Red White & Bloom Brands Inc.

(Formerly Tidal Royalty Corp.)

Management's Discussion and Analysis

For the years ended December 31, 2022, and 2021

CSE: RWB

OTCQX: RWBYF

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

The following Management Discussion and Analysis ("MD&A") may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", or "occur", or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to, the following:

- the performance of the Company's business and operations.
- the expected timing and projected cost of the Company's business objectives including its expansion plans, both organic and acquisitive.
- the business strategies of the Company.
- the impact of the introduction of new branded cannabis product offerings.
- the impact of ongoing and prospective cost savings initiatives.
- the impact of laws and regulations (existing, proposed, and/or amended) including those impacting operating licenses to conduct business activities in relevant jurisdictions.
- its expectations regarding production capacity and performance at its cultivation and processing facilities.
- expectations regarding relevant cannabis market conditions in the United States specific to each state in which the Company legally operates.
- the competitive conditions of the cannabis industry in the United States.
- the state of banking regulations in the United States it relates to the cannabis industry.
- The state of federal, state, and local legislation in the United States as it relates to the cannabis industry and specifically as it relates to jurisdictions in which the Company operates.
- the intention of the Company to complete any offering of securities or debt issued by the Company.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. There can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include, but are not limited to, the Company's ability to obtain financing from external resources in whatever form, the general impact of financial market conditions that may impact the Company and its ultimate consumers, the yield from marijuana growing operations, product demand in channels to market in which the Company participates, changes in prices of required raw material inputs, the impact of competition in states which the Company operates, and federal, state and local government regulations..

Readers are encouraged to read the Company's public filings with Canadian securities regulators which can be accessed and viewed via the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com

NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES

The Company references non-IFRS and supplementary financial or operating measures, including, but not limited to, Adjusted EBITDA and same store sales. These measures do not have a standardized meaning prescribed by IFRS and are most likely not comparable to similar measures presented by other public company issuers including those operating in the cannabis industry. Non-IFRS measures provide investors with additional insights into the Company's financial and operating performance which may not be garnered from traditional IFRS measures. The management of the Company, including its key decision makers, use non-IFRS measures in assessing the Company's financial and operating performance.

The Company calculates Adjusted EBITDA as net income or loss excluding current and deferred income tax expense, finance expense (net), depreciation and amortization, fair value changes in biological assets, changes in inventory sold, share based compensation, gains or losses on revaluation of debts or accounts payable and accrued liabilities, gains or losses on extinguishment of debts or accounts payable and accrued liabilities, impairments of tangible or intangible assets, impairment of goodwill, accreted interest on leases and applicable short term and long term liabilities, gains or losses on asset disposals, foreign exchange, gain or loss on earnouts, and bad debt expense.

The Company defines same store sales as those net sales generated from retail stores, adult use and/or medical use, that were in operation at a comparable point in time during the prior fiscal year.

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Red White & Bloom Brands Inc. (formerly Tidal Royalty Corp.) (the "Company" or "RWB") is intended to assist the reader in better understanding the operations and key financial results as of the date of this MD&A and should be read in conjunction with the Company's annual consolidated Financial Statements and notes thereto for the years ended December 31, 2022 ("2022-YE") and 2021 ("2021-YE") ("the Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The information in this MD&A is current as of May 15, 2023.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors on May 15, 2023.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars (CAD) except as indicated otherwise.

All references to the Company contained in the MD&A include references to all its subsidiaries, as applicable. The Financial Statements and MD&A, along with addition information about the Company are filed on www.sedar.com.

COMPANY OVERVIEW AND STRATEGY

COMPANY OVERVIEW

Red White & Bloom Brands Inc. (formerly Tidal Royalty Corp.), (the "Company" or "RWB") was incorporated on March 12, 1980 pursuant to the Business Corporations Act, British Columbia. The shares of the Company are traded on the Canadian Stock Exchange under the trading symbol "RWB" and on the OTCQX under the trading symbol "RWBYF". The Company's head office and registered office is located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On April 24, 2020, Tidal Royalty Corp. ('Tidal") and a private Ontario corporation, MichiCann Medical Inc. ("MichiCann"), completed a three-corned amalgamation whereby MichiCann was amalgamated with a newly incorporated subsidiary of Tidal, forming the Company. Immediately prior to the amalgamation, Tidal completed a consolidation of the Tidal common shares on the basis of one post-consolidated Tidal share for every sixteen pre-consolidated Tidal common shares and changed its name from "Tidal Royalty Corp." to "Red White & Bloom Brands Inc." Each MichiCann common share was exchanged to one common share and one convertible Series II preferred share of the Company. Holders of MichiCann common share purchase warrants and MichiCann stock options received one replacement warrant or stock option, as applicable, with each exercisable for units consisting of one common share and one convertible Series II preferred share. Due to the terms of the exchange ratio, the previous shareholders of MichiCann acquired a controlling interest in Tidal. As such, the amalgamation has been accounted for as a reverse takeover transaction, with MichiCann being the resulting issuer for financial reporting purposes.

The Company's principal operations are (1) the distribution of branded and non-branded cannabis products, both adult-use and medical use, direct to legally licensed retailers, (2) retail operations selling branded and non-branded cannabis products, both adult-use and medical use, and (3) captive cultivation, processing, packaging, and procurement operations that support both the distribution and retail operation. The Company's operations are primarily conducted in the states of Michigan, Florida, and California with licensing arrangements in the states of Missouri, Massachusetts, and Arizona.

COMPANY STRATEGY

The Company is committed to driving the growth of its distribution and retail operations, through organic and acquisitive means, leveraging its premium Platinum and Platinum Vape brands ("PV") through its branded cannabis product offerings as well as its "House of Platinum" brand name and retail banners. The Platinum name brand is associated with the highest quality cannabis offerings in the legal states currently represented in the United States. The Company strives to maintain Platinum's strength as a product on which cannabis consumers can rely for best-in-class product attributes, garnered through regimented production quality and procurement standards.

PV product lines include a wide range of disposable and reusable vape pens, cartridges, and pods in a variety of strain-specific flavors and effects. In addition, PV products include carefully crafted, cannabis infused, palate driven, edible creations including, but not limited to, Gummy Coins based on traditional candy flavors, and packaged bulk flower and pre-rolls.

DESCRIPTION OF THE BUSINESS

RETAIL

As at 2022-YE, the Company is licensed to operate a total of three medical cannabis retail stores (dispensaries) in the state of Florida, a processing facility located in Sanderson, Florida, and a cultivation facility in Apopka, Florida. The Sanderson facility is owned by the Company and includes fifteen acres of land, a 110,000 square foot facility utilized for cultivation and processing, and a 4,000 square foot freestanding administrative office building. The Apopka facility is owned by the Company and includes a fully licensed and operational 45,000 square foot greenhouse situated on 4.7 acres of arable land. All outputs produced by the Apopka facility are committed to the Sanderson facility for processing. The Sanderson facility processes bulk inputs supplied to it exclusively by the Apopka facility. The Sanderson facility produces cannabis product offerings sold exclusively through the Company's captive medical retail locations (dispensaries) situated throughout the state of Florida. The Company leases nine retail locations throughout the state, four of which are operating as of the date of this report. The 4th medical retail location, located in Clearwater, Florida, was approved and licensed for operation in February 2023. The Company is currently planning the activation of the remaining five locations over the course of fiscal 2023 contingent on the ability of the regulatory authorities to comply with the Company's activation schedule.

As at 2022-YE, the Company is licensed, within the state of Michigan, to operate a total of eight adult-use and/or medical use cannabis retail stores (dispensaries), two indoor cultivation facilities, (Glendale, Michigan, and Marquette, Michigan), a municipally licensed and ready to operate ten acre outdoor cultivation facility (Au Gres, Michigan), and twenty-two additional properties located throughout the state of Michigan which are available for potential cultivation and cannabis dispensary operations.

The following sets out the Company's total licensed cannabis retail locations within the United States as at 2022-YE.

Jurisdiction	Licensed, Active Cannabis Retail Stores	Cannabis Retail Stores available to be Activated	Total Available Retail Locations
Florida	3	6	9
Michigan	8	4	12

DISTRIBUTION

On September 14, 2020, the Company completed the acquisition of the Platinum operations in the state of California. The Company acquired licensed manufacturing, processing and distribution operations located in the city of San Diego. Distribution operations in the state of California are focused on the manufacturing, processing and distribution of Company branded cannabis product offerings to licensed retailers within the state of California. The Company offers a full product line of Platinum and Platinum Vape branded, premium cannabis products sold at over 100 retailers throughout California. The Company's primary business is the distribution of branded adult-use cannabis product offerings to legally licensed California adult-use retailers.

On January 18, 2022, upon receiving regulatory approval, the Company activated a manufacturing, processing, and distribution center in the State of Michigan for both adult use and medical use cannabis product offerings. The Company conducts its operations in a 15,000 square foot processing facility located in Warren, Michigan. The Company's primary business is the distribution of Platinum and Platinum Vape branded premium cannabis products for both adult use and/or medical use to licensed retailers, and sales of branded non-THC inputs to out of state, licensed distribution partners, carried out under the Company's asset-light initiative to grow the Platinum and Platinum Vape product offerings in all legal states in the United States. As of the date of this report, the Company services over 300[1] adult use and medical retailers in the state of Michigan.

