Red White & Bloom Brands Inc.

Consolidated Financial Statements

For the years ended December 31, 2022, and 2021

CSE: RWB

OTCQX: RWBYF

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Red White & Bloom Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Red White & Bloom Brands Inc. (the "Company") as of December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, 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 1 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 1. 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 7 to the consolidated financial statements, on February 7, 2022, the Company, through its wholly-owned subsidiary, RWB Michigan, LLC, completed the acquisition of all of the issued and outstanding shares of PharmaCo, Inc.

As discussed in Note 15 to the consolidated financial statements, on April 14, 2022, the Company completed the sale of the Company’s operations located in Granville, Illinois.

As discussed in Notes 17 and 18 to the consolidated financial statements, the Company incurred $214,764,297 of impairments of its various intangible assets and goodwill.

As discussed in Note 21 to the consolidated financial statements, the Company amended and restructured its debt portfolio which resulted in a net loss of extinguishment of $4,296,428.

As discussed in Notes 22 and 30 to the consolidated financial statements, the Company settled various liabilities by issuing shares and reassessing the probability of loss resulting in a net gain of $16,038,580.

As discussed in Note 28 to the consolidated financial statements, the Company disclosed its assessment of related party transactions.

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

Macias Gini & O'Connell LLP

Walnut Creek, California
May 12, 2023

PCAOB ID Number 324

MANAGEMENTS' 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.

May 15, 2023

/s/ *"Brad Rogers" Director*
/s/ *"Colby De Zen" Director*

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 8)	2,747,138	818,753
Accounts receivable (note 9)	8,439,143	4,823,696
Prepaid expenses and other assets (note 10)	5,311,199	3,700,500
Inventory (note 11)	14,457,013	5,991,739
Biological assets (note 12)	4,291,458	5,523,061
Loans receivable (note 13)	-	51,129,395
Assets held for sale (note 15)	-	55,022,520
Derivative asset (note 21)	-	1,218,382
	35,245,951	**128,228,046**
Non-current assets		
Property, plant and equipment, net (note 16)	73,873,258	24,392,475
Intangible assets, net (note 17)	125,348,600	116,893,915
Right-of-use assets, net (note 19)	20,703,498	18,688,257
Call/put option (note 14)	-	146,774,493
Goodwill (note 18)	37,494,861	11,890,928
	257,420,217	**318,640,068**
Total assets	**292,666,168**	**446,868,114**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 20)	37,992,341	27,475,664
Short-term license liability (note 30)	-	8,135,473
Short-term notes payable (note 21)	1,974,584	51,876,994
` Short-term credit facility (note 21)	17,551,668	65,472,909
Short-term lease obligations (note 19)	602,418	640,159
Income taxes payable	12,633,699	3,828,818
	70,754,710	**157,430,017**
Non-current liabilities		
Long-term notes payable (note 21)	87,357,123	38,104,234
Long-term convertible debentures (note 21)	64,897,343	26,017,720
Long-term lease obligations (note 19)	22,285,277	18,634,333
Deferred income tax liability (note 26)	15,941,348	7,504,953
Derivative liabilities (note 21)	3,230,322	2,326,101
	193,711,413	**92,587,341**
Total liabilities	**264,466,123**	**250,017,358**
Shareholders' equity		
Share capital (note 22)	342,068,972	282,166,160
Contributed surplus	16,368,382	14,192,749
Cumulative translation adjustment	10,705,725	(692,849)
Accumulated deficit	(352,649,020)	(116,877,562)
Non-controlling interest (note 27)	11,705,986	18,062,258
Total shareholders' equity	**28,200,045**	**196,850,756**
Total liabilities and shareholders' equity	**292,666,168**	**446,868,114**

Nature of operations (note 1)
Segmented results (note 31)
Subsequent events (note 34)
Commitments and contingencies (note 30)

Approved by the Board

/s/ *"Brad Rogers" Director*
/s/ *"Colby De Zen" Director*

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

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE PROFIT AND LOSS

(In Canadian Dollars)

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
	$	$
Revenue		
Sales revenue (note 24, 31)	97,493,504	37,265,570
Cost of goods sold, before fair value adjustments	70,024,157	17,777,694
	27,469,347	**19,487,876**
Unrealized changes in fair value of biological assets	2,867,768	3,431,994
Realized fair value amounts included in inventory sold	(2,709,239)	297,785
Gross profit	**27,627,876**	**23,217,655**
Operating Expenses		
General and administration (note 25)	33,012,076	28,076,544
Marketing expenses	3,871,878	2,725,232
Share-based compensation (note 22)	477,980	4,881,530
Depreciation and amortization (note 16, 17)	6,295,910	21,012,472
Earn-out expense (recovery)	-	(9,401,250)
Bad debt expense (note 9)	1,229,227	-
	44,887,071	**47,294,528**
Loss from operations before other expenses (income)	**(17,259,195)**	**(24,076,873)**
Other expense (income)		
Accreted interest, leases (note 19)	2,666,326	1,423,009
Finance expense, net (note 21)	21,830,728	22,540,693
(Gain) loss on revaluation of call/put option (note 14)	-	(32,054,789)
(Gain) loss on evaluation of financial instruments (note 21)	(803,868)	704,708
(Gain) loss on settlement of debt (note 22)	(16,038,580)	663,105
Loss on debt extinguishment (note 21)	4,296,428	-
Loss on licensing agreement, net (note 30)	-	20,390,521
Loss on disposal of property, plant and equipment (note 16)	72,302	-
Impairment of intangible assets (note 17)	29,539,510	-
Impairment of goodwill (note 18)	185,224,787	-
Foreign exchange	3,184,091	1,243,731
Total other expenses (income)	**229,971,724**	**14,910,978**
Loss before income taxes	**(247,230,919)**	**(38,987,851)**
Current income tax expense (note 26)	(8,686,256)	(3,674,224)
Deferred income tax recovery (note 26)	10,354,737	3,513,370
Net loss from continuing operations	**(245,562,438)**	**(39,148,705)**
Gain (loss) from discontinued operations (note 33)	3,434,708	(44,201,998)
Net loss for the year	**(242,127,730)**	**(83,350,703)**
Translation adjustment	(11,398,574)	(1,203,773)
Net loss and Comprehensive loss	**(253,526,304)**	**(84,554,476)**
Net loss attributable to:		
Shareholders	**(235,771,458)**	**(83,623,070)**
Non-controlling interests	(6,356,272)	272,367
Comprehensive loss attributable to:		
Shareholders	(247,170,032)	(84,826,843)
Non-controlling interests	(6,356,272)	272,367
Net loss per share, basic and diluted (note 23)	**(0.60)**	**(0.18)**
Weighted average number of outstanding common shares, basic and diluted	**392,443,765**	**217,798,257**

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

	Convertible Series I Preferred Shares	Convertible Series I Preferred Shares	Convertible Series II Preferred Shares	Convertible Series II Preferred Shares	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	$	#	$	#	$	$	$	$	$	$
Balance, January 1, 2021	**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 (note 22)	-	-	1,200,000	879,325	1,375,000	903,994	-	(1,078,319)	-	-	705,000
Exercise of restricted share units (note 22)	-	-	-	-	3,529,145	3,186,970	-	(441,715)	-	-	2,745,255
Share-based compensation (note 22)	-	-	-	-	-	-	-	2,136,275	-	-	2,136,275
Issuance of warrants (note 22)	-	-	-	-	-	-	-	674,415	-	-	674,415
Preferred shares conversion (note 22)	-	-	(30,246,040)	(11,596,682)	32,290,461	11,596,682	-	-	-	-	-
Warrants exercised (note 22)	-	-	-	-	16,180,195	20,253,387	-	(4,471,735)	-	-	15,781,652
Finance charges (note X)	-	-	-	-	2,184,385	2,704,030	-	-	-	-	2,704,030
Shares issued for Acreage acquisition (note 7)	-	-	-	-	5,950,971	8,747,927	-	-	-	-	8,747,927
Non-controlling interest (note 27)	-	-	-	-	-	-	17,789,891	-	-	-	17,789,891
Shares issued for debenture repayment (note 22)	-	-	8,445,426	11,407,946	-	-	-	2,509,965	-	-	13,917,911
Shares issued for debt settlement (note X)	-	-	-	-	7,022,312	3,259,469	-	-	-	-	3,259,469
Shares issued for asset purchase (note X)	-	-	-	-	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)
Balance, 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**

	Convertible Series I Preferred Shares	Convertible Series I Preferred Shares	Convertible Series II Preferred Shares	Convertible Series II Preferred Shares	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	$	#	$	#	$	$	$	$	$	$
Balance, January 1, 2022	**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**
Exercise of restricted share units (note 22)	-	-	-	-	910,000	406,850	-	(406,850)	-	-	-
Exercise of stock options (note 22)	-	-	-	-	100	105	-	(40)	-	-	65
Restricted share units issued (note 22)	-	-	-	-	-	-	-	472,750	-	-	472,750
Stock based compensation (note 22)	-	-	-	-	-	-	-	5,230	-	-	5,230
Conversion of preferred shares I to common shares (note 22)	(3,181,250)	(5,637,175)	-	-	3,181,250	5,637,175	-	-	-	-	-
Shares issued for PharmaCo acquisition (note 7)	-	-	37,000,000	36,946,187	37,000,000	19,200,750	-	-	-	-	56,146,937
Preferred shares conversion (note 22)	-	-	(129,985,275)	(83,682,864)	139,125,139	83,682,864	-	-	-	-	-
Shares issued in connection with derivative liability (note 21, 22)	-	-	-	-	6,004,594	1,104,873	-	-	-	-	1,104,873
Shares issued for the settlement of debt (note 22)	-	-	-	-	22,440,467	2,244,047	-	-	-	-	2,244,047
Equity portion of convertible debenture (note 21)	-	-	-	-	-	-	-	2,104,543	-	-	2,104,543
Currency translation adjustments	-	-	-	-	-	-	-	-	11,398,574	-	11,398,574
Net loss	-	-	-	-	-	-	(6,356,272)	-	-	(235,771,458)	(242,127,730)
Balance, December 31, 2022	**-**	**-**	**-**	**-**	**469,521,901**	**342,068,972**	**11,705,986**	**16,368,382**	**10,705,725**	**(352,649,020)**	**28,200,045**

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

RED WHITE & BLOOM BRANDS, INC. ***(formerly Tidal Royalty Corp.)***

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the period ended December 31, 2022	For the period ended December 31, 2021
	$	$
Cash flow from operating activities:		
Net loss for the period	**(242,127,730)**	**(83,350,703)**
Items not involving cash:		
Realized (gain) loss in cost of sales	2,709,239	(3,095,006)
Fair value adjustment on biological assets	(2,867,768)	(3,431,994)
Accreted interest on leases (note 19)	2,666,326	-
Addition of right-of-use assets (note 19)	67,323	-
Depreciation of right-of-use assets (note 19)	1,721,906	-
Depreciation of property, plant and equipment (note 16)	4,507,059	26,400,750
Disposal of property, plant and equipment (note 16)	72,302	-
Accrued interest on short-term notes (note 21)	3,704,025	-
Accrued interest on long-term notes (note 21)	6,851,751	-
Accrued interest on convertible debentures (note 21)	9,030,278	-
Accrued interest on credit facility (note 21)	3,830,665	-
(Gain) loss on extinguishment of debt (note 21)	4,296,428	-
Gain on settlement of debt (note 21, 30)	(16,038,580)	(3,665,457)
Revaluation of call/put option (note 14)	-	(32,054,789)
Foreign exchange	-	1,243,731
Write off of deposit and bad debts (note 9)	1,229,227	599,990
(Gain) Loss on licensing agreement, net	-	20,390,521
Revaluation of financial instruments (note 21)	(803,868)	704,708
Share-based compensation (note 22)	5,230	4,881,530
Issuance of restricted share units (note 22)	472,750	-
Impairment of intangible assets (note 17)	29,539,510	31,863,238
Impairment of goodwill (note 18)	185,224,788	-
Earn-out recovery	-	(9,401,250)
Non-cash finance charge	1,127	1,819,534
	(5,908,012)	**(47,095,197)**
Changes in non-cash working capital items:		
Accounts receivable (note 9)	(253,179)	1,447,675
Prepaid expenses (note 10)	(391,078)	(2,646,842)
Inventory (note 11)	(4,923,884)	11,569,263
Biological Assets (note 12)	5,095,728	(4,000,190)
Accounts payable and accrued liabilities (note 20)	(8,644,124)	12,761,200
Income tax payable (note 26)	8,292,238	703,557
Deferred income tax expense (recovery) (note 26)	(10,790,526)	(19,321,364)
Net cash provided by (used in) operating activities	**(17,522,837)**	**(46,581,898)**
Cash flows from investing activities		
Acquisition of property, plant and equipment (note 7, 16)	(4,232,711)	(9,975,917)
Cash received (paid) for acquisitions (note 7)	-	(31,757,985)
Loan received	-	540,512
Loan advanced	-	(7,828,229)
Acquisition of PharmaCo, Inc. (note 7)	748,464	-
Net cash provided by (used in) investing activities	**(3,484,247)**	**(49,021,619)**
Cash flow from financing activities:		
Issuance of share capital, net (note 22)	-	18,380,187.00
Exercise of stock options (note 22)	65	705,000
Proceeds from issuance of shares for warrants exercised (note 22)	-	15,781,652
Issuance of note payable (note 21)	-	73,445,423
Loans payable repaid (note 21)	-	(38,482,989)
Issuance of convertible debenture (note 21)	-	31,353,454
Issuance of short-term notes payable (note 21)	6,363,456	-
Issuance of long-term notes payable (note 21)	10,698,920	-
Amendment of long-term notes payable (note 21)	2,847,281	-
Principal payments on short-term notes (note 21)	(894,275)	-
Interest payments on short-term notes (note 21)	(4,331,960)	-
Interest payments on long-term notes (note 21)	(1,661,201)	-
Interest payments on credit facility (note 21)	(1,045,331)	-
Principal payments on lease obligations (note 19)	(505,244)	(557,257)
Interest payments on lease obligations (note 19)	(2,666,326)	(1,423,009)
Net cash provided by (used in) financing activities	**8,805,385**	**99,202,461**
Foreign exchange affecting cash	14,130,084	(3,926,760)
Change in cash during the year	1,928,385	(327,816)
Cash, beginning of year	818,753	1,146,569
Cash, end of year	**2,747,138**	**818,753**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Red White & Bloom Brands Inc., formerly, Tidal Royalty Corp. (the "Company" or "RWB") is publicly traded, with its common shares currently trading on the Canadian Securities Exchange (the “CSE”) under the trading symbol "RWB" and in the United States on the OTCQX under the symbol "RWBYF". The Company was incorporated on March 12, 1980, pursuant to the Business Corporations Act, British Columbia, with its registered office is located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

RWB is a multi-state operator in the United States conducting operations in the legal cannabis industry. The principal activity of the Company is the sale of a diverse range of high-quality cannabis-based products delivered through its distribution and retail channels. The Company operates twelve (12) licensed adult-use and medical retail dispensaries located in the legal states of Michigan and Florida. Through its distribution operations, RWB has extended its penetration in the U.S. market directly to licensed retailers in the states of Michigan and California. As of December 31, 2022, the Company, in accordance with its asset-light strategy, was in the process of expanding its operations to include licensing of its key Platinum and Platinum Vape brands in strategic legal states such as Arizona and Missouri.

The audited consolidated financial statements for the year ended December 31, 2022 (the “Financial Statements”), have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2022, the Company incurred accumulated net comprehensive losses of $352,649,020 (2021; $116,877,562) since inception, including non-cash impairments of $214,764,297 realized in fiscal 2022 (2021; $20,390,521). For the year ended December 31, 2022, the Company incurred a comprehensive net loss of $253,526,304 (2021; $84,554,476), including the non-cash impairments of $214,764,297 (2021; $20,390,521). Net cash used in operations was $17,503,155 (2021; $46,581,898).

The Company's operations are mainly funded with debt and equity financing, which is dependent upon many external factors and may be difficult to raise additional funds when required. The Company may not have sufficient cash to fund ongoing operations, and the acquisition and development of assets or servicing of debt requirements and will therefore require additional funding, which if not raised by the aforementioned, may result in the delay, postponement, or curtailment of some of its activities. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following the December 31, 2022 fiscal year end. To address its financing requirements, the Company continues to aggressively pursue several available options including financing via debt and equity markets to fund growth initiatives, both organic and acquisitive and monetization of captive assets; tangible and intangible. The Company will also continue to seek to improve its cash flow by prioritizing operating initiatives with greater expected returns and also aggressively reduce operating costs by streamlining its operations and support functions. 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 may result 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 the Financial Statements for the year ended December 31, 2022, 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.

