,412
Deferred tax liabilities		
Biological assets and inventory	**(1,123,700)**	(188,905)
Property, plant and equipment, net	**(14,561,300)**	(23,648,336)
Intangible assets	**(1,754,100)**	(8,015,186)
Note payable	**-**	(438,366)
Investments	**-**	(180,008)
Right-of-use assets	**(4,610,900)**	-
Lease liability	**4,754,500**	-
Other	**(276,953)**	-
Currency translation adjustment	**(107,300)**	-
Net deferred tax liabilities	**$ (7,504,953)**	$ (27,158,251)

The unrecognized temporary differences of the Company are comprised of:

	2021	2020
Property, plant and equipment, net	**198,000**	207,000
Non-capital loss carry forward	**90,571,000**	17,274,000
Capital loss carry forward	**1,853,000**	1,853,000
Unamortized share issuance cost	**2,114,000**	3,200,000
	$ 94,736,000	$ 22,534,000

As at December 31, 2021, the Company has Canadian unrecognized non-capital loss carryforwards of approximately $90,571,000 (2020 - $17,274,000), which are available to offset future years' taxable income. These losses expire as follows:

2037	$30,000
2038	507,000
2039	5,156,000
2040	11,581,000
2041	73,297,000
Total	**90,571,000**

(Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS AND RISKS

a) Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at December 31, 2021 and 2020 as follows:

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2021				
Cash and cash equivalents	818,753	-	-	818,753
Derivative asset	-	-	1,218,382	1,218,382
Derivative liability	-	-	(2,326,101)	(2,326,101)
Call/put option	-	-	146,774,493	146,774,493
Total	**$ 818,753**	**$ -**	**$145,666,774**	**$146,485,527**
December 31, 2020				
Cash and cash equivalents	$ 1,146,569	$ -	$ -	$ 1,146,569
Call/put option	-	-	112,658,740	112,658,740
TDMA loan	-	-	4,231,664	4,231,664
PV convertible loan	-	-	(17,705,058)	(17,705,058)
Total	**$ 1,146,569**	**$ -**	**$ 99,185,346**	**$100,331,915**

The table below presents the continuity schedule of the Company's Level 3 investments:

Balance, January 1, 2020	$55,967,351
Additions TDMA Loan FVTPL	4,231,664
Additions PV convertible Loan FVTPL	(17,705,058)
Change in call/put option FVTPL	56,691,389
Balance, December 31, 2020	$ 99,185,346
Settlement of TDMA loan FVTPL	(4,231,664)
Additions to derivative asset	1,218,382
Additions to derivative liability	(2,326,101)
Additions PV convertible loan FVTPL	17,705,058
Change in call/put option FVTPL	34,115,753
Balance, December 31, 2021	$ 145,666,774

The fair values of other financial instruments, which include accounts receivable, accounts payable and accrued liabilities, loans receivable, loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet it's contractual obligations. Financial instruments that are subject to such risk include cash, accounts receivable and loans receivable. Accounts receivable balances are receivable from financial stable companies with good credit history. Included in the accounts receivables is a credit loss allowance in the amount of $599,990 as at December 31, 2021 (2020 - $Nil). The Company limits its exposure to credit loss by placing its cash with reputable financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company is exposed to significant credit risk on its loans receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company mitigates credit risk on loans receivable by monitoring the financial performance of borrowers.

c) Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at December 31, 2021 and 2020, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

d) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore the Company does not consider interest rate risk for cash to be significant.

As at December 31, 2021 and 2020, the interest rate on loans receivable, credit facilities, and convertible debentures are fixed based on the contracts in place. As such, the Company is exposed to interest rate risk to the extent as stated on these financial assets and liabilities.

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

As at December 31, 2021, the Company had a cash balance of $818,753 (2020 - $1,146,569) available to apply against short-term business requirements and current liabilities of $183,447,737 (2020 - $70,794,116). All of the liabilities presented as accounts payable and accrued liabilities are due within 120 days of December 31, 2021.

(Expressed in Canadian Dollars)

23. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the year ended December 31, 2021 and 2020:

a) Included in accounts payable and accrued liabilities is $200,462 (2020 - $374,232) payable to officers and a director of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.

b) Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	2021	2020
Consulting fees paid or accrued to a company controlled by a director of the Company	$ 547,065	$ 241,801
Salary accrued to management of the Company	211,186	676,164
Share-based compensation	556,270	515,318
	$ 1,314,521	$ 1,433,283

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the year ended December 31, 2021 and 2020.