The following table lists the Company's subsidiaries and percentage of holdings as at the date of this MD&A:

Subsidiary	Source Currency	Jurisdiction	% Ownership 2022	% Ownership 2021
Red White & Bloom Brands Inc. (Parent)	CAD	British Columbia, Canada	Parent	Parent
1251881 B.C. Ltd.	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%

[1] *Estimated as of date of report based on internal metrics*

GOING CONCERN

The Financial Statements for 2022-YE 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 2022-YE, the Company incurred an accumulated deficit of $352,649,020 (2021-YE; $116,877,562) since inception, including non-cash impairments of $214,764,298 realized in fiscal 2022 (2021; $20,390,521). For 2022-YE, the Company incurred a comprehensive net loss of $253,526,304 (2021-YE; $84,554,476), including the non-cash impairments of $214,764,298 (2021-YE; $20,390,521). Net cash used in operations was $17,522,837 (2021-YE; $46,581,898).

The Company's operations are mainly funded with debt and equity financing. Financing is dependent upon many external factors and it may be difficult to raise funds when required. The Company may not have sufficient cash to fund ongoing operations, acquisition and development activities, or servicing of debt requirements. This will require additional funding, which if not raised by this method, may result in the delay, postponement, or curtailment of some of its operating activities. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following 2022-YE. To address its financing requirements, the Company continues to aggressively pursue several options, including financing via debt and equity markets to fund growth initiatives, both organic and acquisitive, and monetization of captive assets, both tangible and intangible. The Company continues to seek to improve its cash flow by prioritizing operating initiatives with greater expected returns while reducing 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: (1) market conditions that may result in a lack of normally available financing in the cannabis industry, (2) increased competition across the industry, and (3) 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 2022-YE, 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.

OUTLOOK

During the course of fiscal 2022, the Company completed key transactions, as well as instituted a series of operational decisions, with an aim to strengthen the balance sheet and provide operational cost reductions. These actions included but were not limited to the following:

- The sale of its Granville, Illinois assets to New Branches, LLC in April 2022, resulting in a repayment of over $51 million of secured debt;
- The elimination of operating liabilities; through various means to be the benefit of the Company; and
- The Company decided to cease the pursuit of its own THC license in the State of Illinois, in keeping with its decision to pursue an asset-light model combined with the significant delays experienced in its attempts to close on the previously announced acquisition of a THC license and facility in Shelbyville, Illinois.

The Company is now focused on prioritizing growth of its "Platinum", "Platinum Vape", and "House of Platinum" branded product portfolio and banners through its respective channels to market (Retail or direct to customer, Distribution or direct to retailer) in legal U.S. states where it maintains a physical footprint or where it has extended, or plans to extend, its asset-light presence through licensing arrangements with distributors in strategically targeted legal U.S. states such as Arizona, Missouri, and Massachusetts. In addition, the Company continues to pursue asset-light execution and exploitation of its Platinum brands and product offerings in international legal markets through strategic partnerships with licensed producers.

The Company has extended the availability of the Platinum, Platinum Vape, and House of Platinum branded product lines in each state in which it operates. The Company has expanded its focus on Live Resin and Live Rosin vape offerings, premium edible offerings, including but not limited to, branded gummy coins, as well as disposable vape products under the Skybar™ hardware platforms (currently available in Michigan and Arizona). These products are also intended to be marketed in international markets in the near term.

RECENT DEVELOPMENTS

- In March 2023, trading on the OTCQX for the Company was suspended, pending the Company completing the filing of form 20Fs for 2021-YE, and 2022-YE. As of the date of this report, the Company is working diligently with its advisors to complete the required filings. Once complete, the Company will work in collaboration with the SEC and the OTCQX to confirm a timeline for release of the suspension. Once the release of the suspension is granted by the requisite authorities, the Company will concurrently seek to deregister its SEC membership in accordance with guidelines and timelines set by the applicable governing bodies. The Company is not seeking to file on an SEC sponsored exchange in the near term and, accordingly, will not be required to maintain both the cost and administration of maintaining the registration and its requisite filings.
- On March 27, 2023, the Company entered into a secured debenture agreement with Royal Group Resources, Ltd. ("RGR") to document Canadian dollar advances made by RGR to the Company (the "CAD RGR Grid Note"), maturing on September 12, 2024; secured by a first priority security interest in, and pledge of the equity ownership interest of the Company's subsidiary; RWB Michigan, LLC. 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.
- 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 10, 2023, the Company entered into a debenture amending the agreement with 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 an existing USD$5,850,000 RGR Note for a change in principal with all other terms and conditions remaining the same. Subsequent to 2022-YE, the USD RGR Grid note has had the following activity:

	Note Amount USD$
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 12, 2023	**13,350,000**

- On February 10, 2023, the Company announced the launch of Platinum Vape product offerings in the adult use Arizona market. Offerings include more than twelve (12) flavor profiles of its Premium 510 Vapes and Disposable Vape products, stocked in dispensaries across the state. Additional high quality PV branded offerings are expected to be introduced over the course of the 2023 fiscal year.

- On February 7, 2023, the Company successfully activated a medical use retail store (dispensary) in the city of Clearwater, Florida; its fourth medical use retail store in the State of Florida. As of the date of this report, the Company is finalizing timelines to activate its five remaining medical retail facilities in the state of Florida in the cities of Brandon, South Miami Beach, North Miami Beach, Hollywood, and Orange Park.
- On January 30, 2023, pursuant to the terms and conditions set out in its January 10, 2020 Credit Agreement with Bridging Finance, Inc. ("Bridging"), the Company extended the maturity of its Credit Facility to July 31, 2023. As a consequence of this extension, the Company was subjected to a non-refundable amendment fee in the amount of $136,000. The Company is continuing to work collaboratively with Bridging regarding a path forward given the pending maturity of the Credit Facility.
- On December 15, 2022, the Company announced it had settled $10.5 million in debt related to arm's length financing through the issuance of common shares. Pursuant to the debt settlement, the Company issued 22,440,467 common shares of the Company representing an effective per share price, based on the face value of the debt, of approximately $0.47 per share to creditors of the Company.
- On October 7, 2022, the Company announced it was continuing its PV product expansion plans having recently announced the launch of PV product extensions into key legal markets in Missouri and Massachusetts through its asset-light growth strategy.
- On October 7, 2022, the Company reported it had secured a lease for a medical retail location (dispensary) in Clearwater, Florida, through its subsidiary, Red White & Bloom Florida, Inc.
- On October 7, 2022, the Company reported that it had issued 3,200,000 stock options to certain directors and officers of the Company. The stock options are exercisable to acquire up to 3,200,000 common shares of the Company at an exercise price of $0.135. The stock options vest quarterly over a period of two years from grant.
- On October 3, 2022, the Company announced it had reached an exclusive agreement to utilize vape technology provided by Skybar™, a leading innovator in vape devices. Concurrent with the execution of the agreement, the Company confirmed the debut of PV Disposables utilizing Skybar™ vape hardware.
- On September 19, 2022, the Company confirmed that it had completed the restructuring of the terms of certain outstanding debentures and issued a new convertible debenture in the principal amount of CAD$17,000,000.
- On September 19, 2022, the Company announced that it had appointed strategic investor and entrepreneur Colby De Zen as President of the Company. Mr. De Zen has completed all the necessary cannabis regulatory licensing procedures and will report directly to the RWB Board of Directors. In this new role at the Company, Mr. De Zen will have overarching responsibility for all aspects of business operations. The Company also confirmed that Mr. De Zen had been appointed to the Board of Directors effective September 19, 2022.
- On September 19, 2022, the Company announced that Mr. Gabriel Bianchi has agreed to join the Company's Board of directors. Gabriel's appointment shall become effective upon completion of all securities and cannabis regulatory licensing procedures mandated by the states of Michigan and Florida. The Company also announced the immediate resignation of Mr. William (Bill) Dawson from the Company's Board of Directors.
- On June 15, 2022, the Company entered into an agreement with C3 Industries to license the PV brand in Missouri and Massachusetts.
- On April 20, 2022, the Company closed on the sale of its Granville, Illinois greenhouse, associated real estate and certain greenhouse equipment to New Branches LLC of California, an arm's length purchaser, for a total cash purchase price of $56.1 million (US $44.5 million). $51.7 million of the proceeds realized from the sale were used to repay a Company's secured lender and certain other accrued liabilities in the amount of approximately $3.8 million. The repayment

represented approximately 80% of the outstanding balance due to its secured lender and eliminates $6.2 million of annual interest expense for the company.

- On April 20, 2022, the Company chose to pivot to an asset-light, brand rich, business model in the State of Illinois, thus, confirming it would no longer pursue its own THC license through its previously announced definitive agreement to acquire a cultivation license in Shelbyville, Illinois.
- On March 31, 2022, the Company announced the debut of PV Live Resin vape cartridges in Michigan.
- On February 7, 2022, the Company, having received all regulatory approvals, closed its acquisition of PharmaCo, Inc. in an all-stock transaction.
- On January 18, 2022, the Company, closed on a lease assignment for a 15,000 sq. ft. manufacturing, processing and distribution facility in Warren, Michigan. The location in Warren, Michigan was concurrently issued both medical and adult use licenses which allowed it to begin production of medical and adult use branded cannabis products with all necessary equipment installed on site and regulatory inspections completed.

ACQUISITIONS

ACQUISITION OF PHARMACO, INC.

On February 7, 2022, the Company 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. The Units were issued at a deemed price of $1.00 per unit. All Series II Preferred Shares issued in relation to the PharmaCo Acquisition were converted into common shares of the Company by April 24, 2022 *(refer to the Summary of Outstanding Share Data section on page 41*).