2. BASIS OF PRESENTATION

a. STATEMENT OF COMPLIANCE

The Company's audited consolidated financial statements (“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, 2022, and 2021).

During the preparation of the December 31, 2022, Financial Statements, the Company became aware of an error regarding the deferred tax liability and goodwill associated with the Florida Acquisition (note 7). In fiscal 2022, the Company identified that the calculation of the deferred tax liability relating to taxable temporary differences of acquired operating licenses totalling $10,868,067 was not recognized as part of the final purchase price adjustments for the Florida Acquisition reported with the December 31, 2021, consolidated financial statements. As such, the Company determined that the goodwill of the acquired business was also understated by the same amount of the understatement of the deferred tax liability in the same fiscal year. The calculation was corrected in December 31, 2022 and the residual balance of the goodwill previously understated ($10,868,067) was impaired as of December 31, 2022, as determined during the Company’s 2022 annual impairment review (note 18). The error was not considered material to total assets or long-term liabilities reported for the fiscal year ended December 31, 2021.

These Financial Statements were authorized for issuance by the Company's Board of Directors and Audit Committee on May 15, 2023.

b. BASIS OF MEASUREMENT

These 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 6. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

c. FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these consolidated financial statements are reflected in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company’s foreign currency and foreign currency translation accounting policies found in note 6. Functional currencies of subsidiaries included in these Financial Statements can be found in note 3.

3. BASIS OF CONSOLIDATION

a. SUBSIDIARIES

Subsidiaries are those entities which the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect these returns through its power over the investee. The Company has applied the full consolidation method for entities that meet the criteria for consolidation.

Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Company.

Subsidiaries with controlling interest within these Financial Statements include:

Subsidiary	Source Currency	Jurisdiction	% Ownership 2022	% Ownership 2021
1251881 B.C. Ltd.	CAD	British Columbia, Canada	100%	100%
Red White & Bloom Brands Inc.	CAD	British Columbia, Canada	100%	100%
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
MichiCann Medical Inc.	CAD	Ontario, Canada	100%	100%
PV CBD, LLC	USD	California, United States	100%	100%
RWB Platinum Vape Inc.	USD	California, United States	100%	100%
Vista Prime Management, LLC	USD	California, United States	100%	100%
Vista Prime 3, Inc.	USD	California, United States	100%	100%
Vista Prime 2, Inc.	USD	California, United States	100%	100%
Mid-American Growers, Inc.	USD	Delaware, United States	100%	100%
Royalty USA Corp.	USD	Delaware, United States	100% *Pending reactivation*	100%
RWB Florida LLC	USD	Florida, United States	77%	77%
Red White & Bloom, Florida Inc.	USD	Florida, United States	77%	77%
Real World Integration, LLC	USD	Illinois, United States	100%	100%
GC Ventures 2, LLC	USD	Michigan, United States	100%	100%
PharmaCo, Inc.	USD	Michigan, United States	100%	-
RWB Michigan LLC	USD	Michigan, United States	100%	100%
RWB Illinois, Inc.	USD	Delaware, United States	100% *Pending reactivation*	100%
RLTY Beverage 1 LLC	USD	Delaware, United States	*Dissolved	100%
RLTY Development MA 1 LLC	USD	Delaware, United States	*Dissolved	100%
Mid-American Cultivation, LLC.	USD	Illinois, United States	*Dissolved	100%
RWB Freedom Flower, LLC	USD	Illinois, United States	*Dissolved	100%
RWB Shelby, Inc.	USD	Illinois, United States	*Dissolved	100%
RLTY Development Orange LLC	USD	Massachusetts, United States	*Dissolved	100%
RLTY Development Springfield LLC	USD	Massachusetts, United States	*Dissolved	100%

**Dissolution Dates: RLTY Beverage 1 LLC – December 20, 2022, RLTY Development MA 1 LLC – December 9, 2022, Mid-American Cultivation, LLC. – July 5, 2022, RWB Freedom Flower, LLC - August 22, 2022, RWB Shelby, Inc. – October 25, 2022, RLTY Development Orange LLC – December 20, 2022, RLTY Development Springfield LLC – December 20, 2022. Royalty USA Corp. and RWB Illinois Inc. are pending reactivation in their respective jurisdictions.*

b. COVID-19 PANDEMIC

The Company operates within the jurisdiction of the United States of America's legal cannabis markets which have not been sheltered from the legacy impacts of the global COVID-19 pandemic. To date, the Company has been able to navigate, but not completely mitigate, the lingering detrimental economic impacts of the global COVID-19 pandemic caused by, but not limited to, reduced consumer demand for discretionary expenditures driven by interest rate increases implemented to curb rising inflation caused by the disruption of the U.S. economy during the pandemic, global supply chain disruptions that continue to impact the supply of manufacturing inputs from international markets, and the increase in operating costs associated with enhanced health and safety measures including the costs of personal protective equipment provided to our valued employees.

A major factor that has contributed to the Company being able to weather the aforementioned conditions during the COVID-19 pandemic was that the Company's businesses were deemed essential by local governments in the jurisdictions in which they operate. As such, the Company could continue to operate and generate cash from operations to sustain operations. the company has also employed other measures such as touchless curbside pickup at its retail locations (dispensaries) to sustain shipments. while the company has avoided any major economic disruptions caused by the pandemic to date, there can be no guarantee that the aforementioned conditions do not detrimentally impact the Company's retail and distribution operations should the pandemic escalate in the future to levels seen during its 2020 and 2021 fiscal years. The Company remains vigilant and continues to employ defensive measures such as advance buying of key manufacturing inputs to avoid supply chain disruptions both locally and internationally, cash preservation as deemed necessary, continuing education programs at its respective operation locations, and ongoing investments in protective equipment and infrastructure mitigating the spread of Covid-19 within its work environments.

As at December 31, 2022, and 2021 the Company has determined that no material revisions to estimates, judgments or assumptions were necessary relating to COVID-19.

4. ACCOUNTING PRONOUNCEMENTS

a. ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Amendments to IAS 37 Onerous Contracts and the Cost of Fulfilling a Contract ("IAS 37")

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The Company applied the standard prospectively from January 1, 2022. The amendments did not have an impact on the Financial Statements.

b. STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET EFFECTIVE

New and amended accounting standards are effective for the Company for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company has not early adopted the new or amended standards in preparing these Financial Statements. The Company has not yet determined the impact of these amendments on its consolidated financial statements. The following are relevant new and amended standards.

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2023, and are to be applied retrospectively. The amendments do not have a material impact on the consolidated financial statements.

In October 2022, the IASB issued another amendment to IAS 1, which affects the classification of Liabilities as Current or Non-current, clarifying requirements for the classification of liabilities as non-current which is effective for annual periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

Amendments to IAS 8 in February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments do not have a material impact on the consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("IAS 12")

The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IFRS 16, Lease liability in a Sale and Leaseback

The amendment specifies the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains that is effective for annual periods beginning on or after January 1, 2024. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as a current or non-current at the reporting date. Instead, the amendment requires disclosure of information about these covenants in the notes to the financials statements. The amendments are effective for annual reporting periods belonging to January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

5. CRITICAL ASSUMPTIONS AND SOURCES OF UNCERTANITY

The preparation of these 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and future years:

a. BUSINESS COMBINATIONS AND ACQUISITIONS

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates relate to private investments (as applicable) and intangible assets acquired. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Management assesses business acquisitions in accordance with IFRS 3 – *Business Combinations*.

b. CONTROL

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

c. EXPECTED CREDIT LOSS ON RECEIVABLES

Management applies the simplified approach, as defined in IFRS, to measure expected credit losses, which requires the use of the lifetime expected credit loss provisions for trade receivables that do not have a significant financing component. To measure lifetime expected credit losses, trade receivables are first classified into groups with shared credit characteristics and the age of days outstanding. The assessment also considers historical experience of bad debt, including the customers' ability to pay and the impact of any relevant economic conditions which are expected during the life of the outstanding balance. The loss allowance is determined according to a provision matrix incorporating historical experiences, when available, adjusted for current and future conditions expected for the life of the respective trade receivable balances.

d. BIOLOGICAL ASSETS AND INVENTORY VALUATION

Management is required to make several estimates and assumptions in calculating the fair value of biological assets. These estimates and assumptions include the stage of growth of the cannabis harvest, 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.

e. FAIR VALUE MEASUREMENTS OF FINANICAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company calculates the estimated fair value of financial instruments using quoted market prices where available. When quoted market prices are not available, the Company uses select pricing models to derive fair value.

f. 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 consider factors such as economic and market conditions and the useful lives of assets.

g. 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 are amortized are tested for impairment when indicators of impairment exist.

Intangible assets that have indefinite useful lives, such as operating licenses and intellectual property including but not limited to acquired brand names, 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. The Company assess the classification of the useful lives of indefinite life intangible at each reporting date to conclude on whether this assessment remains appropriate. Any change in this estimate is accounted for on a prospective basis as a change in estimate.

h. DETERMINATION OF CASH-GENERATING UNITS

A cash-generating unit (“CGU”) is defined as is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. Assets that cannot be tested individually are grouped together into CGU’s based on management's judgment regarding several factors such as shared infrastructure, common operations, geographical proximity, and strategic plan.

i. 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 applicable prospective periods 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.

j. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The carrying value of goodwill and indefinite life intangible assets are reviewed annually, as of the fiscal year end, for impairment or more frequently when there are indicators that impairment may have occurred. The Company's impairment tests for goodwill and intangible assets are based on the comparison of the carrying amount of the cash generating units ("CGU") and the recoverable amount, which is the greater of value in use ("VIU") calculations that use a discounted cash flow model and estimated fair value less cost of disposal. The determination of the Company's CGUs is based on management's judgment.

The VIU calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics, and discount rates. The cash flows are derived from the Company's budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost of disposal is supported, in select cases, is based on the Company's assessment of comparable company multiples and precedent transactions.

k. LEASES

The application of IFRS 16 *Leases* requires significant judgments and certain key estimations to be made. Key sources of estimation uncertainty in the application of IFRS 16 include the following:

- Estimating the lease term, and renewal periods;
- Determining the appropriate rate to discount lease payments where the rate implicit in a lease is not readily available; and
- Assessing whether a right-of-use asset is impaired.

Changes in these estimates could affect the identification and determination of the value of lease liabilities and right-of-use assets at initial recognition, and on subsequent measurement of lease liabilities and right-of-use assets. These items could potentially result in changes to amounts reported in the consolidated statements of income and consolidated balance sheets in a given period.

l. 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 the most appropriate valuation technique. 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.

Valuation estimates can vary significantly due to the inherent uncertainty in estimating the fair value of instruments that are not quoted in an active market.

m. CONVERTIBLE DEBENTURES

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant estimates including discount rates and future cash flows. The conversion option has a fixed conversion rate thus the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual balance, or conversion feature is accounted for as equity at issuance. Transaction costs are apportioned to the debt liability and equity component in proportion to the allocation of proceeds.

n. SHARE-BASED COMPENSATION

Management uses the Black-Scholes Option Pricing model for valuation of stock option grants, which requires the input of subjective assumptions including the expected life of the stock option, volatility, risk- free rate, dividend yield, and forfeiture rate, and making assumptions about them. Equity-settled transactions for goods and services are measured at the fair value of the services received and value of the equity instruments on settlement date. 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. Changes in these input assumptions can significantly affect the fair value estimate.

o. CONVERTIBLE PREFERRED SHARES AND UNITS

The Company has issued convertible preferred shares, Series I and II, and units consisting of one common share and one series II convertible preferred share. The fair value of a unit was 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.

p. REVENUE RECOGNITION

The Company assesses its contracts in accordance with IFRS 15;

- the contract has been approved by the parties to the contract:
- each party’s rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Areas of judgment for revenue recognition include (i) estimating returns on product sold and price concessions (ii) assessment of whether control has passed to the customer based on criteria established in IFRS 15 and (iii) estimating the period in which performance obligations are met.

q. INCOME TAXES

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

r. GOING CONCERN AND LIQUIDITY

Going concern assumes an entity will meet its financial obligations when they fall due, and the company will be able to function without the threat of liquidation for the foreseeable future. In assessing going concern, management determines the probability that its strategic plans will be effectively implemented within one year to mitigate substantial doubt of the Company’s ability to continue as a going concern.

Determining probability requires analysis of key indicators, including but not limited to:

- Actual financial results providing historical information and trends for the Company.
- Annual budget and forecasts for the subsequent year, and years thereafter.
- Forecast of future cash flows.
- Existing executed contracts and anticipated contracts in the pipeline.
- Strategic plans and market activations including expected timelines.
- Economic conditions, market demands, production quality and capital expenditures.
- Potential challenges that may alter estimated timelines and revenue projections.
- All debt related instruments including the maturity dates and contract terms.
- Ability to obtain new funding should it be required.

When probable that management’s plans will mitigate the relevant conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements were issued, it is determined that the Company is able to continue as a going concern.

s. LITIGATION AND CLAIMS RISKS

Disputes may arise in the normal course of business. Management makes certain judgements and assumptions regarding potential outcomes of legal proceedings in order to determine if an estimated provision is required, which is inherently subject to risks and uncertainties. Management regularly monitors and analyzes current legal matters and consults external counsel when making assessments. Management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of gain or loss. The outcome of matters related to disputes, legal actions and proceedings may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

6. SIGNIFICANT ACCOUNTING POLICIES

a. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions within each subsidiary are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income (loss).

Consolidation of subsidiaries that operate in a functional currency other than Canadian dollars, are translated into Canadian dollars as follows:

- Assets and liabilities are translated at the spot rate in effect at the end of the reporting period
- Equity is translated at the historical exchange rate
- Revenues and expenses are translated at the average exchange rate for the period.

Translation gains or losses resulting from the translation of foreign subsidiaries for the purpose of consolidation into Canadian dollars are included in other comprehensive income as a separate component of shareholders' equity. Functional currencies for each subsidiary included in these Financial Statements can be found in note 3.

b. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in a financial institution, cash in transit within 48 hours of expected arrival and other short-term deposits that are readily convertible into cash within 90 days (note 8).

c. EXPECTED CREDIT LOSSES ON RECIEVABLES

Accounts receivables 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 (note 9).

d. INVENTORY

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost or net realizable value (note 11). Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the initial cost. Inventories of 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 participate in the respective manufacturing processes, including but not limited to processing and packaging.
- Indirect labour for personnels' time spent related to the respective manufacturing processes, including but not limited to processing and packaging.
- Indirect materials consumed related to the respective production processes.
- Utilities related to the post-harvest process.
- Depreciation and maintenance on processing and packaging equipment.
- Quality assurance conducted for finished goods.

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.

e. BIOLOGICAL ASSETS

The Company's biological assets (note 12) consist of cannabis plants, at various stages of growth, which are valued at fair value less cost to sell.

Fair Value Measurement:

The Company measures its biological assets at their fair value less costs to sell at the point of harvest. This is determined using a model which estimates the expected harvest yield in grams for plants being cultivated as of the reporting date, and then adjusts that amount for the expected selling price per gram and 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 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 labor related to labeling and packaging.

Sensitivity Analysis

Significant unobservable assumptions are 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.

Costs to Sell

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 personnels' time spent related to the cultivation process.
- Indirect materials consumed related to the cultivation process.
- Utilities related to the cultivation process.
- Depreciation and maintenance of production equipment.
- Quality assurance processes conducted 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. 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 deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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 more than 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.

g. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment (note 16) is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recorded on a straight-line basis over the estimated useful life less residual value. Cost is comprised of expenditures that are directly attributable to the acquisition of the asset in addition to other varied costs associated with bringing the assets to a state of commercial readiness. Property, plant, and equipment that is not placed into use is not depreciated until placed in use.

When assets are retired or sold, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the consolidated statements of income (loss) and comprehensive income (loss). Depreciation methods, useful lives, and estimated residual values are reviewed by management each fiscal year end or when there is an indicator for impairment analysis.