As discussed in Note 30, the Company completed the acquisition of PharmaCo, Inc. and prior discussions involving PharmaCo, Inc. are also considered related party transactions.

24. CAPITAL MANAGEMENT

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.

The Company's equity comprises of share capital, contributed surplus, warrant reserve, and accumulated deficit. As at December 31, 2021, the Company has a shareholders' equity of $ 196,850,756 (December 31, 2020 - $209,484,779). Note that included in the consolidated statements of financial position presented is a deficit of $(116,877,562) as at December 31, 2021 (December 31, 2020 - $33,254,492). The Company manages capital through its financial and operational forecasting processes.

The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the board of directors of the Company. The Company's capital management objectives, polices and processes have remained unchanged during the year ended December 31, 2021. The Company is not subject to any external capital requirements.

(Expressed in Canadian Dollars)

25. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The changes in non-cash working capital items during the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Prepaid expenses	$ (2,646,842)	$ -
Accounts receivable	1,447,675	-
Accounts payable and accrued liabilities	12,761,200	-
Current income tax payable	703,557	-
Warrants issued for intangible asset	-	4,995,000
Biological assets	(4,000,190)	-
Inventory	11,569,263	-
Loans receivable	-	5,848,000
Loans payable	-	10,605,100
Cash consideration on acquisition included in deposits interest paid	-	3,915,943
Shares issued for intangible assets	-	16,983,000
	$ 19,834,663	$ 42,347,043

The following are non-cash transactions affecting cash flows from investing and financing activities during the year ended December 31, 2021:

- Issuance of shares for the Acreage acquisition (Note 6);
- Issuance of shares for the Apopka asset acquisition (Note 6);
- Conversion of promissory notes for two cultivation licenses and a processing license (Note 15);
- Issuance of convertible series II preferred shares and share purchase warrants for the settlement of debentures (Note 20); and
- Issuance of common shares for the settlement of debt (Note 20).

26. OPERATING SEGMENTS

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct and the operating results are regularly reviewed by the chief operating decision maker (“CODM”) for the purposes of resource allocation decisions and assessing its performance. Reportable segments are Operating segments whose revenues or profit/loss or total assets exceed ten percent or more of those of the combined entity. Key measures used by the CODM to assess performance and make resource allocation decisions include revenues, gross profit and net (loss) income. The Company's business activities are conducted through one operating segment, cannabis and hemp. All revenue is derived from the sale of cannabis and hemp products in the USA.

27. COMMITMENTS AND CONTINGENCIES

(a) Claims and Litigation

A third party consultant worked for the Company in 2017. On or about December 18, 2017, the Company had an oral discussion with the consultant on the compensation of the service the consultant provided. On January 10, 2019, the Company amended the contract, and the consultant signed a full and final release in favor of the Company. Although the Company made full compensation to the consultant according to the amended contract, the consultant filed a statement of claim against the Company on April 26, 2021. The Company is in process of finalizing the defence. The Company does not believe that this claim has merit and it intends to defend the claim.

In the normal course of business, the Company is involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in these consolidated financial statements. Management believes that the resolutions of these proceedings will not have a material unfavourable effect on the Company's consolidated financial statements.

(b) Contingencies

i) The Company’s operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of licenses and permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with applicable local and state regulations at December 31, 2021 and December 31, 2020, cannabis and other regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

ii) On June 4, 2020, the Company acquired certain rights granted from HT Retail Licensing, LLC (“Licensor”) to 1251881 BC Ltd, (“Licensee”), a wholly owned subsidiary of the Company. Under this agreement, the Licensor granted an exclusive, non-transferable, non-assignable right and license to practice High Times Intellectual Property Rights (the “Rights”) related to the Commercialization of Cannabis Products and CBD Products in the Territory - Michigan, Florida and Illinois for Cannabis and in the general US for CBD. The Rights for the State of Florida were denied for use by the OMMU, and the Company did not receive a THC license in the State of Illinois. The first licensing period for Michigan was for a period of 18 months which was completed on December 20, 2021. The Company recorded an accrual of licensing fees commencing on June 4, 2020, up until, and including, December 31, 2021. Subsequent to year end, the Company received a Cease-and-Desist notice from Licensor in respect to the Rights and ceased to be engaged in the manufacturing, sale or licensing of the Rights. Accordingly, the Company has impaired its Right of Use under the licensing agreement and has eliminated any license liabilities remaining after February 27th, 2022. In addition, the company has entered into negotiations with respect to the accrued existing outstanding liabilities to the Licensor and agreed to voluntary non binding mediation between the Company and the Licensor. The Company has not reached a resolution with the Licensor, as there continues to be a dispute over the amount of licensing fees owned to the licensor and there can be no assurance that a resolution would be favorable to the Company. Notwithstanding the above, the Company’s position remains that there was a failure of the Licensor to perform under the licensing agreements between the parties.