<<<remainder of page intentionally left blank>>>

The following table summarizes the fair value of consideration paid and the allocation of the purchase price to the assets acquired and liabilities:

	$
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 paid	**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 assets	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 net identifiable assets acquired	**(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. The recognition of identified assets and liabilities has been reported in the 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 IFRS 3.45.

Revenue of the acquiree, after the acquisition date, as recorded in the consolidated statements of loss and comprehensive loss for the 2022-YE, 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 2022-YE.

ACREAGE FLORIDA, INC.

On April 27, 2021, the Company completed the acquisition of all of the issued and outstanding common shares of Acreage Florida, Inc. (the "Florida Acquisition"). Subsequent to the Florida Acquisition, Acreage Florida Inc. changed its name to Red White & Bloom Florida, Inc. ("RWB Florida"). RWB Florida is licensed to operate medical retail locations (dispensaries), processing and cultivation facilities in the state of Florida. The Florida Acquisition also includes the purchase of real property, including an administrative office building and 8 leased stores in prime locations throughout the state of Florida.

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

a) Aggregate cash consideration of $31,005,829 (USD$25,000,000)
b) 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
c) A 13-month secured promissory note in the principal amount of $22,225,631 (US$18,000,000) bearing interest at 8% per annum
d) 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:

	$
Consideration paid:	
Cash	31,005,829
5,950,971 common shares	8,747,927
Secured promissory notes	34,573,204
Total consideration paid	**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**

Revenue and income for 2021-YE, of the acquiree after the acquisition date, 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 2021-YE.

Subsequent to the Florida Acquisition, RWB Florida raised funds by:

- issuing 4.00% of its membership units for a total cash consideration of $3,720,900 (USD$3,000,000).
- issuing 18.84% membership units for cash consideration of $14,659,287 (USD$12,067,209).

In connection with the issuance of membership units and convertible debentures (*refer to Financial Instruments, Convertible Debentures note*), the Company incurred total financing costs of $1,574,000. Accordingly, $590,296 of this amount was classified as a reduction of the non-controlling interest amount.

As at 2021-YE, the total non-controlling interest of RWB Florida was 22.84%. During the twelve months ended December 31, 2022, $2,541,685 of the loss incurred by RWB Florida was attributable to non- controlling interests.

As at 2022-YE, the total non-controlling interest of RWB Florida was 22.84% (2021-YE; 22.84%). The total non-controlling interest in RWB Florida as at 2022-YE amounted to $12,947,768 (2021-YE; $18,062,258). Net loss for 2022-YE attributable to non-controlling interests totaled $5,114,490 (2021-YE; $272,367).

During the preparation of the 2022-YE Financial Statements, the Company became aware of an error regarding the deferred tax liability and goodwill associated with the Florida Acquisition. In fiscal 2022, the Company identified that the calculation of the deferred tax liability relating to taxable temporary differences of acquired operating licenses totaling $10,868,067 was not recognized as part of the final purchase price adjustments for the Florida Acquisition reported with the 2021-YE, 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 the 2022-YE 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. The error was not considered material to total assets or long-term liabilities reported for 2021-YE.

APOPKA, FLORIDA

On August 4, 2021, the Company closed on the acquisition of a 45,000 square foot greenhouse situated on 4.7 acres of land in Apopka, Florida for a purchase consideration of:

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

This transaction did not meet the definition of business combination under IFRS 3. Accordingly, it has been recorded as an asset purchase. The consideration paid was allocated to land in the amount of $601,057 and building in the amount of $1,791,703.

DISCONTINUED OPERATIONS

During 2021-YE, the Company entered into a letter of intent agreement for the sale of the Granville, Illinois facility through its wholly owned subsidiary, Mid-American Growers, Inc. ("MAG"). The sale was completed in April 2022. Accordingly, the entire Granville operation has been classified as discontinued operations given it is no longer part of the Company's ongoing operations. Below is a condensed summary providing for the loss from discontinued operations for 2022-Q4 and 2022-YE, and 2021-Q4 and 2021-YE:

	2022-Q4	2021-Q4	Variance	2022-YE	2021-YE	Variance
	$	$	$	$	$	$
Revenue	-	1,036,048	(1,036,048)	-	3,164,231	3,164,231
Cost of Sales	-	16,205,826	(16,205,826)	-	22,091,637	22,091,637
Gross loss	**-**	**(15,169,778)**	**15,169,778**	**-**	**(18,927,406)**	**(18,927,406)**
Total operating expenses	276,423	3,698,408	(3,421,985)	4,347,571	13,724,562	(9,376,991)
Loss from operations	**(276,423)**	**(18,868,186)**	**18,591,763**	**(4,347,571)**	**(32,651,968)**	**28,304,397**
Total other expense (income)	1,035,185	29,199,477	(28,164,292)	(2,452,129)	27,358,024	(29,810,153)
Deferred income tax recovery	(5,330,149)	(15,807,994)	10,477,845	(5,330,149)	(15,807,994)	10,477,845
Net profit (loss) from discontinued operations	**4,018,541**	**(32,259,669)**	**36,278,210**	**3,434,707**	**(44,201,998)**	**47,636,705**

The Company recorded its operations conducted by Mid-American Growers, Inc ("MAG") as discontinued operations, accordingly the Company's results of operations for 2022-YE, and 2021-YE exclude the operations from MAG. The Company reported income from discontinued operations of $3,434,707 for 2022-YE, compared to net losses from discontinued operations of $44,201,998 for 2021-YE.

FINANCIAL HIGHLIGHTS

FOURTH QUARTER CONSOLIDATED HIGHLIGHTS

The following is a condensed summary of the Company's results from operations for 2022-Q4, and 2021-Q4.

	2022-Q4	2021-Q4	Variance
	$	$	$
Revenue	16,500,257	2,452,552	14,047,705
Cost of goods sold, before fair value adjustments	14,832,060	8,265,931	6,566,129
Gross profit before fair value adjustments	**1,668,197**	**(5,813,379)**	**7,481,576**
Unrealized changes in fair value of biological assets	(5,239,404)	(3,481,199)	(1,758,205)
Realized fair value amounts included in inventory sold	74,615	(4,538,103)	4,612,718
Gross Profit	**6,832,986**	**2,205,923**	**4,627,063**
Gross profit Percentage (%)	**41%**	**90%**	**(49%)**
Total operating expenses	10,247,071	(4,912,908)	15,159,979
Profit (loss) from operations before other expenses or income	**(3,414,085)**	**7,118,831**	**(10,532,916)**
Total other expenses (income)	213,201,500	(11,476,050)	224,667,550
Profit (loss) before income taxes	**(216,615,585)**	**18,594,881**	**(235,210,466)**
Current income tax expense (recovery)	(3,835,684)	609,921	(4,445,605)
Deferred income tax recovery	10,354,737	3,513,370	6,841,367
Net loss from continuing operations	**(210,096,532)**	**22,718,172**	**(232,814,704)**
Gain (loss) from discontinued operations	4,018,542	(32,259,669)	36,278,211
Net loss for the quarter	**(206,077,990)**	**(9,541,497)**	**(196,536,493)**
Adjusted EBITDA	**(2,220,549)**	**(35,000,725)**	**32,780,177**
Working Capital	**(35,508,759)**	**(30,420,353)**	**(5,088,406)**

- Revenues were $16.5 million for 2022-Q4, a $14.0 million increase from 2021-Q4 revenues of $2.5 million.
- Gross profit, before fair value adjustments, was $1.7 million for 2022-Q4, a $7.5 million increase from 2021-Q4 consolidated gross loss before fair value adjustments of $5.8 million.
- Gross profit, after fair value adjustments, was $6.8 million for 2022-Q4, a $4.6 million increase from 2021-Q4 consolidated gross profit after fair value adjustments of $2.2 million.
- Operating expenses were $10.3 million for 2022-Q4, a $15.2 million increase from 2021-Q4 operating expense recovery of $4.9 million.
- Losses from operations before other expenses (income) were $3.4 million for 2022-Q4, a $10.5 million decrease from 2021-Q4 profit from operations before other expenses (income) of $7.1 million.
- Other expenses were $213.2 million for 2022-Q4, an increase of $224.7 million from 2021-Q4 other expense recovery of $11.5 million. Included in other expenses for 2022-Q4 are non-cash charges for intangible assets and goodwill impairments totaling $214.8 million.

FISCAL YEAR 2022 CONSOLIDATED HIGHLIGHTS

The following is a condensed summary of the Company's results from operations for 2022-YE, and 2021-YE.