Management has set the useful life for depreciation purposes as follows:

Property, plant and equipment	Depreciation Method	Useful Life
Land	Non-depreciating	Not applicable
Construction in process	Non-depreciating	Not applicable
Land improvements	Straight-line	10 – 15 years
Buildings	Straight-line	20 – 40 years
Leasehold improvements	Straight-line	Life of lease
Computer hardware	Straight-line	3 years
Furniture and fixtures	Straight-line	2 – 12 years
Machinery and equipment	Straight-line	2 – 20 years
Vehicles	Straight-line	3 – 5 years
Right-of-use assets	Straight-line	Life of lease (plus assessed renewal)

Costs associated with property, plant and equipment under a $5,000 threshold are recognized as an expense as incurred. Maintenance costs associated with property, plant and equipment are recognized in consolidated statements of loss and comprehensive loss as incurred as they do not contribute to the betterment or useful life of the assets in question.

h. INTANGIBLE ASSETS

The Company's finite life intangible assets (note 17) are recorded at fair market value less any accumulated amortization and impairment losses, if any, and 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 is recorded on a straight-line basis over the estimated useful life less residual value. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the asset and recognized in the consolidated statements of income (loss) and comprehensive income (loss).

The Company's amortization policy for intangible assets with finite lives is as follows:

Intangible asset	Amortization Method	Useful Life
Product license	Straight-Line	5.5 years
Retail License	Straight-Line	5.5 years

Indefinite life intangible assets are deemed to have no foreseeable limit over which the asset is expected to generate net cash inflows. Following initial recognition, intangible assets with indefinite lives are carried at cost less any accumulated impairment losses and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company reviews the classification of indefinite life intangible assets at each annual reporting date to determine whether the classification as indefinite remains appropriate. Any amendment to the nature of indefinite life intangible assets are recognized on a prospective basis as a change in estimate.

i. GOODWILL

Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by management overseeing the Company's operating segments. The Company reviews goodwill annually for impairment, or sooner, if events or circumstances indicate that the carrying amount of the asset may not be recoverable. The Company assesses both qualitative and key quantitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If these factors indicate potential impairment, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill.

Until the nine months ended September 30, 2022, the Company had not formally defined operating segments given its stage of development. Its reporting segments were based on the following CGUs: PV Brand and License, High Times Retail Licensing Agreement, High Times Product Licensing Agreement, Florida License, and MAG CGU which were also its reportable segments. The Company changed the structure of its internal management reporting in the fourth quarter of the year ended December 31, 2022 (refer to note 31), and, as a result, identified three operating segments which were also deemed to be appropriate as its reporting segments: (i) Retail, (ii) Distribution, and (iii) Corporate. The reorganization of the Company's reporting structure changed the composition of its reporting units and required that goodwill be reassigned to the reporting units based on management's assessment of which reporting segments were in a position to exploit the goodwill in question. Assets and liabilities were also reassigned to the reporting units affected based on the assets that would be employed in, or the liabilities related to, the operations of each reporting unit, and the assets or liabilities that would be considered in determining the fair value of each reporting unit.

j. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

At inception of a contract, the Company assesses whether a contract contains the right to control the use of the identified asset for a period in exchange for consideration. If the right to use the asset is conveyed within the contract, the Company recognizes a right-of-use asset and a lease obligation on the statement of financial position on the commencement date. Right-of-use asset is measured at cost, which is made up of the initial measurement of the lease obligation, any lease payments made in advance of the lease commencement date (net of any incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates the right-of-use assets on a straight-line basis over the lease term. The Company also assesses the right-of use asset for impairment at the end of each reporting period or when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of future lease payments, discounted using the rate implicit in the lease or the Company's incremental borrowing rate where available or market comps. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) and variable lease payments that are based on an index or rate.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income (loss) or comprehensive income (loss).

k. 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 any indication of impairment. If an asset is deemed to be impaired, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the assets belong. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of income (loss) and comprehensive income (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 (or CGU) is increased to the revised estimate of its recoverable amount, not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) 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.

l. SHARE CAPITAL

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common and preferred series I and II shares (collectively, "shares"), conversion features on convertible debentures, outstanding warrants, and stock options are classified as equity instruments based on the relative fair value of each instrument on issuance date. Incremental costs directly attributable to the issue of new shares, convertible debenture options, share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

m. REVENUE RECOGNITION

The Company assesses its contracts in accordance with IFRS 15

- the contract has been approved by the parties to the contract:
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Revenue from contracts with customers is recognized in accordance with IFRS 15.31 when the Company satisfies a performance obligation by transferring a promised good or service to a customer. Revenue is recognized by the Company at the point in time when control of the products sold transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the customer contract.

When (or as) a performance obligation is satisfied, the Company recognizes, as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue from sales of RWB products have a single performance obligation and are sold for a fixed price. The Company recognizes revenue in an amount that reflects the consideration which the Company expects to receive from the customer for the sales of the goods, net of promotional discounts, sales taxes, or similar obligations. The Company does not recognize a liability for estimated sales refunds for goods expected to be returned as based on historical information, the amount is immaterial.

For contracts involving multiple performance obligations, the transaction price is allocated based on relative standalone selling prices of the goods or services. If a standalone selling price is not directly observable, it is estimated using an adjusted-market-assessment approach, which, for the most part, involves referring to prices from competitors for similar goods and then making an adjustment to such prices to reflect the company's costs and margins. Contract assets arise when the company transfers goods or services in advance of receiving consideration from customers. Contract liabilities arise from the obligation to transfer goods or services to the customer when consideration has already been received.

The Company's revenue is comprised of two sales channels (i) Retail Revenue, and (ii) Distribution Revenue.

(i) **Retail Revenue:** Revenue from sales through the Company's retail channel is revenue that is generally recognized, net of promotional discounts at time of sale, estimated returns and sales taxes, on the date the goods are sold within one of the Company's retail locations (point-of-sale). Reserves for returns are insignificant.

(ii) **Distribution Revenue**: Revenue from sales to customers through the Company's distribution channel are recognized, net of promotional discounts at the time of sale, estimated returns and sales taxes, when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is recognized on the date the goods are shipped from the Company's warehouse or third-party distribution partner (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer's carrier. Costs to ship orders to customers are included as an expense in cost of goods sold. Reserves for returns are insignificant.

Sales of products are for cash, in the case of retail sales, or for otherwise agreed-upon credit terms in the case of distribution revenues. The Company's payment terms for distribution customers vary by location and customer; however, the time between when distribution revenue is recognized and when payment is due is typically not greater than 30 days. The Company from time to time offers promotional discounts on its products; however, does not offer a warranty on its products.

n. SHARE-BASED COMPENSATION

RWB's stock option plan allows the Company, at its discretion, to grant employees, directors, and consultants the option to acquire common shares of the Company.

The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity reserves. The fair value of the options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. Share-based compensation is expensed by the Company on a graded vesting schedule. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

o. COST OF GOODS SOLD

Cost of goods sold, primarily consists of cost incurred to ready inventory for sale, including product costs, packaging and labeling, warehousing, fulfillment, distribution, freight, and tariff costs. The Company also includes discounts given, inventory revaluations, write-offs, shrinkage, and obsolescence within cost of goods sold.

p. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Makers ("CODMs"). The CODMs are responsible for allocating resources and assessing the performance of the operating segments and have been identified as the Chief Executive Officer and President of the Company.

The Company's reportable segments, organized based on channels to end-user markets serviced by the Company, are as follows:

(1) ***Retail segment*** which sells both Company branded and third-party cannabis products and accessories to the adult-use and medical markets in the states of Florida and Michigan where the sale of cannabis product offerings by licensed retailers is legal.

(2) ***Distribution segment*** which includes subsidiaries that are (a) licensed to manufacture, process and distribute Company branded cannabis products and accessories directly to licensed retailers in states of Michigan and California where the sale of cannabis products is legal and (b) engaged in the sale of non-THC branded products used to manufacture licensed Company cannabis product offerings by licensed manufacturers and distributors in the states where the sale of cannabis products is legal.

(3) ***Corporate segment*** which includes the publicly traded parent company and is a cost centre for related public reporting and administrative costs.

All other non-reporting segments are included in an 'Other.'

The CODMs assess the aforementioned segment performance based on their respective operating income or loss.

q. 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 anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

r. INCOME TAXES

Income taxes are comprised of current and deferred taxes. These taxes are accounted for using the liability method. The determination of both current and deferred taxes reflects the Company's interpretation of the relevant tax rules in each applicable jurisdiction as well its assessment of the relevant factors that impacted its representations on the reporting date.

Current tax is recognized in connection with income for tax purposes, unrealized tax benefits and the recovery of tax paid in a prior period and measured using the enacted tax rates and laws applicable to the taxation period during which the income for tax purposes arose.

Deferred tax is recognized on the difference between the carrying amount of an asset or a liability, as reflected in the financial statements, and the corresponding tax basis, used in the computation of income for tax purposes ("temporary differences") and measured using the enacted tax rates and laws as at the balance sheet date that are expected to apply to the taxable income that the Company expects in the period during which the difference is expected to reverse. Management assesses the likelihood that a deferred tax asset will be realized at each reporting date. A valuation allowance is provided to the extent that it is more likely than not that all or a portion of a deferred tax asset will not be realized.

An unrealized tax benefit or liability may arise in connection with a period that has not yet been reviewed by the relevant tax authority. A change in the recognition or measurement of an unrealized tax benefit or liability is reflected in the period during which the change occurs.

Income taxes are recognized in the consolidated statement of operations, except when they relate to a pre-tax item that is recognized in other comprehensive income (loss) or directly in equity, respectively. Income taxes recognized in other comprehensive income (loss) or equity are reclassified to the consolidated statement of operations if the corresponding pre-tax item is reclassified to the consolidated statement of operations.

Where current and deferred income taxes arise from the initial accounting for a business combination, these are embedded in the acquisition tax accounting for the business combination.

Interest and penalties in respect of income taxes are not recognized in the consolidated statement of operations as a component of income taxes but as a component of general administration costs.

s. 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 accordance with IFRS 9, which establishes three primary measurement categories for financial assets:

(i) **FVTPL:** those to be measured subsequently at fair value through profit or loss;
(ii) **FVOCI:** those to be measured subsequently at fair value through other comprehensive income; and
(iii) **Amortized Cost:** 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.

The following table summarizes classification of the Company's financial instruments under IFRS 9 *Financial Instruments*:

Asset or Liability	Classification under IFRS 9	Measurement
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Credit facility	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative assets and liabilities	FVTPL	Fair value
Call/put option	FVTPL	Fair value

Recognition and subsequent measurement

The Company recognizes financial assets and financial liabilities into the statement of financial position when the Company enters into a contract relating to a financial instrument. All financial instruments are measured at fair value on initial recognition. Financial instruments related to all contract assets and liabilities are classified as current as they are expected to be realized or satisfied within the operating cycle of the contract. All other financial instruments are considered noncurrent if they are expected to be realized more than 12 months after the reporting period.

Transaction costs directly attributable to an acquisition or issuance of financial assets and financial liabilities, other than financial assets and liabilities classified as FVTPL, are added to, or deducted from, the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income. Contingent assets are not recognized in the consolidated financial statements as this may result in the recognition of income that may never be realized. Should the realization of a contingent asset become certain, the Company recognizes the asset accordingly.

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial Instrument	Subsequent Measurement
Financial assets at FVPL	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVPL or FVOCI	Measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity investments that are held for trading are measured at FVPL net gains and losses are recognized in as profit or loss in the statement of income (loss) and other comprehensive income (loss). For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.
Debt investments at FVOCI	Measured at fair value. Interest income is calculated using the effective interest rate method. Foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Classification

Financial assets are measured at amortized cost if it meets the following conditions and are not designated as FVPL:

(i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments are measured at FVOCI if it meets the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments that are held for trading are measured at FVPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVPL.

Impairment of financial instruments

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, the Company applies the simplified approach as permitted by IFRS 9. At each reporting date, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired under the expected credit loss ("ECL") model. The ECL model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For trade and other receivables, the Company has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss, where available, economic conditions and financial factors specific to the debtors. The carrying amount of trade receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of income (loss) and comprehensive income (loss). When it is determined that recovery of an amount owing is not possible, the financial asset is written off to bad debt.

Derecognition of financial assets

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

Fair value hierarchy

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities approximate their carrying value, due to their short terms to maturity. The fair value of the Company's notes payable and convertible debenture liability approximates fair value due to the market rate of interest. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. Investments are measured at fair value using Level 2 inputs.

The following levels summarize 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 that are observable for the asset or liability, directly or indirectly; and
- **Level 3:** Inputs that are not based on observable market data.

Level 3 inputs in determining the fair value of investments includes subjective estimates in assessing for indicators of impairment.

t. CONVERTIBLE DEBENTURES

The component parts of compound instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

For compound instruments with non-equity derivatives, the fair value of the embedded derivative is determined first based on the contractual terms, and the initial carrying amount of the host instrument is the residual amount after separating the embedded derivative.

U. DERIVATIVE LIABILITIES

Derivatives are initially measured at fair value and are subsequently measured at FVTPL.

v. BUSINESS COMBINATIONS AND GOODWILL

The Company applies the purchase method to account for acquisitions. Consideration is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Transaction costs directly attributable to the business combination are expensed as incurred. Identifiable net assets are measured at their fair values at the acquisition date except for leases under IFRS 16, deferred taxes and non-current assets that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded by the Company as goodwill. In circumstances where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

Non-controlling interest in the acquiree are initially measured at the non-controlling shareholder's fair value. The measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statements of income (loss) and comprehensive income (loss).

w. PROVISIONS AND CONTINGENT LIABILITIES

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation because 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.

x. RELATED PARTY TRANSACTIONS

Parties are 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 a related party transaction when there is a transfer of resources or obligations between related parties.

7. ACQUISITIONS

a. ACQUISITION OF PHARMACO INC.

On February 7, 2022, closed its acquisition of PharmaCo, Inc. via RWB Michigan, LLC, the Company's wholly owned subsidiary ("RWB Michigan"), in an all-stock transaction (the "PharmaCo Acquisition"). The closing of the PharmaCo Acquisition met the requirements of a business combination under IFRS 3.

Consideration for the PharmaCo Acquisition included the issuance of 37 million units of RWB ("Units"), a previously held put/call option valued at $94,129,689 on date of acquisition, and $38,064,000 in debt assumed.

Each Unit consists of one common share and one series II convertible preferred share (each, a "Series II Preferred Share" and collectively, the "Series II Preferred Shares") in the capital of RWB. Each Series II Preferred Share was convertible, in accordance with the formula as set out in the terms in RWB's articles, at any time or times before April 24, 2022. The Series II Preferred shares were subject to a voluntary lock-up until January 1st, 2023.. All Series II Preferred Shares issued in relation to the PharmaCo Acquisition were converted into common shares of the Company by April 24, 2022 (note 21).

The purchase price allocation for the PharmaCo Acquisition is as follows:

Consideration Paid:	$
Fair value of 37,000,000 common shares @ $0.52/share)	19,200,750
Fair value of 37,000,000 preferred shares @ $1.00/share)	36,946,187
Put Call Option	94,129,689
Debt assumed	38,064,000
Total consideration	**188,340,626**
Net identifiable assets acquired:	**$**
Cash and cash equivalents	748,464
Receivables	4,010,496
Prepaid expenses	986,836
Inventory	5,118,746
Biological assets	579,964
Property, plant and equipment	47,262,675
Right of use asset	1,932,142
Intangible assets	29,242,034
Lease obligations	(1,932,142)
Deferred tax liability	(8,358,854)
Accounts payable and accrued liabilities	(83,420,471)
Total identifiable net assets	**(3,830,110)**
Goodwill (excess consideration over net identifiable assets)	192,170,736
Total consideration	**188,340,626**

The initial accounting for the PharmaCo Acquisition could only be determined provisionally in prior quarters. Adjustments have been made to the provisional amounts previously reported, and the recognition of identified asset and liabilities, have been reported in these Financial Statements which reflect new information obtained about facts and circumstances that were in existence at the acquisition date. In accordance with IFRS 3.45, the measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error in accordance with IAS 8. [IFRS 3.50]. Adjustments made by Management are in compliance with IRFS 3.45.

Revenue of PharmaCo, after the acquisition date, as recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022 amounted to $22,595,442. Net loss for the year was $173,870,522, which includes a goodwill impairment of $174,079,006. If the PharmaCo Acquisition had closed on January 1, 2022, the Company estimates it would have recorded revenue of $101,511,517 and a net loss of $241,491,301, including a goodwill impairment of $174,079,006, resulting in an increase in revenue of $4,018,113 and a decrease in net loss of $639,429 for the year ended December 31, 2022.

b. ACQUISITION OF ACREAGE FLORIDA, INC.

On April 27, 2021, the Company, through its wholly owned subsidiary, RWB Florida, LLC, completed the acquisition of all 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 an administrative office building and eight leased medical retail facilities in prime locations throughout the state of Florida.
Consideration for the Florida Acquisition was as follows:

- Aggregate cash consideration of $31,005,829 (US $25,000,000);
- 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;
- 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
- A 7-month secured promissory note in the principal amount of $12,347,573 (US $10,000,000) bearing interest at 8% per annum.