(Expressed in Canadian Dollars)

28. DISCONTINUED OPERATIONS

During the year ended December 31, 2021 and as disclosed in Note 10, the Company entered into a letter of intent for the sale of the Granville Facility. Accordingly, the entire Granville CGU has been classified as a a discontinued operations given it is no longer part of the Company's ongoing business. Additional information with respect to the components of income (loss) and cash flows from discontinued operations are as follows:

		2021	2020
Revenue		$ 3,164,231	$ 4,071,820
Cost of sales, before fair value adjustments		19,294,416	3,119,628
Unrealized changes in fair value of biological assets		-	543,116
Realized fair value amounts included in inventory sold		2,797,221	45,232
Gross profit (loss)		(18,927,406)	454,308
General and administration		2,843,957	2,907,046
Salaries and wages		5,186,089	4,737,373
Depreciation and amortization		5,388,278	4,424,796
Sales and marketing		306,238	88,764
Loss from operations before other expenses (income)		(32,651,968)	(11,703,671)
Other expense (income)			
Finance expense		(180,539)	192
(Gain) loss on disposal of property, plant and equipment		26,020,708	(232,874)
Revaluation of financial instruments		(4,324,675)	-
Impairment of intangibles		5,842,530	-
Loss before income taxes		(60,009,992)	(11,470,989)
Deferred income tax recovery		(15,807,994)	(3,319,821)
Net loss from discontinued operations		(44,201,998)	(8,151,168)
Net loss per share, basic and diluted on discontinued operations	21	**$ (0.20)**	$ (0.06)
Weighted average number of outstanding common shares, basic and diluted		**217,798,257**	137,571,316

(Expressed in Canadian Dollars)

Cash Flows from Discontinued Operations

	2021	2020
Net cash used in operating activities	($13,488,321)	($13,635,277)
Net cash provided by (used in) investing activities	(850,864)	$1,712,459
Net cash provided by financing activities	14,395,156	11,786,628
Change in cash and cash equivalents	$55,971	($136,190)

29. RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with current year presentation.

Right-of-use assets amounting to $392,188 were presented on a combined basis in property, plant and equipment, net. This has been presented separately on the Company's consolidated statements of financial position.

This reclassification had no effect on the previously reported consolidated statements of loss and comprehensive loss, and cash flows from operating activities in the consolidated statements of cash flow.

30. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021:

- On February 8, 2022, the Company, through its wholly-owned subsidiary RWB Michigan, LLC ("RWB Michigan"), acquired all of the issued and outstanding shares of PharmaCo, Inc. ("PharmaCo"). In consideration for this acquisition, the Company issued 37,000,000 units of the Company (each, a "Unit"). Each Unit is comprised of one common share and one series II convertible preferred share of the Company. Each Series II Preferred Share is convertible at any time(s) prior to April 24, 2022 in accordance with the terms set out in the Company's articles of incorporation. The Units were issued at a deemed price of $0.90 per Unit. In addition, the Company converted $30 million of the previously advanced loans to PharmaCo into preferred shares in PharmaCo to RWB Michigan immediately prior to closing. Upon issuance, RWB Michigan will hold 100% of the issued and outstanding shares of PharmaCo;

- On February 8, 2022, the Company entered into agreements with certain creditors of PharmaCo for the settlement of an aggregate of $4,048,000 of indebtedness, through the issuance of 4,024,000 PharmaCo Units;

- On February 8, 2022, the Company issued 525,000 restricted share units to a consultant of the Company that vest immediately; and

- completed the Granville Transaction as disclosed in Note 10.