	2022-YE	2021-YE	Variance
	$	$	$
Revenue	97,493,504	37,265,570	60,227,934
Cost of goods sold, before fair value adjustments	70,024,157	17,777,694	52,246,463
Gross profit before fair value adjustments	**27,469,347**	**19,487,876**	**7,981,471**
Unrealized changes in fair value of biological assets	2,867,768	3,431,994	(564,226)
Realized fair value amounts included in inventory sold	(2,709,239)	297,785	(3,007,024)
Gross Profit	**27,627,876**	**23,217,655**	**4,410,221**
Gross profit Percentage (%)	**28%**	**62%**	**-34%**
Total operating expenses	44,887,071	47,294,528	(2,407,457)
Loss from operations before other expenses (income)	**(17,259,195)**	**(24,076,873)**	**6,817,678**
Total other expenses	229,971,724	14,910,978	215,060,746
Loss before income taxes	**(247,230,919)**	**(38,987,851)**	**(208,243,068)**
Current income tax expense	(8,686,256)	(3,674,224)	(5,012,032)
Deferred income tax recovery	10,354,737	3,513,370	6,841,367
Net loss from continuing operations	**(245,562,438)**	**(39,148,705)**	**(206,413,733)**
Gain (loss) from discontinued operations	3,434,708	(44,201,998)	47,636,706
Net loss for the year	**(242,127,730)**	**(83,350,703)**	**(158,777,027)**
Adjusted EBITDA	**(1,148,822)**	**(27,987,527)**	**26,838,705**
Working Capital	**(35,508,759)**	**(30,420,353)**	**(5,088,406)**

- Revenues were $97.5 million for 2022-YE, a $60.2 million increase from 2021-YE revenues of $37.3 million.
- Gross profit before fair value adjustments for 2022-YE was $27.5 million, an $8.0 million increase from 2021-YE gross profit before fair value adjustments of $19.5 million.
- Gross profit after fair value adjustments for 2022-YE was $27.6 million, a $4.4 million increase from 2021-YE gross profit after fair value adjustments of $23.2 million.
- Operating expenses for 2022-YE were $44.9 million, a $2.4 million decrease from 2021-YE operating expenses of $47.3 million.
- Losses from operations before other expenses (income) for 2022-YE were $17.3 million, a decrease of $6.8 million from losses from operations before other expenses (income) for 2021-YE of $24.1 million.
- Total other expenses for 2022-YE were $230 million, an increase of $215 million from total other expenses for 2021-YE of $15 million. 2022-YE includes non-cash intangible asset and goodwill impairments totaling $214.8 million (2021-YE; $20,390,521).

RESULTS OF OPERATIONS

For 2022-YE, the Company revisited its operating segments and determined the Company's reportable segments, organized based on channels to end-user markets serviced by the Company, 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 which are 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 center for related public reporting and administrative costs.

(4) All other non-reporting operations to a fourth segment; 'Other'.

Segmented revenues to gross profit, for 2022-Q4 and 2021-Q4 are as follows:

2022-Q4	**DISTRIBUTION**	**RETAIL**	**OTHER**	**CONSOLIDATED**
	$	**$**	**$**	**$**
Revenue				
Sales revenue	15,664,161	836,096	-	16,500,257
Cost of goods sold before fair value adjustments	(11,949,199)	(2,882,861)	-	(14,832,060)
Gross profit before fair value adjustments	**3,714,962**	**(2,046,765)**	**-**	**1,668,197**
Unrealized changes in fair value of biological assets	-	5,239,404	-	5,239,404
Realized fair value amounts included in inventory sold	-	(74,615)	-	(74,615)
Gross profit	**3,714,962**	**3,118,024**	**-**	**6,832,986**
% of consolidated revenue	95%	5%	-	100%
% of consolidated cost of goods sold before fair value adjustments	81%	19%	-	100%
Gross profit before fair value adjustments (%)	24%	(245%)	-	10%
Gross profit (%)	24%	373%	-	41%
2021-Q4	**DISTRIBUTION**	**RETAIL**	**OTHER**	**CONSOLIDATED**
Revenue				
Sales revenue	125,303	338,458	1,988,791	2,452,552
Cost of goods sold before fair value adjustments	(3,269,824)	(1,339,469)	(3,656,639)	(8,265,932)
Gross profit before fair value adjustments	(3,144,521)	(1,001,011)	(1,667,848)	(5,813,380)
Unrealized changes in fair value of biological assets	-	3,092,441	388,758	3,481,199
Realized fair value amounts included in inventory sold	-	1,171,699	3,366,404	4,538,103
Gross profit (loss)	**(3,144,521)**	**3,263,129**	**2,087,314**	**2,205,922**
% of consolidated revenue	5%	14%	81%	100%
% of consolidated cost of goods sold before fair value adjustments	40%	16%	44%	100%
Gross profit before fair value adjustments (%)	(2510%)	(296%)	(84%)	(237%)
Gross profit (%)	(2510%)	964%	105%	90%
Change 2022-Q4 vs 2021-Q4	**DISTRIBUTION**	**RETAIL**	**OTHER**	**CONSOLIDATED**
Change in revenue	15,538,858	497,638	(1,988,791)	14,047,705
Change in cost of goods sold before fair value adjustment	(8,679,375)	(1,543,392)	3,656,639	(6,566,128)
Change in gross profit before fair adjustment	6,859,483	(1,045,754)	1,667,848	7,481,577
Change in gross profit	6,859,483	(145,105)	(2,087,314)	4,627,064

Segmented revenues for the 2022-YE, and 2021-YE are as follows:

2022-YE	DISTRIBUTION	RETAIL	OTHER	CONSOLIDATED
	$	$	$	$
Revenue				
Sales revenue	70,682,376	26,811,128	-	97,493,504
Cost of goods sold before fair value adjustments	(46,194,751)	(23,829,406)	-	(70,024,157)
Gross profit before fair value adjustments	**24,487,625**	**2,981,722**	**-**	**27,469,347**
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)
Gross profit	**24,487,625**	**3,140,251**	**-**	**27,627,876**
% of consolidated revenue	72%	28%	-	100%
% of consolidated cost of goods sold before fair value adjustments	66%	34%	-	100%
Gross profit before fair value adjustments (%)	35%	11%	-	28%
Gross profit (%)	35%	12%	-	28%
2021-YE	**DISTRIBUTION**	**RETAIL**	**OTHER**	**CONSOLIDATED**
Revenue				
Sales revenue	34,192,948	1,136,061	1,936,561	37,265,570
Cost of goods sold before fair value adjustments	(17,078,801)	(698,893)	-	(17,777,694)
Gross profit before fair value adjustments	17,114,147	437,168	1,936,561	19,487,876
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
Gross profit	**17,114,147**	**4,166,947**	**1,936,561**	**23,217,655**
% of consolidated revenue	92%	3%	5%	100%
% of consolidated cost of goods sold before fair value adjustments	96%	4%	0%	100%
Gross profit before fair value adjustments (%)	50%	38%	100%	52%
Gross profit (%)	50%	367%	100%	62%
Change 2022 vs 2021	**DISTRIBUTION**	**RETAIL**	**OTHER**	**CONSOLIDATED**
Change in revenue	36,489,428	25,675,067	(1,936,561)	60,227,934
Change in cost of goods sold before fair value adjustment	(29,115,950)	(23,130,513)	-	(52,249,463)
Change in gross profit before fair adjustment	7,373,478	2,544,554	(1,936,561)	7,981,471
Change in gross profit	7,373,478	(1,026,697)	(1,936,561)	4,410,220

REVENUE

The Company's two main revenue streams are (1) Retail, and (2) Distribution.

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

- **Distribution Revenue**: Revenue from sales to customers through the Company's distribution channel are recognized, net of promotional discounts, 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 of shipping orders to customers are included as an expense in the cost of goods sold.

Sales of products are in 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. The time between when distribution revenue is recognized and when payment is due is typically not greater than 60 to 90 days. The Company offers promotional discounts on its products at point of sales (Retail). The Company does not offer a warranty on its products.

Revenue for 2022-Q4

- ***Consolidated revenue for 2022-Q4*** amounted to $16,500,257, compared to $2,452,552 for 2021-Q4. The overall increase of $14,047,705 in revenue is primarily attributed to revenues generated with the inception of the Company's distribution operations in Michigan. Further analysis of revenues reported for 2022-YE is provided in the discussion of the respective operating segments results below (Retail and Distribution).

- ***Retail revenue for 2022-Q4*** was $836,096 compared to $338,458 for 2021-Q4. The increase of $497,638 is primarily attributed to retail sales retail sales realized through licensed adult use and medical retail locations acquired via the PharmaCo Acquisition. 2022-Q4 closed with a total of eleven retail stores in operation in the states of Florida and Michigan. 2021-Q4 closed with a total of one medical retail store in operation.

  Given the material developments that occurred within the Retail Segment during 2022-YE, including the activation of two additional medical retail locations in the state of Florida and the acquisition of the PharmaCo retail infrastructure, the Company has chosen to adopt same store sales as one of the key metrics to assess the operating and financial performance of the Retail Segment. Same store sales are the comparison of sales of stores that are operating during the period relative to the sales generated by those stores in the prior comparative period.

  Same store sales for 2022-Q4 compared to 2021-Q4 increased by $205,303 from $343,016 in 2021-Q4 to $421,363 in 2022-Q4. For 2022-YE, same store sales refer to revenues realized by the Company's single medical retail location in Springhill, Florida.

- ***Distribution revenue for 2022-Q4*** increased by $15,538,858 in comparison to revenues for 2021-Q4. 2022-Q4 revenue was $15,664,161, compared to $125,303 for 2021-Q4. The increase in revenues can be primarily attributed to the activation of the Company's distribution operations in the state of Michigan. Revenues for the Distribution Segment were negatively impacted by continuing competitive price compression in both California and Michigan direct to retailer channels. Despite pricing pressures in these respective markets, the Company is proactively adapting the mix of its premium branded product offerings based on the maturing customer tastes defined by licensed retailers within the legal markets in which the Distribution segment operates. This product focus is the basis for building consumer awareness and loyalty to the Company's Platinum branded product lines.

Revenue for 2022-YE

- ***Consolidated revenue for 2022-YE*** increased to $97,493,504, compared to $37,265,570 for 2021-YE. The $60,227,934 increase in revenue is directly attributed to the increase in revenues produced through the Company's retail and distribution sales channels as set out below.