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:	**$**
Cash	31,005,829
5,950,971 common shares	8,747,927
Secured promissory notes	34,573,204
Total consideration	**74,326,960**
Net identifiable assets acquired:	**$**
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
Total net identifiable assets acquired	**74,326,960**

Consolidated revenue and income for the year 2021 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 20), RWB Florida incurred total financing costs of $1,574,000 in 2021. Accordingly, $590,296 of this amount of was classified as a reduction of the non-controlling interest amount.

As at December 31, 2022, the total non-controlling interest of RWB Florida was 22.84% (2021; 22.84%). The total non-controlling interest in RWB Florida as at December 31, 2022 amounted to $11,705,986 (2021; $18,062,258). Net loss for the year ended December 31, 2022 attributable to non-controlling interests totaled $6,356,271 (2021; $272,367).

c. ACQUISITION OF APOPKA, FLORIDA GREENHOUSE

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:

- USD$750,000 cash paid on closing.
- USD$125,000 in the form of a promissory note payable in 5 monthly installments commencing 30 days post closing; and
- 1,010,656 common shares of the Company at a price of CAD$1.04 for total consideration of $1,051,082.

The Apopka Acquisition did not meet the definition of a business combination under IFRS 3. Accordingly, the Company recorded the acquisition 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.

8. CASH AND EQUIVALENTS

Cash and equivalents as at December 31, 2022 and 2021, includes the following:

	As at December 31, 2022	As at December 31, 2021
	$	$
Cash in bank	2,196,902	736,841
Cash on hand	369,780	62,945
Cash in transit	180,456	18,967
Balance, Cash	**2,747,138**	**818,753**

Cash on hand is typically cash amounts at various locations for retail operations and petty cash kept on hand to settle immediate needs of the day-to-day operations. Cash in bank includes cash held by the Company's various financial institutions. Cash in transit are cash deposits from the Company's retail locations, received by an armoured car service, and are in route to be deposited into the Company's financial institution. Cash in transit typically has a 24-to-48-hour transit time before the deposit clears the financial institution.

9. ACCOUNTS RECEIVABLE

The Company's trade accounts receivable is a result of sales through its Distribution segment. The Company extends credit terms to customers at its sole discretion based on the customers' credit reference checks. The Company's typical credit terms, for customers who have met the Company's creditworthiness criteria, ranges between net 15 and 30 days.

As at December 31, 2022 and 2021 accounts receivable consists of the following:

	As at December 31, 2022	As at December 31, 2021
	$	$
Trade receivables	9,605,460	4,906,864
Sales tax receivable	450,848	279,082
Other receivables	-	237,740
Total receivables before expected credit losses	**10,056,308**	**5,423,686**
Provision for expected credit losses	(1,617,165)	(599,990)
Total	8,439,143	4,823,696

Sales tax receivable represents input tax credits on purchased goods or services.

The Company assessed the carrying amount of trade receivables at December 31, 2022, for expected credit loss ("ECL") and included an expected credit loss of $1,617,165 (2021: $599,990) against receivables and the corresponding bad debt expense on the consolidated statement of income (loss) and comprehensive income (loss). The Company does not include sales tax recoverable within its ECL calculations as management deems this as fully collectible.

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2022 is as follows:

Rate of expected credit loss:	**0.00%**	**5.07%**	**38.05%**	**55.32%**	**85.60%**	**Total**
Aging classification	**1-30 Days**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121+ Days**	
	$	$	$	$	$	$
Trade Receivables	6,406,201	989,133	612,468	111,817	1,485,841	9,605,460
Expected Credit Losses	-	(50,196)	(233,045)	(61,855)	(1,272,069)	(1,617,165)
Net Trade Receivables	6,406,201	938,937	379,423	49,962	213,772	7,988,295
Sales tax recoverable	-	-	-	-	-	450,848
Balance, Dec. 31, 2022	**6,406,201**	**938,937**	**379,423**	**49,962**	**213,772**	**8,439,143**

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2021 is as follows:

Rate of expected credit loss:	**0.00%**	**8.30%**	**31.00%**	**71.77%**	**85.71%**	**Total**
Aging classification	**1-30 Days**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121+ Days**	
	$	$	$	$	$	$
Trade Receivables	3,794,319	186,992	336,770	176,096	412,687	4,906,864
Expected Credit Losses	-	(15,512)	(104,386)	(126,375)	(353,717)	(599,990)
Net Trade Receivables	3,794,319	171,480	232,384	49,721	58,970	4,306,874
Sales tax recoverable	-	-	-	-	-	279,082
Other Receivable	237,740	-	-	-	-	237,740
Balance, Dec. 31, 2021	**4,032,059**	**171,480**	**232,384**	**49,721**	**58,970**	**4,823,696**

10. PREPAID EXPENSES

As at December 31, 2022, and 2021, the Company's prepaid expenses are comprised of the following amounts:

	As at December 31, 2022	As at December 31, 2021
	$	$
Insurance Security Deposit	2,708,800	-
Vendor deposits	1,272,039	99,463
Other prepaid expenses	811,075	3,271,710
Prepaid Insurance	268,349	100,387
Security deposits	250,936	228,940
Total prepaid expenses	**5,311,199**	**3,700,500**

During the fiscal year ended December 31, 2022, Red White & Bloom Florida, Inc. deposited $2,708,800 (USD$2,000,000) with the Florida Office of Medical Marijuana Use ("OMMU") in lieu of a Payment and Performance Insurance Bond. Subsequent to the close of the fiscal year end, the Company a secured a surety bond which met the Payment and Performance Bond requirement prescribed by the OMMU. As a result, the full amount of the aforementioned deposit was refunded by the OMMU on March 21, 2023.

11. INVENTORY

The Company's inventory as at December 31, 2022 and 2021 consists of the following:

	As at December 31, 2022	As at December 31, 2021
	$	$
Cannabis and CBD derivative finished goods	4,740,066	3,710,344
Cannabis and CBD derivative work-in-process	6,598,751	1,970,185
Raw materials	2,953,773	206,126
Consumables and non-cannabis merchandise	164,423	105,084
Total inventory	**14,457,013**	**5,991,739**

During the year ended December 31, 2022, the total inventory included in cost of sales was $65,680,909 (2021; $13,285,386), which includes an allocation for salaries and wages amounting to $4,671,039 (2021; 560,331).

12. BIOLOGICAL ASSETS

The Company's biological assets consist of 9,183 plants growing as at December 31, 2022 (2021; 10,864). The continuity of biological assets is as follows:

	As at December 31, 2022	As at December 31, 2021
	$	$
Carrying amount, beginning of year	5,523,061	-
Acquired from Acreage acquisition	-	641,168
Acquired from PharmaCo acquisition	579,964	-
Capitalized cost	13,546,176	4,000,190
Fair value adjustment	3,301,379	3,972,360
Transferred to inventory	(19,075,384)	(3,090,657)
Effects of foreign exchange	416,262	-
Carrying value, end of year	**4,291,458**	**5,523,061**

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:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Weighted average assumption	10% Change of inputs	Weighted average assumption	10% Change of inputs
Selling price per gram	$6.43	$7.07	$9.77	$10.75
Yield by plant	192	211	110.15	121.17
Attrition	35.51%	39.06%	18.50%	20.35%
Post-harvest costs ($/gram)	$2.47	$2.71	$1.81	$1.99

During the year 2022, the Company suffered a significant crop loss due to pest pressure resulting in the loss of 5,796 previously viable plants, resulting in a higher-than-expected attrition rate for the period. The value of the loss is recorded as it was incurred within the Retail operating segment on the consolidated statements of loss and comprehensive loss.

13. LOAN RECEIVABLES

Loans receivable as at December 31, 2022, and 2021 consist of the following:

	As at December 31, 2022	As at December 31, 2021
	$	$
Advances to PharmaCo Inc.	-	18,501,780
Promissory note receivable from PharmaCo Inc.	-	32,627,615
Total loans receivable	**-**	**51,129,395**

Loans receivable for the year ended December 31, 2022, have been eliminated on consolidation due to the acquisition of PharmaCo, Inc. (note 7).

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. Once conditions for closing had been met, the 37,000,000 MichiCann common shares would be converted to 37,000,000 common shares and 37,000,000 convertible series II preferred shares of the Company.

On January 4, 2019, MichiCann entered a Debenture Purchase Agreement (the “Opco Debenture”) with PharmaCo. The principal amount of the Opco Debenture was 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 had advanced a total of $54,202,429 which was transferred to the OpCo Debenture during the course of fiscal 2019. The OpCo Debenture earned interest at 8% per annum and was 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 had a maturity date of January 4, 2023.

The OpCo Debenture and call/put option are measured at fair value through profit or loss. The fair value of the OpCo 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, were as follows.

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

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. During the year ended December 31, 2021, the Company recorded a gain on the revaluation of put/call option in the amount of $32,054,789 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 in finance expense, net, on the consolidated statements of loss and comprehensive loss.

On February 7, 2022, the Company exercised its right under the call option to acquire 100% of the issued and outstanding common shares of PharmaCo from the PharmaCo shareholders. The final purchase price accounting for the PharmaCo acquisition is set out in note 7.

15. ASSETS HELD FOR SALE

The assets held for sale during the year ended December 31, 2022, and 2021 are as follows:

	Balance at December 31, 2022	Balance at December 31, 2021
	$	$
Balance, at the beginning of the year	55,022,520	-
Sale of assets held for sale used to settle debt	(53,394,324)	-
Reclassification from property and equipment	-	81,334,086
Impairment	-	(26,020,708)
Currency Translation adjustment	(1,628,196)	(290,858)
Balance, end of year	**-**	**55,022,520**

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

The Granville Transaction was completed on April 14, 2022. The proceeds from the sale of the assets were used to settle debt owing on the Company's credit facility in the amount of $53,394,324 (note 21). Proceeds were sent directly on closing of the sale to the credit facility. As a result of this disposition, the Company reclassified Mid-American Growers Inc. ("MAG") as discontinued operations. See note 34 with respect to MAG revenue, expenses and cash-flows for the year ended December 31, 2022, and 2021.

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16. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net as of December 31, 2022, and 2021 consists of the following:

	Building	Land	Land Improve-ment	Construction in progress	Leasehold Improve-ments	Computer hardware	Furniture & fixtures	Machinery & equipment	Vehicles	Building improve-ments	Total
	$	$	$	$	$	$	$	$	$	$	$
Costs											
Balance, December 31, 2020	76,590,398	2,879,315	-	-	-	120,510	-	12,306,832	214,156	-	92,111,211
Additions	7,202,444	601,575	1,172,031	1,536,749	4,160,961	57,399	336,879	9,264,286	58,962	190,405	24,581,691
Reclassifications as assets held for sale	(76,605,642)	(2,867,103)	-	-	-	(111,822)	-	(12,466,442)	(85,174)	-	(92,136,183)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2021	7,187,200	613,787	1,172,031	1,536,749	4,160,961	66,087	336,879	9,104,676	187,944	190,405	24,556,719
Additions	45,550,472	15,111	-	2,652,761	1,985,807	9,527	154,756	868,672	2,664	273,041	51,512,811
Disposals	-	-	-	-	(17,424)	-	-	(54,878)	-	-	(72,302)
Balance, December 31, 2022	**52,737,672**	**628,898**	**1,172,031**	**4,189,510**	**6,129,344**	**75,614**	**491,635**	**9,918,470**	**190,608**	**463,446**	**75,997,228**
Accumulated depreciation											
Balance, December 31, 2020	4,003,717	-	-	-	-	31,127	-	1,302,282	62,031	-	5,399,157
Depreciation for the period	3,843,101	-	6,340	-	388,578	41,115	35,286	2,038,798	66,550	-	6,419,768
Reclassifications as assets held for sale	(8,080,855)	-	-	-	-	(52,000)	-	(2,601,429)	(67,813)	-	(10,802,097)
Disposals	-	-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2021	(234,037)	-	6,340	-	388,578	20,242	35,286	739,651	60,768	-	1,016,828
Depreciation for the period	1,131,033	-	4,528	-	852,425	34,609	99,720	2,244,312	34,656	105,776	4,507,059
Disposals	-	-	-	-	-	-	-	(9,740)	-	-	(9,740)
Balance, December 31, 2022	**896,996**	**-**	**10,868**	**-**	**1,241,003**	**54,851**	**135,006**	**2,974,223**	**95,424**	**105,776**	**5,514,147**
Foreign currency movement											
Balance, December 31, 2021	(352,660)	(20,672)	(583)	-	(35,663)	5,666	5,666	1,164,079	8,500	78,251	852,584
Balance, December 31, 2022	144,072	37,449	63,610	104,971	119,048	9,562	22,654	2,861,656	18,119	9,036	3,390,177
Net book value											
Balance, December 31, 2021	7,068,577	593,115	1,165,108	1,536,749	3,736,720	51,511	307,259	9,529,104	135,676	268,656	24,392,475
Balance, December 31, 2022	**51,984,748**	**666,347**	**1,224,773**	**4,294,481**	**5,007,389**	**30,325**	**379,283**	**9,805,903**	**113,303**	**366,706**	**73,873,258**

17. INTANGIBLE ASSETS

A continuity of the intangible assets for 2022 and 2021, is as follows:

	Brand	Licenses	Total
	$	$	
Costs			
Balance, December 31, 2020	32,848,560	130,788,640	163,637,200
Additions	-	54,311,940	54,311,940
Impairment	-	(101,887,000)	(101,887,000)
Balance, December 31, 2021	32,848,560	83,213,580	116,062,140
Addition – PharmaCo Acquisition (note 7)		29,242,034	29,242,034
Impairment		(29,539,510)	(29,539,510)
Balance, December 31, 2022	**32,848,560**	**82,916,104**	**115,764,664**
Accumulated amortization			
Balance, December 31, 2020	-	10,658,167	10,658,167
Amortization for the period	-	18,986,785	18,986,785
Impairment	-	(29,644,952)	(29,644,952)
Balance, December 31, 2021	-	-	-
Amortization for the period	-	-	-
Balance, December 31, 2022	-	-	-
Foreign currency movement			
For the period, December 31, 2021	(139,320)	971,095	831,775
For the period, December 31, 2022	**2,094,960**	**7,488,976**	**9,583,936**
Net book value			
Balance, December 31, 2021	32,709,240	84,184,675	116,893,915
Balance, December 31, 2022	**34,943,520**	**90,405,080**	**125,348,600**

As a result of the PharmaCo Acquisition on February 7, 2022 (note 7), the Company acquired eleven (11) operating medical and adult-use cannabis licenses, which include:

- Eight (8) fully operating dispensaries (five dually licensed);
- Two (2) operational indoor cultivation facilities totaling over 30,000 sq. ft.; and
- One (1) municipally licensed 10-acre outdoor cultivation facility.

The above noted operating licenses have been included in the intangible assets as at December 31, 2022 as indefinite life intangible assets.

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. These licenses have been included in the intangible assets as at December 31, 2021 as indefinite life intangible assets.

Intangible asset Impairments

At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a 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.

During the year ended December 31, 2022, the Company recognized Licenses intangible asset impairment charges totalling $29,539,510, which were identified during its 2022 annual impairment testing process. The impairments stem from the Company commencing its restructuring of its Distribution operations in California as it shifts from a smaller, vertically integrated operation to leveraging third party contracting arrangements in the state to facilitate manufacturing, warehousing and distribution of its branded cannabis product offerings to licensed retailers in the state.

The key assumptions utilized in deriving the fair value of the intangible assets during the Company's 2022 annual impairment review were the applicable discount rate and the revenue growth rate. Should any of these key assumptions materially change from the rates utilized by the Company for the 2022 fair value assessment, the estimated fair value may be impacted and could potentially result in an impairment charge in future periods. The Company will continue to proactively monitor potential impairment conditions in future periods which may result in the Company having to perform a quantitative intangible assets impairment assessment at a time other than at the fiscal year end of the Company.

During the year ended December 31, 2021, the Company recorded a net impairment of $72,242,048 related a license held by its subsidiary, Mid-America Growers, Inc. due to discontinued operations (note 33).