- ***Retail revenue for 2022-YE*** was $26,811,128, an increase of $25,675,067 when compared to the $1,136,061 in retail revenues produced in 2021-YE. This increase is attributed to the addition of eight adult use and/or medical retail locations acquired via the PharmaCo acquisition located throughout the state of Michigan and the activation of two additional medical retail locations in the State of Florida in the cities of St. Petersburg and Daytona Beach. Revenues realized for the acquired PharmaCo locations totaled $22,350,799 during 2022-YE from the date of acquisition (Feb 2022). Revenues for the two Florida locations noted above, realized as of their respective activation dates in 2022-YE, totaled $2,844,199. There were no sales recorded for these ten retail locations during 2021-YE.

- ***Distribution revenue for 2022-YE*** was $70,682,376, a $36,489,428 increase from $34,192,948 in distribution revenues in 2021-YE. This increase is the result of increased distribution of Platinum Vape branded products, primarily in Michigan commencing in January 2022. The Company is continuing to proactively adapt the mix of its premium branded product offerings based on the maturing customer tastes within the legal markets, drive customer awareness of the quality of its product offerings and increase recurring sales capabilities through customer loyalty.

COST OF GOODS SOLD

Cost of goods sold for 2022-Q4

- ***Consolidated cost of goods sold before fair value adjustments for 2022-Q4*** was $14,832,060, a $6,566,129 increase, when compared to $8,265,932 for 2021-Q4. The increase in cost of goods sold is primarily attributed to the increase in associated revenues realized through the acquired PharmaCo retail network and the associated revenues realized within the Company's distribution operations commenced in 2022-YE.

- ***Retail Consolidated cost of goods sold before fair value adjustments for 2022-Q4*** was $2,882,861, an increase of $1,543,392 when compared to $1,339,469 in 2021-Q4.

- ***Distribution Consolidated cost of goods sold before fair value adjustments for 2022-Q4*** was $11,949,199, an increased of $8,679,375, when compared to $3,269,824 for 2021-Q4.

Cost of goods sold for 2022-YE

- ***Consolidated cost of goods sold before fair value adjustments for 2022-YE*** increased to $70,027,157, an increase of $52,249,463 when compared to $17,777,694 for 2021-YE. The increase in cost of goods sold is primarily attributed to the increase in associated revenues realized through the acquired PharmaCo retail network and the associated revenues realized within the Company's distribution operations commenced in 2022-YE in the state of Michigan.

  As the Company progresses in the integration of historical acquisitions (PharmaCo, Florida) and organic activations (Distribution – Michigan), management continues to actively, to the best of its ability, mitigate risks to cost of finished goods stemming from supply chain constraints (volume and pricing) and captive processes associated with the captive production of finished goods (cultivation, processing, manufacturing and both inbound and outbound or last-mile logistics).

- ***Retail cost of goods sold before fair value adjustments for 2022-YE*** was $23,829,406, an increase of $23,130,513 from $698,893 for 2021-YE.

- ***Distribution cost of goods sold before fair value adjustments for 2022-YE*** was $46,194,751, an increase of $29,115,950 when compared to $17,078,801 for 2021-YE.

GROSS PROFIT BEFORE FAIR MARKET VALUE ADJUSTMENTS

Gross profit before fair market value adjustments for 2022-Q4

- ***Consolidated gross profit before fair value adjustments for 2022-Q4*** totaled $1,668,197, compared to a consolidated gross loss before fair value adjustments of $5,813,380 for 2021-Q4. Consolidated gross profit before fair value adjustments are higher in the recent quarter ended compared to 2021-Q4 primarily due to the aforementioned increase in revenues across both Retail and Distribution segments and management's reassessment of provisions for slow moving inventory, damaged goods, and other realignments of carrying value for select inventory.

- ***Retail gross loss before fair value adjustments for 2022-Q4*** totaled $2,046,765, compared to gross loss before fair value adjustments of $1,001,011 for 2021-Q4. The increase in loss is primarily due to management's reassessment of provisions for slow moving inventory, damaged goods, and other realignments of carrying value for select inventory.

- ***Distribution gross profit before fair value adjustments for 2022-Q4*** totaled $3,714,962, compared to a gross loss before fair value adjustments of $3,144,521 for 2021-Q4.

Gross profit before fair market value adjustments for 2022-YE

- ***Consolidated gross profit before fair value adjustments for 2022-YE*** was $27,469,347, compared to $19,487,876 for 2021-YE. The $7,981,471 increase is primarily related to the increase in revenues realized within both the Retail and Distribution segments through 2022-YE. Further analysis of gross profit before fair value adjustments for 2022-YE and 2022-Q4 is provided in the discussion of the respective operating segments' results below (Retail and Distribution). The Company continues to refine its targets for gross profits within each of its respective operating segments based on fluid competitive product pricing and cost trends. Given that the Company is focused on both direct to consumer (serviced by retailers) and direct to retailer (serviced directly by the Company) channels, it has the added benefit of being able to more accurately predict pricing and gross profit trends for its product offerings.

- ***Retail gross profit before fair value adjustments for 2022-YE*** was $2,981,722, compared to $437,168 for 2021-YE. The $2,544,554 increase is primarily due to gross profit realized via the acquired PharmaCo retail network since the date of acquisition. Gross profit was negatively impacted continuing price compression being experienced within both adult-use and medical use retail sectors in Florida and Michigan across the more prevalent product categories; bulk flower and vape. Competitors in these sectors continue to employ price-driven strategies to capture market share to which the Company is beholden despite its' continuing focus on meeting and exceeding its consumers' quality expectations for premium cannabis offerings.

- ***Distribution gross profit before fair value adjustments for 2022-YE*** was $24,487,625, compared to $17,114,147 for 2021-YE. The $7,373,478 increase is primarily due to the increase in distribution operations commenced in the state of Michigan in 2022-YE. Gross profits were partially offset by continuing competitive price compression of cannabis product offerings within the direct to retailer channel in each jurisdiction in which the Company operates as well as the rising costs of cannabis inputs that are incorporated in the Company's product offerings.

GROSS PROFIT AFTER FAIR MARKET VALUE ADJUSTMENTS

Gross profit after fair market value adjustments for 2022-Q4 and 2022-YE

- ***Consolidated gross profit, after fair value adjustments to biological assets for 2022-Q4 and 2022-YE*** was $6,832,987 and $27,627,876, respectively, compared with $2,205,922 and $23,217,655 for 2021-Q4 and 2021-YE. Fair value adjustments are related to biological assets held by the Company as of the respective fiscal year end.

- ***Retail gross profit, after fair value adjustments to biological assets or 2022-Q4 and 2022-YE*** was $3,118,025 and $3,140,251, respectively, compared to $3,263,129 and $4,166,947 for 2021-Q4 and 2021-YE, respectively. The variance is primarily related to fair value adjustments applied to a greater amount of biological assets on hand at the 2021-YE prior to the activation of the additional retail locations in the state of Florida.

OPERATING EXPENSES

The Company incurs on-going operating expenses to facilitate its retail and distribution operations, along with costs related to its public company standing.

Operating Expenses for 2022-Q4 and 2021-Q4 are as follows:

2022-Q4	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	(176,527)	3,006,825	3,381,137	-	6,211,435
Marketing expenses	1,887,275	573,512	8,718	-	2,469,506
Share-based compensation	-	-	(721,020)	-	(721,020)
Depreciation and amortization	174,228	879,232	4,463	-	1,057,922
Earn-out expense (recovery)	-	-	-	-	-
Bad debt expense	1,229,227	-	-	-	1,229,227
Total operating Expenses	**3,114,203**	**4,459,569**	**2,673,298**	**-**	**10,247,070**
2021-Q4	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	6,763,664	48,806	2,584,374	(6,598,884)	2,797,958
Marketing expenses	155,161	2,679	551,364	(103,534)	605,671
Share-based compensation	-	-	(3,783,102)	-	(3,783,102)
Depreciation and amortization	137,834	970,534	4,978,789	(1,219,341)	4,867,816
Earn-out expense (recovery)	-	-	-	(9,401,250)	(9,401,250)
Bad debt expense	-	-	-	-	-
Total operating expenses	**7,056,659**	**1,022,019**	**4,331,425**	**(17,323,010)**	**(4,912,907)**
Variances	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Change in General and administration	(6,940,191)	2,958,020	796,763	6,598,884	3,413,477
Change in marketing expenses	1,732,114	570,833	(542,646)	103,534	1,863,835
Change in share-based compensation	-	-	3,062,082	-	3,062,082
Change in depreciation and amortization	36,394	(91,303)	(4,974,326)	1,219,341	(3,809,893)
Change in earn-out expense (recovery)	-	-	-	9,401,250	9,401,250
Change in in bad debt expense	1,229,227	-	-	-	1,229,227
Change in total operating expenses	**(3,942,456)**	**3,437,550**	**(1,658,127)**	**17,323,010**	**15,159,977**

Operating Expenses for 2022-YE and 2021-YE are as follows:

2022-YE	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	11,027,402	11,066,985	10,917,689	-	33,012,076
Marketing expenses	2,217,645	1,363,118	291,115	-	3,871,878
Share-based compensation	-	-	477,980	-	477,980
Depreciation and amortization	688,784	5,601,942	5,183	-	6,295,909
Earn-out expense (recovery)	-	-	-	-	-
Bad debt expense	1,229,227	-	-	-	1,229,227
Total operating expenses	**15,163,058**	**18,032,045**	**11,691,967**	**-**	**44,887,071**
2021-YE	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	17,217,880	1,726,448	8,933,350	198,866	28,076,544
Marketing expenses	1,274,316	7,970	1,442,946	-	2,725,232
Share-based compensation	-	-	4,881,530	-	4,881,530
Depreciation and amortization	286,169	1,736,111	18,990,192	-	21,012,472
Earn-out expense (recovery)	-	-	-	(9,401,250)	(9,401,250)
Bad debt expense	-	-	-	-	-
Total operating expenses	**18,778,365**	**3,470,528**	**34,248,018**	**(9,202,384)**	**47,294,528**
Variances	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Change in general and administration	(6,190,478)	9,340,537	1,984,339	(198,866)	4,935,532
Change in marketing expenses	943,329	1,355,148	(1,151,831)	-	1,146,646
Change in share-based compensation	-	-	(4,403,550)	-	(4,403,550)
Change in depreciation and amortization	402,615	3,865,832	(18,985,009)	-	(14,716,563)
Change in earn-out expense (recovery)	-	-	-	9,401,250	9,401,250
Change in in bad debt expense	1,229,227	-	-	-	1,229,227
Total change in total operating expenses	**(3,615,307)**	**14,561,517**	**(22,556,051)**	**9,202,384**	**(2,407,457)**

TOTAL OPERATING EXPENSES

Total operating expenses for 2022-Q4

- ***Consolidated operating expenses for 2022-Q4*** totaled $10,247,070, a $15,159,977 increase when compared to consolidated operating expense recoveries of $4,912,907 for 2021-Q4. This increase is the result of discontinued operations at the Granville Facility in 2021-Q4, triggering a $17,323,010 reclassification in 2022-Q4 from total operating expenses to discontinued operations in 2021-Q4 (*refer to the Discontinued Operations note on page 14)*. The increase can also be attributed to the incremental operating expenses incurred in the retail and distribution segments with the ramp up of retail operations in Florida and the PharmaCo Acquisition.

- ***Corporate operating expenses for 2022-Q4*** totaled $2,673,298, a $1,658,127 reduction from $4,331,425 reported for 2021-YE. The reduction can be attributed to a quarter-over-quarter $4,974,326 reduction in amortization associated with license intangible assets, offset by a $3,062,082 increase in share-based compensation as described in more detail below.

- ***Retail operating expenses for 2022-Q4*** were $4,459,569, a $3,437,550 increase when compared to $1,022,019 incurred for 2021-Q4. The increase in retail operating expenses is primarily due to additional costs incurred relating to the addition of two medical retail locations in Florida, and eight adult use and/or medical retail locations acquired via the PharmaCo Acquisition. Much of the increase was driven by an increase in burdened salaried and hourly wage costs ($2,963,451) incurred by the respective operations in Florida and Michigan (*the reader is referenced to the General and Administration section below for further details)*.

- ***Distribution operating expenses for 2022-Q4*** totaled $3,114,203, a $3,942,456 decrease from $7,056,659 incurred in 2022-Q4. The decrease in total operating expenses for the distribution segment can be attributed to the Company streamlining its distribution operations in California, reducing staffing from 69 employees in California in 2021-Q4 to 24 employees by the end of 2022-Q4. The reduction can also be attributed to a $1.6M reduction in penalties levied that were not incurred in 2022-Q4 when compared to those incurred 2021-Q4.

Total operating expenses for 2022-YE

- ***Consolidated operating expenses for 2022-YE*** totaled $44,887,071, a $2,407,457 decrease when compared to consolidated operating expenses of $47,294,528 for 2021-YE. This decrease is the result of discontinued operations at the Granville Facility in 2021-Q4, triggering a $9,202,384 year-to-date reclassification from total operating expenses to discontinued operations. The decrease is also due to a $14,716,563 reduction in license amortization and a $4,403,550 decrease in stock-based compensation expense. The reductions are offset by a $9,401,250 earn-out recovered by the Company in 2021-YE associated with the extinguishment of an earn-out agreement stemming from the Platinum Vape acquisition. Details on each of these changes are described in the following sections.

- ***Corporate operating expenses for 2022-YE*** totaled $11,691,967, a $22,556,051 reduction from $34,248,018 reported for 2021-YE. The reduction can be attributed to a $18,985,009 reduction in amortization expense relating to a license intangible asset held by the Company, and a $4,403,550 reduction in stock-based compensation expense.

- ***Retail operating expenses for 2022-YE*** were $18,032,045, a $14,561,517 increase when compared to $3,470,528 in retail operating expenses for 2021-YE. The increase was primarily due to the Company having only one medical retail location operating in 2021-YE, whereas the Company had eleven adult use and medical retail locations in operation by the end of 2022-YE, post the PharmaCo Acquisition (page 10).

- ***Distribution operating expenses for 2022-YE*** totaled $15,163,058, a $3,615,307 decrease from $ 18,778,365 incurred for 2021-YE. Reduction in expenses can be attributed to a $1.2 million reduction in penalties incurred in 2022-Q4 when compared to 2021-YE and an overall reduction in burdened salaries and hourly wages in the Company's Distribution operations in California as it continued its rationalization of costs concurrent with the ramp up of the execution of its revised asset light distribution strategy in the state.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

G&A expenses include burdened headcount costs not otherwise attributed to indirect costs of production, expenses associated with operating initiatives such as seasonable marketing campaigns, facility costs including dedicated security, regional cannabis licensing fees, professional and advisory fees, insurance premiums, and allocations of corporate costs associated with the oversight of the operations.

The following table summarizes G&A expenses incurred by the Company for 2022-Q4, and 2021-Q4:

	2022-Q4	2021-Q4	Variance
	$	$	$
Salaries and wages	3,517,056	553,605	2,963,451
Consulting fees	804,016	384,046	419,970
Facilities expense	788,567	496,535	292,032
Audit fees	538,786	19,383	519,403
Legal fees	509,499	153,187	356,312
Insurance expense	451,732	21,274	430,458
Bank fees	387,179	9,585	377,594
Office expense	181,114	397,486	(216,372)
Tax expense	192,382	3,431	188,951
Travel expense	175,433	41,255	134,178
Accounting fees	78,036	-	78,036
Tax service fees	51,938	-	51,938
Transfer agent and filing fees	40,202	4,017	36,185
Penalties and fines	36,587	678,755	(642,168)
Contributions to charities	11,829	138	11,691
Licenses and permits	(318,998)	15,339	(334,337)
Bad debt expense	(1,229,227)	19,922	(1,209,305)
Total general and administrative expenses	**6,216,131**	**2,797,958**	**3,418,173**

The following table summarizes G&A expenses incurred by the Company for 2022-YE, and 2021-YE:

	2022-YE	2021-YE	Variance
	$	$	$
Salaries and wages	16,443,292	8,184,736	8,258,556
Consulting fees	3,044,038	4,756,547	(1,712,509)
Audit fees	2,528,331	439,904	2,088,427
Legal fees	2,407,994	1,040,293	1,367,701
Insurance expense	1,769,576	1,010,499	759,077
Facilities expense	1,372,102	2,847,118	(1,470,319)
Office expense	1,065,142	1,342,457	(277,315)
Penalties and fines	995,863	6,594,676	(5,598,813)
Tax expense	873,418	739,676	133,742
Bank fees	701,282	107,243	594,039
Licenses and permits	693,731	215,505	478,226
Travel expense	691,474	483,235	208,239
Accounting fees	219,930	-	219,930
Transfer agent and filing fees	89,958	106,046	(16,088)
Tax service fees	60,000	77,292	(17,292)
Contributions to charities	55,945	-	55,944
Bad debt expense	-	131,317	(131,317)
Total general and administrative expenses	**33,012,076**	**28,076,544**	**4,940,228**

General and Administrative for 2022-Q4

Total G&A expenses for 2022-Q4 were $6,216,131 compared to $2,797,958 for 2021-Q4. The increase of $3,418,174 is primarily attributable to an overall increase in operations activity (and across the majority of associated cost categories) in comparison to the prior quarter ended given the PharmaCo acquisition, the inception of Distribution operations in Michigan, and the activation of two additional medical retail locations in the state of Florida. G&A expenses also increased in the quarter with year-end reconciliations of accruals for 2022-YE audit fees and consulting costs. The primary drive of increases within the quarter were incremental burdened salary and hourly wage costs tied to Retail operations in both Michigan and Florida.

Total G&A expenses for 2022-YE were $33,012,076 compared to $28,076,544 for 2021-YE. The $4,940,228 increase is primarily attributable to an overall increase in operations activity (and across the majority of associated cost categories) in comparison to the prior year ended given the PharmaCo acquisition, the inception of Distribution operations in Michigan, and the activation of two additional medical retail locations in the state of Florida. The primary driver of increases within the fiscal year were incremental burdened salary and hourly wage costs tied to Retail operations in both Michigan and Florida. The Company continued to rationalize discretionary spend in categories such as consulting costs as part of its Changes in the G&A is also the result of the Company stream-lining processes, efficiencies and eliminating redundancies as described below.

Salaries and Wages

- ***Salaries and wages in 2022-Q4,*** totaled $3,517,056, an increase of $2,963,451 when compared to salaries and wages of $553,605 for 2021-Q4. The increase is primarily attributed to incremental staffing costs associated with the PharmaCo Acquisition retail network, the additional medical retail stores in Florida which were not in operation in 2021-Q4, and the Distribution operations commenced in the state of Michigan in 2022-YE.

- ***Salaries and wages 2022-YE***, totaled $16,443,292, an increase of $8,258,566 when compared to salaries and wages of $8,184,736 for 2021-YE. The increase is primarily attributable to the above noted factors in addition to severance costs incurred through the course of 2022-YE as the company continued to restructure staffing levels as part of its G&A cost rationalization campaign.