18. GOODWILL

Goodwill as of December 31, 2022, and 2021 was comprised of the following:

	As at December 31, 2022	As at December 31, 2021
	$	$
Balance, beginning of year	**11,890,928**	**6,206,068**
Goodwill resulting from acquisitions (note 7)	203,038,803	11,368,304
Goodwill impairment	(185,224,787)	(6,083,036)
Translation adjustment	7,789,917	399,592
Balance, end of year	**37,494,861**	**11,890,928**

During the fiscal year ended, December 31, 2022, management completed its assessment of the purchase price allocation related to the PharmaCo Acquisition (note 7). The consideration paid by the Company for the PharmaCo Acquisition amounted to $188,340,626. On acquisition, net identifiable liabilities of PharmaCo, Inc. were $3,830,110. The Company allocated the difference between consideration paid and net identifiable liabilities to goodwill in the amount of $192,170,736.

In assessing a CGU, including goodwill for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of fair value less cost to sell and the value in use ("VIU"). *Refer to note 6 for the Company's determination of CGUs.*

An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. As at December 31, 2022, the Company applied the VIU method to assess its goodwill. Based on the testing performed, the Company recognized an impairment of $277,714, (2021; $6,083,036) in relation to its distribution segment and $184,947,073 in relation to its retail segment, for an aggregate of $185,224,787 in goodwill impairments.

Allocation of goodwill to the Company's CGUs for the years ending December 31, 2022 and 2021 is as follows:

	Retail Segment	Distribution Segment	Total
	$	$	$
Balance, December 31, 2020	-	6,206,068	6,206,068
Acquisition of Acreage	11,368,304	-	11,368,304
Goodwill impairment - Mid-America Growers, Inc.	-	(6,083,036)	(6,083,036)
	11,368,304	123,032	11,491,336
Effects of foreign exchange	252,059	147,533	399,592
Balance, December 31, 2021	**11,620,363**	**270,565**	**11,890,928**
Acquisition of Florida, Inc. (note 2, 7)	10,868,067	-	10,868,067
Acquisition of PharmaCo, Inc. (note 7)	192,170,736	-	192,170,736
Goodwill impairment – RWB Florida, Inc.	(10,868,067)	-	(10,868,067)
Goodwill impairment – PharmaCo, Inc.	(174,079,006)	-	(174,079,006)
Goodwill impairment - RWB Platinum Vape, Inc.	-	(277,714)	(277,714)
	29,712,093	(7,149)	29,704,944
Effects of foreign exchange	7,782,768	7,149	7,789,917
Balance, December 31, 2022	**37,494,861**	**-**	**37,494,861**

The carrying value, at December 31, 2022, of the goodwill associated with the Company's Retail operations segment was $37,494,861. The key assumptions utilized in deriving the fair value of the goodwill during the Company's 2022 annual impairment review were the applicable discount rate and the revenue growth rate. Should any of these key assumptions materially change from the rates utilized by the Company for the 2022 fair value assessment, the estimated fair value may be impacted and could potentially result in an impairment charge in future periods. The Company will continue to proactively monitor potential impairment conditions in future periods which may result in the Company having to perform a quantitative goodwill impairment assessment at a time other than at the fiscal year end of the Company.

19. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

	Right of use
	$
Costs	
Balance, December 31, 2020	475,396
Additions	18,932,756
Balance, December 31, 2021	19,408,152
Additions	3,110,096
Balance, December 31, 2022	**22,518,248**
Accumulated depreciation	
Balance, December 31, 2020	68,757
Depreciation for the period	1,075,322
Balance, December 31, 2021	1,144,079
Depreciation for the period	1,721,906
Balance, December 31, 2022	**2,865,985**
Foreign currency movement	
Balance, December 31, 2021	424,184
Balance, December 31, 2022	1,051,235
Net book value	
Balance, December 31, 2021	18,688,257
Balance, December 31, 2022	**20,703,498**

A continuity of the Company's lease obligations related to right-of-use assets is as follows:

	As at December 31, 2022	As at December 31, 2021
	$	$
Opening balance	19,274,492	392,469
Additions	3,177,419	18,932,756
Disposals		-
Interest Accretion	2,666,326	1,423,009
Principal Payments	(3,171,570)	(1,980,266)
Ending balance	21,946,667	18,767,968
Effects of foreign exchange	941,028	506,524
Less: Short-term lease obligations	(602,418)	(640,159)
Long-term lease obligation	**22,285,277**	**18,634,333**

Future minimum lease payments (principal and interest) are as follows:

Future minimum lease payments (principal and interest):	As at December 31, 2022	As at December 31, 2021
		$
2022	-	2,616,188
2023	3,075,680	1,936,322
2024	3,087,462	1,936,322
2025	3,240,855	1,936,322
2026	3,309,317	1,936,322
2027	3,221,836	1,936,322
Thereafter	34,921,078	32,940,780
Total minimum lease payments	50,856,228	45,238,578
Present value of minimum lease payments	19,022,342	19,274,492
Effect of discounting	2,660,517	(1,280,318)
Current portion lease obligations	602,418	640,159
Long term lease obligations	**22,285,277**	**18,634,333**

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities at December 31, 2022 and 2021:

	As at December 31, 2022	As at December 31, 2021
	$	$
Trade payables	19,896,024	11,588,860
Accrued Liabilities and other	10,799,471	10,128,705
Customer deposits	28,021	4,422
Sales and excise tax payable	7,268,825	5,753,677
Total	**37,992,341**	**27,475,664**

During the year December 31, 2022, the Company had two significant suppliers representing 17% and 13% of its trade payables.

21. DEBT

a. NOTES PAYABLE

As at December 31, 2022 and 2021 the Company had the following note payable:

	Date of Issue	Maturity date	Interest	2022	2021
			%	$	$
USD$828,200 - City of San Diego - loan	2021-10-25	on demand	7.00%	686,267	734,994
CAD$$7,329,616 loan - Private lenders	2021-10-01	on demand	-	-	253,170
USD 11,500,000 RGR Note[(i)]	2021-11-29	2022-05-30	10.00%	-	14,713,347
USD$5,000,000 Oakengate Investments Note	2021-04-21	2021-09-20	12.00%	-	6,877,815
USD$11,550,000 RGR Note[(i)]	2021-01-11	2021-01-11	12.00%	-	3,377,268
USD 10,000,000 VRT (Acreage acquisition 1) Note	2021-04-27	2021-11-27	8.00%	-	594,650
USD$18,000,000 VRT (Acreage acquisition 2) Note	2021-04-27	2022-08-19	8-12.5%	-	24,065,831
US 899,000 - Due to Oakshire	various	on demand	-	1,149,885	1,076,362
$190,853 - SBA loan 2	2020-06-18	2022-04-06	1.00%	-	183,557
$16,218 - Ford loan	2020-11-01	2023-01-12	5.90%	325	3,610
$26,872 - Ram loan	2020-09-13	2023-07-25	6.10%	4,739	11,800
USD$16,750,000 RGR Note[(i)]	2022-02-04	2023-01-31	12.00%	-	-
USD$19,370,020 RGR Note[(i)]	2021-09-01	2023-01-31	10.00%	-	25,022,136
USD$5,400,000 DICL Note[(i)]	2021-11-25	2023-09-14	8.00%	-	6,533,344
USD$5,400,000 SDIL Note[(i)]	2021-11-25	2023-09-14	8.00%	-	6,533,344
USD$18,300,000 VRT Note	2022-09-13	2024-02-12	12.9%+	24,849,083	-
USD$5,000,000 SDIL Note[(i)]	2022-09-15	2024-09-12	PIK only[(ii)]	-	-
USD$25,885,000 RGR Note[(i)]	2022-09-15	2024-09-12	12.50%+PIK[(ii)]	36,677,932	-
USD$2,887,000 TAII Note	2022-09-15	2024-09-12	12.50%+PIK[(ii)]	3,939,834	-
USD$6,349,000 SDIL Note[(i)]	2022-09-15	2024-09-12	12.00%+PIK[(ii)]	8,664,359	-
USD$269,000 SIL Note	2022-09-15	2024-09-12	12.50%+PIK[(ii)]	367,099	-
USD$5,850,000 OIL Note	2022-09-15	2024-09-12	12.00%	-	-
USD$5,850,000 RGR Note[(i)]	2022-09-15	2024-09-12	12.00%	-	-
CAD$2,210,000 BJMD Note[(i)]	2022-09-15	2024-09-12	12.50%+PIK[(ii)]	2,226,776	-
USD$7,850,000 RGR Note[(i)]	2022-11-01	2024-09-12	12.00%	10,765,408	-
Total notes payable				**89,331,707**	**89,981,228**
Short-term notes payable				**1,974,584**	**51,876,994**
Long-term notes payable				**87,357,123**	**38,104,234**

[(i)]Held by a related party (note 28) / [(ii)]See below for details on PIK interest

On February 4, 2022, the Company entered into a debenture amending agreement with Royal Group Resources Ltd. ("RGR") in the amount of USD$16,750,000 (the "USD$16,750,000 RGR Note"). The secured USD$16,750,000 RGR Note consolidated the USD$11,500,000 RGR Note, along with USD$224,784 in related interest, owing to RGR, and established new funding of USD$4,987,816. The note bears an interest rate of 12%. Blended payments of USD$250,000 are payable monthly, first to interest with the residual to principal. The note matures on January 31, 2023. The amendment resulted in the extinguishment the USD$11,500,000 RGR Note and a resulting loss of $64,076. On September 15, 2022, the USD$16,750,000 RGR Note was consolidated into the USD$25,885,000 RGR Note as noted below.

On May 27, 2022, the Company entered into a loan extension and amendment agreement with Viridescent Realty Trust, Inc. ("VRT") (the "Extension Agreement") related to the USD$18,000,000 VRT (Acreage acquisition 2) Note. The Extension Agreement provided for a 60-day extension of the maturity date of the outstanding loan from its original maturity date of May 31, 2022, to an amended maturity date of July 26, 2022. The Extension Agreement also revised the interest rate from 8% to 12.5%, effective May 28, 2022. On July 26, 2022, the Company entered into a second amendment to extend the maturity date to August 5, 2022, with no changes to the existing terms. On August 5, 2022, the Company engaged in a final amendment, extending the maturity date to August 19, 2022. On September 13, 2022, the Company established a new loan with VRT (the "USD$18,300,000 VRT Note"), discharging payment of US$2,666,548 comprising of US$2,246,548 in interest accrued to the date of settlement and US$420,000 in principle on the USD$18,000,000 VRT (Acreage acquisition 2) Note, and the remaining US$17,580,000 in principle was settled on execution of the US$18,300,000 VRT Note. The loan USD$18,300,000 VRT Note also included an administrative fee of US$180,000 and a non-refundable origination discount of US$540,000. The USD$18,300,000 VRT Note is secured by select assets of the Florida operations. Interest is calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. Base interest is payable monthly, with principal and interest above base due on February 12, 2024. The amendment resulted in the extinguishment the Acreage acquisition 2 Note and a resulting loss of $950,400.

On September 15, 2022, the Company completed a comprehensive debt restructuring plan to extend and amend existing debt and to issue new debt via private placement (the "Debt Restructure"). The Company assessed the modification of existing debt under IFRS 9 *Financial instruments* and recorded gains and losses mentioned below accordingly. Terms of the loans payable incorporated in the debt restructuring were as follows:

a) Existing debt owing to RGR was consolidated into a new secured USD$25,885,000 promissory note (the "USD$25,885,000 RGR Note"). The USD$25,885,000 RGR Note bears an interest rate of 15%, compounded monthly with principal and interest payable on September 12, 2024. The loan is secured by the Company's interest in its subsidiary, RWB Michigan, LLC. The existing debt consolidated into the USD$25,885,000 RGR Note is as follows:

    - USD$19,370,020 principal and USD$2,028,441 in related interest thereon
    - USD$16,750,000 RGR Note: USD$16,750,000 principal and USD$733,917 in related interest thereon
    - Less: USD$13,000,000 payment made to RGR
    - Plus: Administrative fee USD$2,622

Modification of the USD$19,370,020 RGR Note and the USD$16,750,000 RGR Note resulted in a net gain on extinguishment of $108,293.

b) New secured debt totaling CAD$2,210,000 (the "CAD$2,210,000 BJMD Note") bearing 12.5% interest, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest due September 12, 2024.

c) Amendment to extend the USD$5,000,000 Oakengate Investments Note plus USD$850,000 in related interest into a new secured USD$5,850,000 loan (the "USD$5,850,000 OIL Note") at 12% interest rate. Blended monthly payments of USD$250,000 with payments applied first to interest and residual applied to principal, with the remaining principal balance due September 12, 2024. The modification of the USD$5,000,000 Oakengate Investments Note triggered an extinguishment resulting in a $21,633 loss.

d) New secured debt totaling USD$6,540,000 (the "USD$5,000,000 SDIL Note" and the "USD$1,540,000 TAII Note) bearing 12.5% interest, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest due September 12, 2024. The USD$5,000,000 SDIL Note, the USD$1,540,000 TAII Note and a USD$2,959,495 outstanding balance owing to RGR on an existing total USD$11,550,000 RGR Note were immediately consolidated into the following new loans:

- USD$2,887,000 TAII Note
- USD$6,349,000 SDIL Note
- USD$269,000 SIL Note

Each of the above secured notes attracts a 12.5% interest rate, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest due September 12, 2024. The modification to the USD$11,550,000 RGR Note resulted in an extinguishment loss of $4,298.

e) Existing debt owing on the USD$5,400,000 DICL Note was amended to extend the maturity dates to September 12, 2024. The modification resulted in a $1,683,573 loss on extinguishment. On extinguishment, the new secured loan (the USD$5,400,000 DICL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component (note 21).

f) Existing debt owing on the USD$5,400,000 SIDL Note was amended to extend the maturity dates to September 12, 2024. The modification resulted in a $1,683,573 loss on extinguishment. On extinguishment, the new secured loan (the USD$5,400,000 SIDL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component (note 21).

On October 14,2022, RGR entered into a Note Purchase Agreement Oakengates Investments Limited (“OIL”) to purchase the USD $5,850,000 OIL Note (the “OIL Note Purchase Agreement”). The rights and title of the USD $5,850,000 OIL Note, plus all accrued interest thereon were transferred to RGR at upon execution of the OIL Note Purchase Agreement, establishing the secured USD $5,850,000 RGR Note. The Company assessed the modification under IFRS 9 and recorded a debt modification gain of $67,489.

On November 1, 2022, RGR advanced an additional USD$2,000,000 to the Company; amending the USD $5,850,000 RGR Note. The amendment constituted an extinguishment when assessing debt modification under IFRS 9. As a result, the Company recorded a $64,657 loss on extinguishment related to the extinguishment and established the secured USD $7,850,000 RGR Note.

During the year-ended December 31, 2022, the Company interest expense related to loans payable amounted to $10,555,776 (2021; $17,541,237).

During the year ended December 31, 2022, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, discharge of all obligations and liabilities.

Off Balance Sheet arrangements

The Company did not enter any off-balance sheet arrangements during period ending December 31, 2022 (2021; nil).

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b. CONVERTIBLE DEBENTURES

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at December 31, 2022 and 2021.

	USD$1,093,750 Convertible VMOS **Note**	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note[(i)]	USD$5,400,000 Convertible SDIL Note[(i)]	CAD$17,000,000 Convertible CPIL Note[(i)]
Purpose of issuance	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Debt restructure	Debt restructure	Debt restructure
Related note	Note 7	Note 7	Note 7	Note 7	Note 7	Note 21	Note 21	Note 21
Details and terms								
Face Value	USD$1,093,750	USD$1,562,500	USD$1,562,500	USD$781,250	USD$20,112,015	USD$5,400,000	USD$5,400,000	CAD$17,000,000
Original date of issue	2021-04-22	2021-04-22	2021-04-22	2021-04-22	2021-06-04	2021-10-04	2021-10-04	2022-09-15
Amendment date	-	-	-	-	-	2021-11-25 2022-09-15	2021-11-25 2022-09-15	-
Maturity date	2024-04-22	2024-04-22	2024-04-22	2024-04-22	2024-06-04	2024-09-12	2024-09-12	2024-09-12
Interest rate per annum	8%	8%	8%	8%	8%	8%	8%	8%
Additional interest per annum	-	-	-	-	4% paid in shares	-	-	-
Default rate per annum	5%	5%	5%	5%	8%	10%	10%	8%
Conversion price per share	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$0.15	USD$0.15	CAD$0.20
Interest due	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity
Security	Unsecured	Unsecured	Unsecured	Unsecured	Secured	Secured	Secured	Secured
Collateral	None	None	None	None	RWB Florida LLC Class A Membership	Pledge of all shares Of RWB Platinum Vape, LLC	Pledge of all shares Of RWB Platinum Vape, LLC	First priority security interest in RWB Michigan, LLC
Valuation, December 31, 2022								
***Method**	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Residual Method
Stock price	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07	$0.07	n/a
Term (years)	1.31	1.31	1.31	1.31	1.43	1.7	1.7	2
Volatility	96.6%	96.6%	96.6%	96.6%	96.6%	96.6%	96.6%	n/a
Implied spread	1,120	1,120	1,120	1,120	1,120	1,120	1,120	n/a
Risk-free rate	4.6%	4.6%	4.6%	4.6%	4.6%	4.5%	4.5%	n/a
Discount/market yield	15.8%	15.8%	15.8%	15.8%	15.8%	15.7%	15.7%	15.07

[(i)]*Held by a related party (note 28) / *Binomial lattice methodology based on a Cox-Ross-Rubenstein ("CRR") approach.*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL (such as instruments held for trading or derivatives).

The Company's continuity of its convertible debentures for the year ended December 31, 2022, and 2021 is as follows and is presented in Canadian dollars:

	USD$1,093,750 Convertible VMOS **Note**	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note[(i)]	USD$5,400,000 Convertible SDIL Note[(i)]	CAD$17,000,000 Convertible CPIL Note[(i)]	Total
	CAD$	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**
Carrying Value, January 1, 2021	-	-	-	-	-	-	-	-	-
Issuance of convertible debentures	1,369,703	1,930,781	1,956,719	978,359	25,117,892	-	-	-	31,353,454
Less: debt issuance costs	-	-	-	-	(983,704)	-	-	-	(983,704)
Net proceeds from issuance	1,369,703	1,930,781	1,956,719	978,359	24,134,188	-	-	-	30,369,750
Classified as an embedded derivative liability	(115,027)	(133,510)	(164,707)	(82,353)	(3,945,251)	-	-	-	(4,440,848)
Interest classified as a derivative liability	-	-	-	-	(2,935,299)	-	-	-	(2,935,299)
Convertible debentures at amortized cost	1,254,676	1,797,271	1,792,012	896,006	17,253,638	-	-	-	22,993,603
Interest accrued	68,145	109,847	109,847	54,924	1,360,055	-	-	-	1,702,818
Accretion of interest	8,250	21,691	21,691	10,845	881,637	-	-	-	944,114
Foreign exchange	24,327	37,835	12,735	6,367	295,921	-	-	-	377,185
Carrying value, December 31, 2021	**1,355,398**	**1,966,644**	**1,936,285**	**968,142**	**19,791,251**	-	-	-	**26,017,720**
Short-term	-	-	-	-	-	-	-	-	-
Long-term	1,355,398	1,966,644	1,936,285	968,142	19,791,251	-	-	-	26,017,720
Carrying Value, January 1, 2022	1,355,398	1,966,644	1,936,285	968,142	19,791,251	-	-	-	26,017,720
Issuance of convertible debentures	-	-	-	-	-	-	-	17,019,681	17,019,681
Less: debt issuance costs	-	-	-	-	-	-	-	(19,681)	(19,681)
Net proceeds from issuance	-	-	-	-	-	-	-	17,000,000	17,000,000
Reclassification of loans payable	-	-	-	-	-	8,905,045	8,905,045	-	17,810,090
Reclassification of debt issuance costs	-	-	-	-	-	(7,916)	(7,916)	-	(15,832)
Classified as an embedded derivative liability	-	-	-	-	-	(1,559,952)	(1,559,952)	-	(3,119,904)
Classified as equity, net of transaction costs	-	-	-	-	-	-	-	(2,106,983)	(2,106,983)
Interest classified as a derivative liability	-	-	-	-	-	-	-	-	-
Convertible debentures at amortized cost	1,355,399	1,966,643	1,936,284	968,142	19,791,251	7,337,177	7,337,177	14,893,017	55,585,090
Additions to principal	-	-	-	-	-	-	-	-	-
Interest accrued	114,183	163,118	163,118	81,559	2,197,754	576,671	576,671	408,000	4,281,074
Reclassification of interest accretion	-	-	-	-	1,532,068	193,113	193,113	-	1,918,294
Accretion of interest	34,894	49,848	49,848	24,924	2,074,425	140,462	140,462	316,047	2,830,910
Effects of foreign exchange	103,898	119,885	150,244	75,122	815,325	(491,249)	(491,249)	-	281,973
Carrying Value, December 31, 2022	**1,609,645**	**2,299,494**	**2,299,494**	**1,149,747**	**26,410,823**	**7,756,174**	**7,756,174**	**15,617,064**	**64,897,343**
Short-term	-	-	-	-	-	-	-	-	-
Long-term	**1,609,645**	**2,299,494**	**2,299,494**	**1,149,747**	**26,410,823**	**7,756,174**	**7,756,174**	**15,617,064**	**64,897,343**

[(i)]*Held by a related party (note 28)*

c. DERIVATIVE LIABILITIES RELATING TO CONVERTIBLE DEBENTURES

The Company revalues its derivative liabilities to fair market value each period in accordance with IFRS 9 Financial Instruments and IAS 32. Fair market value gains and losses are recorded to the consolidated statement of income (loss) and comprehensive income (loss). The Company's derivative liabilities as at December 31, 2022 and 2021, and the corresponding fair market value gains (losses) for the period ending December 31, 2022 and 2021 were as follows:

Related Convertible Debenture:	USD$1,093,750 Convertible VMOS **Note**	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note[(i)]	USD$5,400,000 Convertible SDIL Note[(i)]	Total
	CAD$	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**	**CAD$**
Derivative asset (liability)								
Balance, December 31, 2020	-	-	-	-	-	-	-	-
Additions	(116,722)	(166,746)	(166,746)	(83,373)	(3,945,251)	-	-	(4,478,838)
Gain (loss) on FMV adjustments	105,655	152,140	150,936	75,468	5,163,633	-	-	5,647,832
Balance, December 31, 2021 – derivative asset (liability)	**(11,067)**	**(14,606)**	**(15,810)**	**(7,905)**	**1,218,382**	**-**	**-**	**1,168,994**
Additions	-	-	-	-	-	(1,559,952)	(1,559,952)	(3,119,904)
Gain (loss) on FMV adjustments	11,801	15,573	16,860	8,430	(1,303,053)	444,349	444,349	(361,691)
Effects of foreign exchange	(756)	(997)	(1,080)	(540)	83,224	134,549	134,549	348,949
Balance, December 31, 2022	**(22)**	**(30)**	**(30)**	**(15)**	**(1,447)**	**(981,054)**	**(981,054)**	**(1,963,652)**
Derivative liability - Shares								
Balance, December 31, 2020								
Additions	-	-	-	-	(2,935,299)	-	-	(2,935,299)
Gain (loss) on FMV adjustments - Shares	-	-	-	-	658,586	-	-	658,586
Balance, December 31, 2021	**-**	**-**	**-**	**-**	**(2,276,713)**	**-**	**-**	**(2,276,713)**
Gain (loss) on FMV adjustments - Shares	-	-	-	-	1,165,559	-	-	1,165,559
Effects of Foreign exchange	-	-	-	-	(155,516)	-	-	(155,516)
Balance, December 31, 2022	**-**	**-**	**-**	**-**	**(1,266,670)**	**-**	**-**	**(1,266,670)**

[(i)]*Held by a related party (note 28)*

During the year ended December 31, 2022, the Company recorded a gain of $803,868 (2021; $704,708 loss) on the revaluation of derivative liabilities on the consolidated statements of loss and comprehensive loss.

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%

As part of the Debt Restructure on September 15, 2022, the Company issued new convertible debt in the amount $17,000,000 to C-Points Investments Ltd, (the "CAD$17,000,000 CPIL Convertible Note"), a Company related to RWB (note 28). The term of the note is 2 years at an interest rate of 8% per annum. The proceeds of the CAD$17,000,000 CPIL Convertible Note were used to settle USD$13,000,000 in debt owing on the USD$19,370,020 RGR Note (note 21). The Company valued the CAD$17,000,000 CPIL Convertible Note using the residual method which resulted in a $14,893,017 allocation to long-term convertible debt liability and $2,106,983 to convertible debt reserve which is included in contributed surplus on the statement of financial position. The liability portion of the CAD$17,000,000 CPIL Convertible Note will amortize over the 2-year team at an effective interest rate of 16.43%. Additional terms of the note can be found in the tables above.

On September 15, 2022, $5,400,000 in existing debt previously classed as loans payable (note 21), owing on the USD$5,400,000 DICL Note was amended to extend the maturity dates to September 12, 2024. The modification resulted in a $1,683,573 loss on extinguishment. On extinguishment, the new note (the USD$5,400,000 DICL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component (note 21). Terms and valuation inputs for the USD$5,400,000 DICL Convertible Note can be found in the tables above.

On September 15, 2022, $5,400,000 in existing debt previously classed as loans payable (note 21), owing on the USD$5,400,000 SIDL Note was amended to extend the maturity dates to September 12, 2024. The modification resulted in a $1,683,573 loss on extinguishment. On extinguishment, the new note (the USD$5,400,000 SDIL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component (note 21). Terms and valuation inputs for the USD$5,400,000 SDIL Convertible Note can be found in the tables above.

On July 14, 2022, the Company issued 6,004,594 common shares (note 22), valued at $1,104,873 to the holder of USD$20,112,015 M&V Convertible Note (2021; 753,385) to satisfy additional interest due per the terms of the USD$20,112,015 M&V Convertible Note.

During the year ended December 31, 2022, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, discharge of all obligations and liabilities.

d. CREDIT FACILITY

A continuity of the Company's secured credit facility is as follows:

	$
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**
Reallocation from accounts payable and accrued liabilities	2,686,621
Accrued interest	3,830,665
Interest payments	(6,049,367)
Principal payments	(48,389,160)
Balances, December 31, 2022	**17,551,668**

The total interest recorded during the year ended December 31, 2022, in relation to the credit facility was $3,830,665 (2021; $7,858,909).

On August 16, 2022, the Company extended the termination date on its credit facility, extending the maturity date to October 31, 2022, while maintaining the same terms and conditions; interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month. The credit facility was again extended on January 30, 2023 (note 34).

On July 21, 2021, the Company exercised its right to extend the termination date on its credit facility, extending the maturity date to January 10, 2022. Interest is to remain at the prime rate of plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month.

During the year ended December 31, 2022, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, discharge of all obligations and liabilities arising under ERISA and further assurance.

e. DEBT REPAYMENT & SETTLEMENTS

In April 2022, the Company's settled debt owing on its credit facility in the amount of $53,394,324 (note 21). Proceeds from the sale of its assets relating to the Granville Transaction (note 15) were sent directly to the credit facility on closing of the sale for the payment of $5,004,036 in outstanding interest and $48,390,288 in principal. The Company also settled an additional $1,045,331 in monthly interest over the year ended December 31, 2022.

RWB entered into agreements with certain creditors of PharmaCo for the settlement of an aggregate of USD$7,702,745 of indebtedness through the issuance of 22,440,467 common shares in the capital of the Company (the "PharmaCo Settlement") (note 7). On December 21, 2022, the Company settled the PharmaCo Debt, issuing 22,440,467 common shares. RWB common shares on December 21, 2022, were valued at $0.10 per share. As such, the Company cancelled the PharmaCo Debt, recorded $2,244,047 to share capital for the issuance of 22,440,467 common shares and recorded a $7,903,108 gain on debt settlement.

22. SHARE CAPITAL AND RESERVES

a. AUTHORIZED

As at December 31, 2022, the authorized shares were as follows:

- 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.

b. ISSUED AND OUTSTANDING

Changes to the Company's common share capital during the year ended December 31, 2022, and 2021, and the balance outstanding is as follows:

Common Shares

Common Shares	Common Shares	Share Capital
	#	$
Balance, December 31, 2020	**191,317,226**	**178,088,767**
Shares issued for the Florida Acquisition (note 7)	5,950,971	$8,747,927
Shares issued for the Apopka Acquisition (note 7)	1,010,656	1,051,082
Conversion of convertible series II preferred shares (note 22)	32,290,461	11,596,682
Debt settlement	7,022,312	3,259,469
Exercise of stock options (note 22)	1,375,000	903,994
Exercise of RSU (note 22)	3,529,145	3,186,970
Exercise of warrants (note 22)	16,180,195	20,253,387
Finance charges	2,184,385	2,704,030
Balance, December 31, 2021	**260,860,351**	**229,792,308**
Shares issued for the PharmaCo Acquisition (note 7)	37,000,000	19,200,750
Shares issued to settle interest due on the USD$20,112,015 Convertible M&V Note (note 21)	6,004,594	1,104,873
Exercise of restricted share units (note 22)	910,000	406,850
Exercise of stock options (note 22)	100	105
Shares issued for settlement of debt (note 7)	22,440,467	2,244,047
Conversion of series I preferred shares conversion (note 22)	3,181,250	5,637,175
Conversion of series II preferred shares conversion (note 22)	139,125,139	83,682,864
Balance, December 31, 2022	**469,521,901**	**$342,068,972**

Series I Preferred Shares

Series I Preferred Shares	Series I Preferred Shares	Share Capital
	#	$
Balance, December 31, 2020	**3,181,250**	**$5,637,175**
Balance, December 31, 2021	**3,181,250**	**$5,637,175**
Series I preferred shares conversion (note 22)	(3,181,250)	(5,637,175)
Balance, December 31, 2022	**-**	**-**

Series II Preferred Shares

Series II Preferred Shares	Series II Preferred Shares	Share Capital
	#	$
Balance, December 31, 2020	**113,585,889**	**46,046,088**
Exercise of stock options (note 22)	1,200,000	879,325
Series II preferred shares conversion (note 22)	(30,246,040)	(11,596,682)
Debt settlement	8,445,426	11,407,946
Balance, December 31, 2021	**92,985,275**	**$46,736,677**
Shares issued for the PharmaCo Acquisition (note 7)	37,000,000	36,946,187
Series II preferred shares conversion (note 22)	(129,985,275)	(83,682,864)
Balance, December 31, 2022	**-**	**-**

Share Capital transactions the year ended December 31, 2022:

During the year ended December 31, 2022, 3,181,250 series I preferred shares valued at $5,637,175 were converted into 3,181,250 common shares at the same value. 129,985,275 series II preferred shares valued at $83,682,864 were also converted into 139,125,139 common shares of the Company at the same value. Per the terms of the series II preferred shares, upon conversion, preferred shareholders received an equivalent number of common shares plus an additional 5% common shares for each twelve-month period up to twenty-four months the series II preferred shares were held.

On February 7, 2022, finalized the PharmaCo Acquisition (note 7). Consideration for the PharmaCo Acquisition included the issuance of 37,000,000 units of RWB (“Units”). Each Unit consists of one common share and one series II convertible preferred share in the capital of RWB. Each Series II Preferred Share was convertible, in accordance with the formula as set out in the terms in RWB’s articles, at any time or times before April 24, 2022. All Series II Preferred Shares issued in relation to the PharmaCo Acquisition were converted into common shares of the Company by April 24, 2022.

On July 14, 2022, the Company settled additional interest due on the USD$20,112,015 Convertible M&V Note (note 21), issuing 6,004,594 common shares valued at $1,104,873.

During the year ended December 31, 2022, 910,000 restricted share units (RSU’s) of the Company were exercised. These RSU’s were valued at $472,750.

On December 21, 2022, the Company settled USD$7,702,745 in debt relating to PharmaCo, Inc. (note 21) by issuing 22,440,467 common shares valued on date of issuance at $2,244,047.

During the year ended December 31, 2022, 3,181,250 series I preferred shares valued at $5,637,175 were converted into 3,181,250 common shares at the same value. 129,985,275 series II preferred shares valued at $83,682,864 were also converted into 139,125,139 common shares of the Company at the same value. Per the terms of the series II preferred shares, upon conversion, preferred shareholders received an equivalent number of common shares plus an additional 5% common shares for each twelve-month period up to twenty-four months the series II preferred shares were held.

Share Capital transactions during the year ended December 31, 2021:

On April 28, 2021, on close of the Florida Acquisition, 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 (note 7).

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 Acquisition (note 7).

An aggregate of 32,290,461 common shares were issued by the Company for the conversion of 30,246,040 convertible series II preferred shares during the year ended December 31, 2021. 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, 1,375,000 common shares and 1,200,000 convertible series II preferred shares were issued by the Company 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.

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.

c. STOCK OPTIONS

The Company established a 20% rolling stock option plan (the “Option Plan”) to provide the Company with a share-related mechanism to attract, retain and motivate directors, employees and consultants, to reward such persons with the grant of options under the Option Plan from time to time for their contributions toward the long-term goals of the Company and to enable and encourage such persons to acquire shares as long-term investments.

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.

In any 12-month period, and in relation to the number of issued and outstanding common shares of the Company, the total number of options awarded cannot exceed:

- 5% to any one individual as at the grant date
- 2% to any one Consultant as of the grant date
- 2% to employees performing investor relations activities for the Company

The Company had the following outstanding stock options on December 31, 2022. The Company used the Black-Scholes model to establish the fair value of the options on the date of grant by applying the assumptions below. The fair value of the option is expensed over the option's vesting period.

Grant Date	Vesting Start Date	Expiry Date	Share price on Date of Grant	Exercise Price	Volatility[1]	Risk Free Rate	Dividends
			$	%	%	%	$
2018-06-22	2018-09-22	2023-06-22	1.15	5.28	101.57%	1.98%	$nil
2018-10-01	2019-10-01	2023-10-01	1.15	0.50	101.57%	1.98%	$nil
2018-12-12	2019-03-12	2023-12-12	1.15	2.46	101.57%	1.98%	$nil
2019-01-15	2019-01-15	2024-01-15	1.15	1.00	100.00%	2.27%	$nil
2019-02-04	2019-10-01	2024-02-04	1.15	1.00	100.00%	2.27%	$nil
2019-04-01	2020-04-01	2024-04-01	1.15	1.00	100.00%	2.27%	$nil
2019-04-15	2019-07-15	2024-04-15	1.15	1.00	100.00%	2.27%	$nil
2019-04-26	2019-04-26	2024-04-26	1.15	5.44	100.00%	2.27%	$nil
2019-04-29	2019-04-29	2024-04-29	1.15	1.00	100.00%	2.27%	$nil
2019-05-13	2019-08-13	2024-05-13	1.15	1.00	100.00%	2.27%	$nil
2020-01-11	2020-04-11	2025-01-11	1.15	1.00	105.27%	0.45%	$nil
2020-04-01	2021-04-01	2025-04-01	1.15	1.00	105.27%	0.45%	$nil
2020-09-10	2020-12-10	2025-09-10	0.66	0.66	105.27%	0.45%	$nil
2020-10-01	2021-01-01	2025-10-01	0.54	0.65	105.27%	0.45%	$nil
2020-10-12	2020-10-12	2025-10-12	0.60	0.65	105.27%	0.45%	$nil
2020-11-18	2021-02-18	2025-11-18	0.67	0.67	105.27%	0.45%	$nil
2020-12-03	2020-12-03	2025-12-03	0.69	0.75	105.27%	0.45%	$nil
2021-07-06	2021-07-06	2025-07-06	1.10	1.10	88.00%	1.23%	$nil
2021-11-12	2022-11-08	2026-11-12	0.63	0.63	88.00%	1.23%	$nil
2022-10-07	2023-01-07	2027-10-07	0.15	0.50	94.35%	3.98%	$nil

Volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on Canada government bonds with a remaining term equal to the expected life of the options.

The number of stock options and weighted average exercise prices as at December 31, 2022 and 2021 are as follows:

	Options	Weighted average exercise price
	#	$
Balance, December 31, 2020	**13,049,289**	**1.42**
Granted	3,595,000	0.70
Exercised	(1,375,000)	0.51
Balance, December 31, 2021	**15,269,289**	**1.26**
Issued	7,100,000	0.15
Exercised	(100)	0.65
Expired	(1,355,625)	0.89
Cancelled	(500,000)	0.93
Forfeited	(2,730,108)	0.58
Balance Outstanding December 31, 2022	**17,783,456**	**0.95**
Balance Exercisable at December 31, 2022	10,319,292	1.51

Stock Options are measured at fair value at the date of grant and are expensed to share based compensation over the option's vesting period. For twelve months ended December 31, 2022, the Company expensed only $5,190 (2021; $4,881,530) in share-based compensation due to a large number of forfeitures caused by the discontinuation of MAG (note 33).

The following reflects the remaining contractual life for outstanding and exercisable options as at December 31, 2022:

Outstanding				Exercisable	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	$	#	(years)	#	(years)
2023-06-22	5.28	463,358	0.47	463,358	0.47
2023-10-01	0.50	1,425,000	0.75	1,425,000	0.75
2023-12-12	2.46	45,000	0.95	45,000	0.95
2024-01-15	1.00	500,000	1.04	500,000	1.04
2024-02-04	1.00	400,000	1.10	400,000	1.10
2024-04-01	1.00	400,000	1.25	350,000	1.25
2024-04-15	1.00	12,500	1.29	12,500	1.29
2024-04-26	5.44	1,234,502	1.32	1,234,502	1.32
2024-04-29	1.00	500,000	1.33	500,000	1.33
2024-05-13	1.00	30,000	1.37	30,000	1.37
2025-01-11	1.00	371,429	2.03	371,429	2.03
2025-04-01	1.00	125,000	2.25	116,668	2.25
2025-07-06	1.10	155,000	2.52	116,250	2.52
2025-09-10	0.66	15,000	2.70	15,000	2.70
2025-10-01	0.65	3,400,000	2.75	3,400,000	2.75
2025-10-12	0.65	50,000	2.78	50,000	2.78
2025-11-18	0.67	165,000	2.88	165,000	2.88
2025-12-03	0.75	800,000	2.93	800,000	2.93
2026-11-26	0.63	591,667	3.91	324,585	3.91
2027-10-07	0.50	7,100,000	4.77	-	-
		17,783,456	**3.10**	**10,319,292**	**1.94**

d. RESTRICTED SHARE UNITS ("RSU'S")

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.

RSU's are valued at the RWB closing share price on the day prior to grant, and expiry dates are set five years from date of grant.

During the year ended December 31, 2022 and 2021, the Company issued RSU's, to certain employees' of the Company with the following terms:

Grant Date	Expiry Date	Share price on date of grant	Vesting	RSUs	Value
		$		#	$
2022 Grants					
8-Feb-22	5-Feb-27	0.56	100%	300,000	294,000
2021 Grants					
27-Jan-21	27-Jan-26	1.17	100%	300,000	351,000
27-Jan-21	27-Jan-26	1.17	100%	54,645	63,935
31-Mar-21	31-Jan-26	1.43	100%	110,500	158,015
31-Mar-21	31-Jan-26	1.43	100%	64,000	91,520
1-Apr-21	1-Apr-26	1.43	100%	500,000	715,000
5-May-21	5-May-26	1.30	100%	500,000	650,000
13-Aug-21	13-Aug-26	0.94	100%	750,000	705,000
22-Dec-21	22-Dec-26	0.41	100%	135,000	55,350

RSU transactions and the number of RSU's outstanding for the year ended December 31, 2022, and 2021 are as follows:

Restricted Share Units		
	#	$
Balance, December 31, 2020	**1,500,000**	**510,000**
Granted	2,414,145	2,789,820
Exercised	(3,529,145)	(3,186,970)
Balance, December 31, 2021	**385,000**	**112,850**
Granted	525,000	294,000
Exercised	(910,000)	(406,850)
Balance, December 31, 2022	-	-

Total stock-based compensation as a result of the RSU grants during the year amounted to $472,750, (2021; $2,745,255). As a result of these grants and exercises, $406,850 was transferred from contributed surplus to common shares during the year ended December 31, 2022 (2021; $3,186,970).

e. WARRANTS

As of December 31, 2022, and 2021, the number of outstanding warrants and weighted average exercise prices are as follows:

	Warrants	Weighted average exercise price
	#	$
Balance outstanding December 31, 2020	35,351,000	0.99
Issued	6,816,887	1.12
Exercised	(16,180,195)	1.00
Balance outstanding December 31, 2021	**25,987,692**	**1.03**
Expired	(20,757,490)	1.00
Exercised	(7,489)	1.00
Balance outstanding, December 31, 2022	**5,222,713**	**1.16**

As of December 31, 2022, the remaining contractual life on the warrants and the exercisability is as follows:

	Outstanding			Exercisable	
Expiry dates	Warrants outstanding	Exercise price	Remaining Contractual Life	Exercisable Warrants	Remaining Contractual Life
Date	**#**	**$**	**years**	**#**	**years**
2023-02-04	1,000,000	1.20	0.10	1,000,000	0.10
2023-05-12	4,222,713	1.15	0.36	4,222,713	0.36
Total warrants	**5,222,713**		**0.31**	**5,222,713**	**0.31**

During the year ended December 31, 2022, the Company did not issue any warrants.

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.

On February 3, 2021, the Company issued 1,000,000 warrants in connection with the of the USD$19,370,020 RGR Note. 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.

23. EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the twelve months ended December 31, 2022, and 2021 is as follows:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
	$	$
Outstanding common shares	469,521,901	260,860,351
Earnings (loss) attributable to RWB shares ($)	(235,771,458)	(83,623,070)
Weighted average number of shares outstanding, basic and dilutive	392,443,765	217,798,257
Earnings/loss per share, basic and diluted ($)	**(0.60)**	**(0.18)**

No stock options or warrants have been included in the computation of diluted loss per share for the period ended December 31, 2022, or 2021, as their effect would be anti-dilutive.

24. REVENUES

The Company generates revenue through two distinct sales channels: retail and distribution. Revenues by channel for the twelve months ended December 31, 2022, and 2021 is as follows:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
	$	$
Distribution	70,682,376	34,192,948
Retail	26,811,128	1,136,061
Other	-	1,936,561
Total revenue	**97,493,504**	**37,265,570**

Revenue as a percentage of total sales for twelve months ended December 31, 2022, and 2021 is as follows:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
	%	%
Distribution	73%	92%
Retail	27%	3%
Other	-	5%
Total	**100%**	**100%**

As of December 31, 2022, and 2021 the Company did not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company has not adjusted any of the transaction prices for the time value of money. The Company did not have significant customers representing more than 10% of total revenues earned by the Company.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses for the year ended December 31, 2022, and 2021 were as follows:

	As at December 31, 2022	As at December 31, 2021
	$	$
Salaries and wages	16,443,292	8,184,736
Consulting fees	3,044,038	4,756,547
Audit fees	2,528,331	439,904
Legal fees	2,407,994	1,040,293
Insurance expense	1,769,576	1,010,499
Facilities expense	1,372,102	2,847,118
Office expense	1,065,142	1,342,457
Penalties and fines	995,863	6,594,676
Tax expense	873,418	739,676
Bank fees	701,282	107,243
Licenses and permits	693,731	215,505
Travel expense	691,474	483,235
Accounting fees	219,930	-
Transfer agent and filing fees	89,958	106,046
Tax service fees	60,000	77,292
Contributions to charities	55,945	-
Bad debt expense	-	131,317
Total G&A expenses	**33,012,076**	**28,076,544**

26. INCOME TAXES

The Company conducts business within the cannabis industry in the United States. As a result, the Company is subject to the limits of Internal Revenue Code 280e under which it is only allowed to deduct expenses directly related to the cost of goods sold or the costs of production of its cannabis related finished goods.

A reconciliation of the amounts of income taxes reflected above compared to the expected income tax rates calculated at the combined Canadian federal and provincial enacted statutory rate of 26.5% for each of two years ended December 31, 2022, and December 31, 2021 is as follows:

	2022	2021
	$	**$**
Income Tax expense (recovery)		
Current Tax- continuing operations	8,686,256	3,674,224
Deferred tax - continuing operations	(10,354,737)	(3,513,370)
Deferred tax - discontinued operations	(5,330,149)	(15,807,994)
Total income tax expense (recovery)	**(6,998,630)**	**(15,647,140)**

Income tax recovery differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2021 - 26.5%) to income before income taxes. The reconciliation of the differences are as follows:

	2022	2021
	$	$
Income (loss) before income taxes	(249,126,360)	(98,997,843)
Statutory income tax rate	26.5%	26.5%
Expected income tax expense (recovery)	(66,018,485)	(26,250,445)
Effect of change in tax rates	(923,308)	111,704
Non-deductible recoveries and other	344,270	661,426
Stock based compensation	126,665	1,293,605
Foreign exchange	865,177	398,564
Fair value adjustments	29,495	(7,819,574)
280E expenses	8,358,514	4,481,797
Amortization of intangible assets	-	6,373,387
(Gain) loss on settlement of debt	(4,250,224)	1,197,893
(Gain) loss on debt extinguishment	886,698	-
Loss on shares – Mid American Growers, Inc.	(24,057,517)	-
Valuation allowance – Loss on shares, Mid American Growers, Inc.	24,057,517	-
Impairment of goodwill	49,084,569	-
Accreted interest	1,401,784	-
Assumed on acquisition of PharmaCo, Inc.	844,820	-
Interest and penalties	1,552,172	-
Other	699,223	-
Changes in temporary differences	-	3,904,503
Income tax expense (recovery)	**(6,998,630)**	**(15,647,140)**

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

	$
Balance, December 31, 2020	**(27,158,251)**
Future income tax recovery (expense)	3,513,370
Reduction in deferred tax liability related to discontinued operations	16,139,928
Balance, December 31, 2021	**(7,504,953)**
Future income tax recovery (expense)	11,797,935
Assumed via acquisition (note 2, 7)	(20,234,330)
Balance, December 31, 2022	**(15,941,348)**

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

	2022	2021
	$	$
Deferred tax assets		
Non-capital loss carry-forward	1,587,182	10,174,800
Lease obligations	5,602,847	-
	7,190,029	**10,174,800**
Deferred tax liabilities		
Biological assets and inventory	(811,911)	(1,123,700)
Property, plant and equipment, net	-	(14,561,300)
Intangible assets	(17,038,926)	(1,754,100)
Right-of-use assets	(5,209,620)	(4,610,900)
Lease obligations	-	4,754,500
Other	(70,922)	(384,253)
	(23,131,378)	**(17,679,753)**
Net deferred tax liabilities	**(15,941,350)**	**(7,504,953)**

In evaluating whether it is more likely than not that all of or a portion of a deferred income tax asset will be realized, consideration is given to the estimated reversal of deferred income tax liabilities and future taxable income generated in the taxing regime in which the Company and its subsidiaries conduct operations, The Company has recognized valuation allowances for operating or non-capital losses carried forward, capital losses carried forward and other deferred income tax assets for which it is believed that it is more likely than not that these items will not be realized.

The unrecognized temporary differences of the Company are comprised of:

	2022	2021
	$	$
Property, plant and equipment, net	193,000	198,000
Non-capital loss carry forward	87,550,000	90,571,000
Capital loss carry forward	1,853,000	1,853,000
Unamortized share issuance cost	622,000	2,114,000
	90,218,000	**94,736,000**

As at December 31, 2022, the Company has the following tax attributes available to reduce future year's taxable income, which operating losses carried forward expire as follows:

	$
Expiring between 15 and 20 years	87,550,000
Indefinite	1,853,000
Total	**89,403,000**

In accordance with the guidance noted above, the Company has recognized a valuation allowance for the entire amount of the above noted losses.

Penalties and interest are accounted for as part of the income tax provision.

As of the date of the Financial Statements, the Company was in the process of finalizing prior period income tax filings. As such, the balances recognized by the Company in the aforementioned notes may be subject to change in future periods based on the respective final tax filing positions.

27. NON-CONTROLLING INTERESTS

a. RWB FLORIDA, LLC AND RED WHITE & BLOOM, FLORIDA, INC.

RWB Florida, LLC is owned by two classes of members: Class A Members and Class B Members, to which the Company is the sole Class A Member. RWB Florida, LLC has several Class B Members, none of whom own in excess of 4.99% of the issued and outstanding equity in RWB Florida, LLC. RWB Florida, LLC is a member-managed limited liability company and all management, operational and day to day activities are undertaken exclusively by the Company. Class B Members hold an aggregate of 23% non-controlling interests of RWB Florida, LLC, and therefore, in RWB Florida.

RWB Florida, LLC became the sole shareholder of Red White & Bloom Florida Inc. (“RWB Florida”) after finalizing the "Florida Acquisition on April 27, 2021 (note 7). RWB Florida is the holder of an MMTC license from the Florida

Department of Health, Office of Medical Marijuana Use ("OMMU") and operates pursuant to the MMTC license throughout the State of Florida.

The following table presents summarized financial information before intragroup eliminations for non-wholly owned subsidiaries at December 31, 2022, and 2021:

	As at December 31, 2022	As at December 31, 2021
	($)	($)
Assets		
Current	14,372,784	8,382,084
Non-current	107,753,717	102,429,798
Total assets	**122,126,501**	**110,881,882**
Liabilities		
Current	4,969,840	6,322,421
Non-current	65,307,061	18,911,313
Total liabilities	**70,276,901**	**25,233,734**
Net Assets	**51,849,600**	**85,578,148**
Net Income (loss)	(27,829,562)	(1,192,500)
Interests		
Controlling interests – 77%	(21,473,290)	(920,133)
Non-controlling interests – 23%	**(6,356,272)**	**(272,367)**

28. RELATED PARTY TRANSACTIONS

a. KEY MANAGEMENT

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for the years ending December 31, 2022, and 2021, can be summarized as follows:

	Twelve months ended December 31, 2022	Twelve months ended December 31, 2021
	$	$
Management salaries, bonuses, and other benefits	475,189	211,186
Consulting fees by a company controlled by a director of the company	359,655	547,065
Share-based payments – officers	(21,634)	
Share-based payments – directors	(15,495)	556,270
Total	**797,715**	**1,314,521**

In the year ended December 31, 2022, the Company recovered $37,130 (2021; $nil) in stock-based compensation due to forfeitures of stock options held by past directors and officers. These forfeitures have been adjusted in contributed surplus as a recovery from stock-based compensation expense.

b. AMOUNTS DUE TO/FROM RELATED PARTIES

- Included in accounts payable and accrued liabilities is $743,233 (2021; $200,462) payable to officers and directors of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.
- The CAD$17,000,000 Convertible CPIL Note (note 21) is due to an entity related to the President of the Company. The term of the CAD$17,000,000 Convertible CPIL Note is 2 years at an interest rate of 8% per annum. The Company valued the CAD$17,000,000 CPIL Convertible Note using the residual method which resulted in a $14,893,017 allocation to long-term convertible debt liability and $2,106,983 to convertible debt reserve which is included in contributed surplus on the statement of financial position. The liability portion of the CAD$17,000,000 CPIL Convertible Note will amortize over the 2-year team at an effective interest rate of 16.43%. Additional terms of the note can be found in note 21.

c. RELATED PARTY TRANSACTIONS

2022 Transactions

- On September 15, 2022, the Company issued the CAD$17,000,000 Convertible CPIL Note an entity related to the President and Director of the Company (note 21).
- On September 19, 2022, a member of the Board of Directors resigned, and the Company appointed a new President and Director.
- On October 7, 2022, the Company granted 3,200,000 stock options to Directors of the Company at an exercise price of $0.135 to purchase common shares in the capital of RWB.
- Officers and Directors of the Company hold an aggregate of 23,649,654 common shares and 6,746,875 stock options.
- During the year ended December 31, 2022, 875,000 stock options were forfeited by past Officers and Directors of the Company.

The Company identified close members of the family of key management personnel that currently represent lenders to the Company (note 21) during its review of related party disclosures in accordance with IFRS IAS 24 and Public Company Accounting Oversight Board AS2410 and U.S. Securities and Exchange Commission Rules and Regulations.

2021 Transactions

- On July 12, 2022, the Company appointed a new member to the Board of Directors.
- On November 12, 2021, the Company granted 500,000 stock options to an Officer of the Company.
- On December 21, 2021, the Company granted 500,000 to a Director of the Company.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The three levels of the fair value hierarchy are:

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

Level 3 inputs in determining the fair value of investments includes subjective estimates in assessing for indicators of impairment.

b. CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that are subject to such risk include cash, accounts receivable and loans receivable. Accounts receivable balances are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a good credit standing and continue good payment history with the Company.

As at December 31, 2021, the Company held an accounts receivable balance $8,439,143. Included in this balance is a provision for expected credit losses ("ECL") in the amount of $1,617,165 (2021; $599,990). The Company's policy for ECL can be found in note 6. See note 9 for details relating to the Company's ECL provision for the year ended December 31, 2022, and 2021.

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 does not hold loans receivable as at December 31, 2022; thus, is not exposed to significant credit risk on loans receivable.

c. 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, 2022, the Company had a cash balance of $2,747,138 (2021; $818,753) available to apply against short-term business requirements and current liabilities of $70,754,710 (2021; $157,430,017), including short-term lease obligations (note 19), short term notes and a credit facility (note 21), and income taxes payable (note 26).

Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns about similar risks, could lead to market-wide liquidity issues. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership.

If any of our counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. In addition, if any parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected.

As at the date of these Financial Statements, the Company was not a client of SVB and has remained unaffected by the events above.

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, 2022 and 2021, 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. FOREIGN 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.

The Company is also exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which use the United States Dollar (US). The Company does not currently use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

f. CAPITAL RISK 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, 2022, the Company has a shareholders' equity of $28,200,045 (2021; $196,850,756). Note that included in the consolidated statements of financial position presented is an accumulated deficit of $352,649,020 as at December 31, 2022 (2021; $116,877,562). 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, policies and processes have remained unchanged during the year ended December 31, 2022. The Company is not subject to any external capital requirements.

30. CONTINGENCIES AND COMMITMENTS

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 the process of finalizing the defense. The Company does not believe that this claim has merit, and it intends to defend the claim.

On August 19, 2022, Greenlane Holdings, LLC filed a lawsuit against Red White & Bloom Brands, Inc.; RWB Platinum Vape, Inc.; Platinum Vape, LLC; and Vista Prime Management, LLC (collectively, the “RWB Entities”) in the Superior Court of California, County of Orange (the “Lawsuit”). The RWB entities answered the complaint, generally denying Greenlane’s allegations and claims, on October 7, 2022. On November 16, 2022, the RWB Entities filed a motion to dismiss the Lawsuit on the grounds of inconvenient forum. Shortly thereafter, the parties agreed to voluntarily submit their dispute to binding arbitration before the American Arbitration Association in Florida (the “Arbitration”). The Lawsuit is stayed pending the outcome of the Arbitration. An Arbitration hearing has been set for July 19-20, 2023. The parties have also agreed to participate in a mediation session with Judge Amy Hogue (ret.) in California on June 13, 2023. Although the parties have begun to discuss the possibility of settlement, no agreement has been reached at this time.

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 condensed interim consolidated financial statements. Management believes that the resolutions of these proceedings will not have a material unfavorable effect on the Company's condensed interim consolidated financial statements.

b. CONTINGENCIES

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 September 30, 2022 and December 31, 2021, 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.

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.

On February 23, 2022, the Company received a cease-and-desist notice from a Licensor in respect to the Rights and ceased to be engaged in the manufacturing, sale or licensing of the Rights. Accordingly, the Company reversed the license liability, in the amount of $8,135,473, remaining after February 23, 2022, and during the year ending December 31, 2022. The Company has entered into negotiations with respect to any outstanding liabilities to the Licensor and agreed to voluntary non-binding mediation between the Company and the Licensor. To date, 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.

31. SEGMENTED RESULTS

During the year ended December 31, 2022, as a result of key operating milestones and acquisitions, including but not limited to the licensure of the Company's manufacturing and processing facility in Warren, Michigan and the closing of the PharmaCo Acquisition (note 7), the Chief Decision Makers ("CDOM") reassessed its classification of operating segments to better reflect how the Company services its customers and respective legal markets in the United States.

Comparative revenues, cost of goods before fair value adjustments, fair value adjustments, operating expenses and other expenses have been reclassified to confirm to the current period's financial statement presentation.

The exhibits set out below summarize the consolidated financial information of the Company's reportable segments for the years ended December 31, 2022 and 2021.

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For the year-ended December 31, 2022	Corporate	Distribution	Retail	Other	Consolidated
	$	$	$	$	$
Sales revenue	-	70,682,376	26,811,128	-	97,493,504
Cost of goods sold	-	(46,194,751)	(23,829,406)	-	(70,024,157)
Unrealized changes in fair value of biological assets	-	-	2,867,768	-	2,867,768
Realized fair value amounts included in inventory sold	-	-	(2,709,239)	-	(2,709,239)
Total Gross Profit (loss)	-	24,487,626	3,140,250	-	27,627,876
Total gross Profit (%)	0%	35%	12%	0%	28%
Total operating Expenses	(11,691,967)	(15,167,754)	(18,032,046)	-	(44,887,071)
Total other expenses	(14,471,115)	(261,089)	(185,417,600)	(29,817,224)	(229,971,724)
Loss before Income Taxes	(26,163,083)	9,058,783	(200,309,395)	(29,817,224)	(247,230,919)
Income tax	-	(5,649,725)	(1,390,689)	8,708,895	1,668,481
Net loss from continuing operations	(26,163,083)	3,409,057	(201,700,083)	(21,108,328)	(245,562,438)
Gain from discontinued operations	-	-	-	3,434,708	3,434,708
Net loss for the year	**(26,163,083)**	**3,409,057**	**(201,700,083)**	**(17,673,621)**	**(242,127,730)**
Attributed to:					
Red White and Bloom	(26,163,083)	3,409,057	(195,343,811)	(17,673,621)	(235,771,458)
Non-controlling interests	-	-	(6,356,272)	-	(6,356,272)
Intercompany Balances	298,042,757	(175,991,742)	(79,047,259)	(43,003,755)	-
Total Assets	1,043,197	18,915,772	232,404,962	40,302,237	292,666,168
Total non-current assets	-	3,133,175	214,017,790	40,269,252	257,420,217
Total liabilities	152,577,198	25,581,582	86,267,305	40,038	264,466,123
Total non-current liabilities	127,805,847	1,261,616	71,975,289	(7,331,339)	193,711,413
% of revenue	0.0%	72.5%	27.5%	0.0%	100.0%
% of loss	10.5%	0.0%	81.0%	8.5%	100.0%
% of Income	0.0%	100.0%	0.0%	0.0%	100.0%

For the year-ended December 31, 2021	Corporate	Distribution	Retail	Other	Consolidated
	$	$	$	$	$
Sales revenue	-	34,192,948	1,136,061	1,936,561	37,265,570
Cost of goods sold	-	(17,078,801)	(698,893)	-	(17,777,694)
Unrealized changes in fair value of biological assets	-	-	3,431,995	-	3,431,995
Realized fair value amounts included in inventory sold	-	-	297,784	-	297,784
Total gross profit (loss)	**-**	**17,114,148**	**4,166,947**	**1,936,561**	**23,217,655**
Total gross profit (%)	1000%	50%	367%	0%	62%
Total operating expenses	(34,248,018)	(18,778,365)	(3,470,528)	9,202,384	(47,294,528)
Total other expenses	(5,308,14)	(34,176)	(5,334,188)	(4,234,468)	(14,910,979)
Loss before income taxes	**(37,619,604)**	**(1,698,394)**	**(4,637,770)**	**4,967,916**	**(38,987,851)**
Income tax	-	78,340	(829,095)	589,902	(160,854)
Net loss from continuing operations	**(37,619,604)**	**(1,620,054)**	**(5,466,865)**	**5,557,818**	**(39,148,705)**
Loss from discontinued operations	-	-	-	(44,201,998)	(44,201,998)
Net Loss for the year	**(37,619,604)**	**(1,620,054)**	**(5,466,865)**	**(38,644,180)**	**(83,350,703)**
Attributed to:					
Red White and Bloom	(37,619,604)	(1,620,054)	(5,194,498)	(38,644,180)	(83,078,336)
Non-controlling interests	-	-	(272,367)	-	(272,367)
Intercompany Balances	(86,626,735)	(11,785,182)	(3,045,567)	101,457,484	-
Total Assets	198,515,009	12,644,447	113,347,482	122,361,176	446,868,114
Total non-current assets	146,779,676	2,686,520	102,429,798	66,744,074	318,640,068
Total liabilities	175,783,879	10,556,228	45,808,996	17,868,256	250,017,358
Total non-current liabilities	45,857,383	501,041	39,486,575	6,742,342	92,587,341
% of revenue	0%	92 %	3%	5%	100%
% of loss	84%	4%	12%	0%	100%
% of Income	0%	0%	0%	100%	100%

32. RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with current year presentation. Reclassifications have been made as follows:

- $2,686,621 in interest due on the Company's credit facility was included in accounts payable and accrued liabilities as at December 31, 2021. The Company reclassified this amount to short-term credit facilities during the year ended December 31, 2022.
- Short-term convertible debentures have been reclassified to long-term convertible debentures on the Statement of Financial Position in order to provide comparative information on the Company's outstanding convertible debentures between current year ending December 31, 2022 and the prior comparative.
- Salaries and wages have been reclassified to general and administrative expenses in the statement of loss and comprehensive loss.
- The Company's CDOM's reassessed the classification of operating segments to better reflect how the Company services its customers and respective legal markets in the United States. For the current year ending December 31, 2022, the Company has segregated it operations into three main operating segments (i) Retail, and (ii) Distribution, and (iii) Corporate, with all other non-reporting operations to a fourth segment; Other.

These reclassifications had no material 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.

33. DISCONTINUED OPERATIONS

During the year ended December 31, 2021, and as disclosed in Note 15, the Company entered a letter of intent for the sale of the Granville Facility. Accordingly, the entire Granville CGU has been classified as 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 for the year ended December 31, 2022, and 2021 are as follows:

	2022	2021
	$	$
Revenue		3,164,231
Cost of sales, before fair value adjustments	-	19,294,416
Realized fair value amounts included in inventory sold	-	2,797,221
Gross profit (loss)	**-**	**(18,927,406)**
General and administration	4,167,042	8,030,046
Depreciation and amortization	-	5,388,278
Sales and marketing	180,529	306,238
Loss from operations before other expenses (income)	**(4,347,571)**	**(32,651,968)**
Other expense (income)		
Other revenue	(1,805,804)	-
Finance expense	(44,190)	(180,539)
(Gain) loss on disposal of property, plant and equipment	(602,135)	26,020,708
Revaluation of financial instruments	-	(4,324,675)
Impairment of intangibles	-	5,842,530
Loss before income taxes	**(1,895,441)**	**(60,009,992)**
Deferred income tax expense (recovery)	(5,330,149)	(15,807,994)
Net Gain (loss) from discontinued operations	**3,434,708**	**(44,201,998)**
Net loss per share, basic and diluted on discontinued	**0.01**	**(0.20)**
Weighted average number of outstanding common shares, basic and diluted	392,443,765	217,798,257

34. SUBSEQUENT EVENTS

In March 2023, trading on the OTCQX for the Company was suspended pending the Company completing the filing of form 20Fs for the fiscal year ended December 31, 2021 and December 31, 2022. The Company is working diligently to complete the required filings in due course and, once complete, work in collaboration with the SEC and the OTCQX to confirm a timeline for release of the suspension. On release of the suspension, the Company will seek to deregister its SEC membership in accordance with guidelines set by the governing body.

On January 30, 2023, pursuant to the terms and conditions set out in its January 10, 2020 Credit Agreement (note 21), the Company extended the termination on its Credit Facility to July 31, 2023. To extend the termination date, the Company was subjected to a non-refundable amendment fee in the amount of $136,000.

On March 10, 2023, the Company entered into a debenture amending agreement with Royal Group Resources, Ltd. ("RGR") to document US dollar advances made by RGR to the Company (the "USD RGR Grid Note"). The USD Grid Agreement initially provides for an amendment to the USD$5,850,000 RGR Note (note 21) for a change in principal, with all other terms and conditions remaining the same. Subsequent to the year ended December 31, 2022, the USD RGR Grid note has had the following activity:

	Loan amount
	USD$
Balance, December 31, 2021	**-**
USD$5,850,000 RGR Note	5,850,000
November 1, 2022, amendment to principal	2,000,000
Balance, December 31, 2022	**7,850,000**
Advance, February 17, 2023	1,500,000
Advance, March 10, 2023	2,500,000
Payment, March 27, 2023	(750,000)
Advance, April 14, 2023	2,250,000
Balance, May 1, 2023	**13,350,000**

On March 15, 2023, the Company appointed a new Chief Financial Officer. On appointment, the Company issued 1,250,000 stock options, exercisable to acquire up to 1,250,000 common shares of the Company at an exercise price of $0.10. The stock options vest quarterly over a period of two years commencing on the first anniversary date of the grant. The terms for the grant are in line with the parameters set out in the Company's existing Employee Stock Option Plan.

On March 27, 2023, the Company entered into a secured debenture agreement with RGR to document Canadian dollar advances made by RGR to the Company (the "CAD RGR Grid Note"), maturing on September 12, 2024. The CAD RGR Grid Note will bear interest at an aggregate rate of 12% per annum with interest payments on the last day of each month. RWB may prepay the amount due at any time subject to a prepayment penalty of 1.75% of the outstanding principal amount. The CAD RGR Grid Note is secured by a first priority security interest in, and pledge of the equity ownership interest of the Company's subsidiary; RWB Michigan, LLC. Under the terms of the CAD RGR Note, the principal amount at any time is the total amount advanced to the Company by RGR under the CAD RGR Grid Note (less any repayment or prepayment).