Consulting Fees

- ***Consulting fees*** in 2022-Q4 totaled $804,016, an increase of $419,970 when compared to consulting fees of $384,046 for 2021-Q4. During 2022-YE, in concert with its cost rationalization campaign, the Company focused on reducing its reliance on external consultants and contracting for specific areas of execution including but not limited to debt restructuring and third-party valuation resources for audit deliverables.

- ***Consulting fees*** 2022-YE, totaled $3,044,038, a decrease of $1,712,509 when compared to consulting fees of $4,756,547 for 2021-YE. The decrease is primarily attributed to the company's effort to decrease its reliance on outside consultants throughout 2022-YE and bringing certain positions in-house at a lower cost to the Company.

Audit Fees

- ***Audit fees*** in 2022-Q4 totaled $538,789, an increase of $519,403 when compared to audit fees of $19,383 for 2021-Q4. The increase is due to audit fees for the 2021-YE audit not yet being fully established in 2021-Q4.

- ***Audit fees*** 2022-YE, totaled $2,528,331, an increase of $2,088,427 when compared to audit fees of $439,904 for 2021-YE. The 2021-YE audit presented significant challenges due to large transactions such as the Florida Acquisition coupled with key staffing changes which pushed the completion of the 2021-YE audit to July 2022. The 2022-YE audit fees reflect the additional fees associate with the 2021-YE audit and the 2022-YE audit.

Legal Fees

- ***Legal fees*** in 2022-Q4 totaled $509,499, an increase of $356,212 when compared to legal fees of $153,187 for 2021-Q4.

- ***Legal fees*** for 2022-YE totaled $2,407,994, an increase of $759,077 when compared to legal fees of $1,040,499 for 2021-YE attributed to the Company's involvement in various contractual, transactional, and legal proceedings including but not limited to the PharmaCo Acquisition, Platinum and Platinum Vape branding initiatives.

Penalties and Fines

- ***Fines and penalties** f**or 2022-Q4*** totaled $36,587, a decrease of $642,168 when compared to fines and penalties of $678,755 for 2021-Q4. Similar penalties were not incurred in 2022-Q4.

- ***Fines and penalties for 2022-YE*** totaled $995,863, a $5,598,813, or 85%, decrease when compared to fines and penalties of $6,594,676 for 2021-YE. 2021-YE includes penalties incurred in the state of California which were not incurred in 2022-YE.

License and permits

- ***Licenses and permits recoveries in 2022-Q4*** were $318,998, a change of $334,337 when compared to licenses and permits expense of $15,339 for 2021-Q4. This is the result of prior period recoveries of license and permits costs. Similar recoveries did not exist in 2021-Q4.

- ***Licenses and permits 2022-YE*** totaled $693,731, an increase of $478,226 when compared to licenses and permits of $215,505 for 2021-YE. The increase is primarily the result of the Pharmaco Acquisition and the costs related to licensing eight additional retail locations and two grow facilities.

Bad debt expenses

Bad debt expense for 2021-YE was included in G&A expenses and 2022-Q1 through Q3. For 2022-YE all bad debt expense for the year is segregated from G&A expenses and included in the consolidated statement of loss as an individual expense. The total bad debt expense for 2022-YE is $1,229,227, as distinguished on the Company's 2022-YE consolidated statement of loss, compared to $131,317 which was included within G&A in 2021-YE. The increase of $1,097,910 is related to an increase in the Company's provision for doubtful accounts given the increase in sales volumes in 2022-YE across a diverse base of customers and the assessment of collections risk over the same period.

MARKETING EXPENSES

Consolidated marketing expenses in 2022-Q4 were $2,469,506 and $3,871,878 for 2022-YE, compared to $605,671 in 2021-Q4 and $2,725,232 in 2021-YE. The increase of $1,863,835, for 2022-Q4 and $1,149,646, for 2022-YE is primarily attributable to marketing initiatives executed within the acquired PharmaCo retail network. Retail Segment marketing expenses for 2022-YE increased by $1,355,148 from $7,970 in 2021-YE to $1,363,118 in 2022-YE. Distribution Segment marketing expenses increased by $943,329 from $1,274,316 in 2021-YE to $2,217,645 to 2022-YE. The year over year change within the Distribution Segment is primarily attributable to the cost of increased marketing initiatives carried out by the Company's distribution operation in Michigan offset by a decrease in associated marketing activity within the Company's distribution operation in California.

DEPRECIATION AND AMORTIZATION

Consolidated depreciation and amortization for 2022-Q4 and 2022-YE was $1,057,922 and $6,295,90, respectively, compared to $4,867,816 for 2021-Q4 and $21,012,472 for 2021-YE. Depreciation and amortization decreased by $3,809,893 from $4,867,816 in 2021-Q4 to $1,057,922 for 2022-Q4 primarily related to the amortization of the aforementioned High Times licensing agreement intangible in 2021-Q4. The year over year decrease of $14,716,563 is primarily due to 2021-YE amortization of the intangible asset associated with the High Times license agreement which was ultimately impaired in the same period.

SHARE BASED COMPENSATION

Share based compensation expense for 2022-Q4 was a recovery of $721,020, a decrease from a share-based compensation recovery of $3,783,102 for 2021-Q4. The variance between the periods is primarily related to refinements in valuation methodologies employed during the course of 2021-YE processed in 2021-Q4.

Share based compensation expense for 2022-YE was $477,980, a decrease $4,403,550, from a share-based compensation of $4,881,530 for 2021-YE. The decrease was due to the forfeiture of 2,730,108 stock options throughout 2022-YE in which stock-based compensation expense was recovered.

<<<remainder of page intentionally left blank>>>

OTHER EXPENSE

Other expenses (income) for 2022-Q4 and 2021-Q4 are as follows:

2022-Q4	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Accreted interest, leases	157,212	702,651	-	-	859,863
Finance expense, net	(277,952)	1,273,772	3,964,874	-	4,960,693
(Gain) loss on revaluation of call/put option	-	-	-	-	-
(Gain) loss on evaluation of financial instruments	-	103,507	(907,375)	-	(803,868)
(Gain) loss on settlement of debt	-	(7,903,108)	1,400,107	-	(6,503,001)
Loss on debt extinguishment	-	-	4,296,428	-	4,296,428
Loss on licensing agreement, net	-	-		-	-
Loss on disposal of property, plant and equipment	55,561	16,741	-	-	72,302
Impairment of intangible assets	-	-	-	29,539,510	29,539,510
Impairment of goodwill	-	184,947,133	-	277,654	185,224,787
Foreign exchange	-	(133,371)	(4,311,904)	-	(4,445,275)
Total other expenses (income)	**(65,180)**	**179,007,325**	**4,442,130**	**29,817,164**	**213,201,439**

2021-Q4	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Accreted interest, leases	8,727	483,334	-	-	493,061
Finance expense, net	10,260	4,218,186	4,430,105	(27,817)	8,630,734
(Gain) loss on revaluation of call/put option	-	-	(34,307,870)	-	(34,307,870)
(Gain) loss on evaluation of financial instruments	-	(3,844,413)	(7,230,638)	4,599,100	(6,475,951)
(Gain) loss on settlement of debt	-	-	4,379,719	(1,727,664)	2,652,055
Loss on debt extinguishment					-
Loss on licensing agreement, net					-
Loss on disposal of property, plant and equipment	-	-	(2,857)	(4)	(2,862)
Impairment of intangible assets	-	-	18,401,571	-	18,401,571
Impairment of goodwill	-	-	-	-	-
Foreign exchange	-	(27,676)	(839,111)	-	(866,788)
Total other expenses (income)	**19,987**	**829,430**	**(15,169,082)**	**2,843,614**	**(11,476,050)**

Variances	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Change in accreted interest, leases	147,485	219,317	-	-	366,802
Change in finance expense, net	(288,212)	(2,944,414)	(465,231)	27,817	(3,670,040)
Change in (Gain) loss on revaluation of call/put option	-	-	34,307,870	-	34,307,870
Change in (Gain) loss on evaluation of financial instruments	-	3,947,920	6,323,263	(4,599,100)	5,672,083
Change in (Gain) loss on settlement of debt	-	(7,903,108)	(2,979,612)	1,727,664	(9,155,055)
Change in loss on debt extinguishment	-	-	4,296,428	-	4,296,428
Change in loss on licensing agreement, net	-	-	-	-	-
Change in loss on disposal of property, plant and equipment	55,561	16,741	2,857	4	75,163
Change in impairment of intangible assets	-	-	(18,401,571)	29,539,510	11,137,939
Change in impairment of goodwill	-	184,947,133	-	277,654	185,224,787
Change in foreign exchange	-	(161,371)	(3,472,793)	-	(3,578,428)
Change in total other expenses (income)	**(85,167)**	**178,177,894**	**19,611,212**	**26,973,550**	**224,677,489**

Other expenses (income) for 2022-YE and 2021-YE are as follows:

2022-YE	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	%
Accreted interest, leases	209,397	2,456,929	-	-	2,666,326
Finance expense, net	826	5,731,787	16,098,115	-	21,830,728
(Gain) loss on revaluation of call/put option	-	-	-	-	-
(Gain) loss on evaluation of financial instruments	-	103,507	(907,375)	-	(803,868)
(Gain) loss on settlement of debt	-	(7,903,107)	(8,135,473)	-	(16,038,580)
Loss on debt extinguishment	-	-	4,296,428	-	4,296,428
Loss on licensing agreement, net	-	-	-	-	-
Loss on disposal of property, plant and equipment	55,561	16,741	-	-	72,302
Impairment of intangible assets	-	-	-	29,539,510	29,539,510
Impairment of goodwill	-	184,947,133	-	277,654	185,224,787
Foreign exchange	-	64,671	3,119,420	-	3,184,090
Total other expenses (income)	**265,784**	**185,417,661**	**14,471,115**	**29,817,164**	**229,971,724**
2021-YE	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
Accreted interest, leases	38,906	1,384,103	-	-	1,423,009
Finance expense, net	-	3,972,835	18,654,979	(87,121)	22,540,693
(Gain) loss on revaluation of call/put option	-	-	(32,054,789)	-	(32,054,789)
(Gain) loss on evaluation of financial instruments	-	-	(5,344,545)	6,049,253	704,708
(Gain) loss on settlement of debt	-	-	2,390,769	(1,727,664)	663,105
Loss on debt extinguishment	-	-	-	-	-
Loss on licensing agreement, net	-	-	20,390,521	-	20,390,521
Loss on disposal of property, plant and equipment	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	-
Impairment of goodwill	-	-	-	-	-
Foreign exchange	-	(27,480)	1,271,212	-	1,243,731
Total other expenses (income)	**38,906**	**5,329,458**	**5,308,147**	**4,234,467**	**14,910,978**

Variances	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Change in accreted interest, leases	170,491	1,072,826	-	-	1,243,317
Change in finance expense, net	826	1,758,952	(2,556,865)	87,121	(709,966)
Change in (Gain) loss on revaluation of call/put option	-	-	32,054,789	-	32,054,789
Change in (Gain) loss on evaluation of financial instruments	-	103,507	4,437,170	(6,049,253)	(1,508,576)
Change in (Gain) loss on settlement of debt	-	(7,903,108)	(10,526,242)	1,727,664	(16,701,685)
Change in loss on debt extinguishment	-	-	4,296,428	-	4,296,428
Change in loss on licensing agreement, net	-	-	(20,390,521)	-	(20,390,521)
Change in loss on disposal of property, plant and equipment	55,561	16,741	-	-	72,302
Change in impairment of intangible assets	-	-	-	29,539,510	29,539,510
Change in impairment of goodwill	-	184,947,133	-	277,654	185,224,787
Change in foreign exchange	-	92,150	1,848,208	-	1,940,358
Change in total other expenses (income)	**226,878**	**180,088,202**	**9,162,968**	**25,582,697**	**215,060,745**

ACCRETED INTEREST, LEASES

Accreted interest on leases for 2022-Q4 totaled $859,863, a $366,802 increase from $493,061 for 2021-YE. The increase is the result of five additional leases acquired as part of the PharmaCo Acquisition, along with additional leases executed in Florida for the two medical retail dispensaries activated during 2022-YE.

Accreted interest on leases for 2022-YE totaled $2,666,326, a $2,179,750 increase from $486,576 for 2021-YE. The increase is the result of five additional retail leases acquired as part of the PharmaCo Acquisition, along with an additional retail lease executed in Clearwater, Florida as previously reported in October 2022.

FINANCE EXPENSE

Finance expenses incurred by the Company include interest on notes payable and convertible debentures, interest incurred on the Company's credit facility, and other costs relating to debt financing obtained by the Company largely in the Corporate segment.

Net finance expense for 2022-Q4 totaled $4,960,694, a $3,670,040 decrease when compared to the net finance expense of $8,630,734 for 2021-Q4. This decrease is largely attributed to lower finance expenses within the Corporate segment as a result of decreased interest charges for 2022-YE on its credit facility following a $48,389,160 principal repayment in April 2022. As at 2021-Q4, the outstanding balance on the credit facility was $65,476,909 with interest for the 2021-YE totaling $7,858,909. As at 2022-YE, the credit facility balance was $17,551,668 with interest for the 2022-YE totaling $3,830,665; a $4,028,244 decrease when compared to 2022-YE.

Net finance expense for 2022-YE totaled $21,830,728, a $709,966 decrease when compared to finance expenses of $22,540,693 for 2021-YE. The reduction is caused by lower finance expenses within the Corporate segment as the result of decreased interest charges for 2022-YE on its credit facility following a $48,389,160 principal payment in April 2022 as noted above. This decrease was offset by $3,687,159 in interest charges incurred on new and restructured notes payables, and $408,000 in interest charges on a newly issued $17,000,000 convertible debenture established in the Debt Restructure (Refer to *Liquidity and Capital Resources* section on page 48 for details on the Debt Restructure).

GAIN ON REVALUATION OF CALL/PUT OPTION

Gain on revaluation of call/put option for 2022-Q4 and 2022-YE totaled $nil, a decrease of $34,307,870 as compared to the gain on revaluation of call/put option of $34,307,870 as at 2021-Q4 and 2021-YE. In February 2022, the Company exercised the call/put option associated with the PharmaCo Acquisition, removing the asset from the statement of financial position. The call/put option was included as consideration for the PharmaCo Acquisition (refer to *Acquisition*s on page 10 for details on the PharmaCo Acquisition).

REVALUATION OF FINANCIAL INSTRUMENTS

Revaluation of financial instruments for 2022-Q4 and 2022-YE resulted in a $803,868 gain, a $1,508,576 increase from a loss of $704,708 on revaluation of financial instruments for 2022-Q4 and 2022-YE. As at 2021-YE, the Company held $1,218,382 in derivative assets and $2,326,101 in derivative liabilities. The $1,508,576 change from 2021-Q4 and 2021-YE to 2022-Q4 and 2022-YE is largely the result of fair market valuations on the Company's convertible debentures which contain embedded derivatives. The valuation inputs of convertible debentures containing embedded derivatives can be found in the *Liquidity and Capital Resources* section under *Outstanding Debt* on page 50.

LOSS (GAIN) ON SETTLEMENT OF DEBT

Gain on settlement of debt for 2022-Q4, totaled $6,503,001, an increase of $9,155,055 as compared to the loss on settlement of debt of $2,652,055 as at 2021-Q4. The gain was largely due to the settlement of $10,484,977 (USD$7,702,745) in debt in the Retail segment held by the Company's subsidiary, PharmaCo, Inc. (the "PharmaCo Debt"). In 2022-Q4, the Company settled the PharmaCo Debt, issuing 22,440,467 common shares of the Company. On the date of settlement, the Company's common shares were valued at $0.10 per share and, as such, it recorded $2,244,047 to share capital for the issuance of the aforementioned common shares and recorded a $7,903,108 gain on the PharmaCo Debt settlement. $337,822 of the gain resulted from the variance in foreign exchange rates between the settlement date and the year-end reporting date.

Gain on settlement of debt for 2022-YE was $16,038,580, a $16,701,685 increase from the $663,105 gain recorded in 2021-YE. The increase can be attributed to the $7,903,108 gain on settlement of the PharmaCo Debt noted above and the reversal of the Company's residual High Times license liability, included in the Corporate segment, in the amount of $8,135,473 (refer to *Commitments and Contingencies* note on page 45).

DEBT EXTINGUISHMENT

Loss on extinguishment of debt for 2022-Q4 and 2022-YE, totaled $4,296,428, an increase of $4,296,428 as compared to the balance of $nil at 2021-Q4 and 2021-YE. These losses were the result of accounting for debt modification under IFRS 9 due to the modification of notes payable and convertible debentures included in the Debt Restructure. For 2021-YE, the Company did not incur extinguishment losses as the result of debt modification (refer to the *Debt Restructure* on page 48).

IMPAIRMENT OF GOODWILL

Impairment of goodwill for 2022-Q4 and 2022-YE was $185,224,788, compared to $nil for 2021-Q4. During 2022-Q4, the Company completed its final accounting for the PharmaCo acquisition (*refer to the Acquisition section page 10*). Subsequent to the acquisition, and in accordance with IFRS IAS 36, the Company conducted its annual impairment review of goodwill held by the Company including the goodwill assigned to the PharmaCo Acquisition. As a result of the review, the Company recorded an impairment to goodwill totaling $174,079,006 impairment to the PharmaCo goodwill, a $10,868,067 impairment to the Acreage (Florida) goodwill (refer to the aforementioned acquisition summary for the Florida acquisition), and a $277,714 impairment to the goodwill that arose from the purchase of RWB Platinum Vape, Inc.

IMPAIRMENT OF INTANGIBLE ASSETS AND LOSS ON LICENSING AGREEMENT

In accordance with IFRS IAS 36, the Company conducted its annual impairment review of identifiable intangible assets held by the Company as of 2022-YE; Licenses and Brands. The Company identified these intangible assets as cash-generating units ("CGUs") for the purpose of the impairment review. In assessing these CGUs for impairment, the Company compared the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of fair value less cost of sales ("FVLCS") and the value in use ("VIU").

Impairment of intangible assets for 2022-Q4 and 2022-YE, totaled $29,539,510, a 100% increase from $nil impairments for 2021-Q4 and 2021-YE. The increase is the result of the Company recognizing intangible asset impairment charges on licenses acquired with the Platinum Acquisition totaling $29,539,510. The impairments stem from the Company commencing its restructuring of its Distribution operations in California as it shifts from a smaller, less agile, and 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.

During 2021-YE, the Company recorded a net loss of $20,390,521 on the intangible asset associated with the High Times licensing agreement. The loss was recorded to loss on licensing agreement on the Company's consolidated statement of profit and loss. The loss on licensing agreement recorded for 2021-YE consisted of a $72,347,490 impairment of the aforementioned intangible asset, netted against a license liability recovery of debt $51,956,969 (net total of $20,390,521).

ADJUSTED EBITDA

The Company calculates Adjusted EBITDA as net income or loss excluding current and deferred income tax expense, finance expense (net), depreciation and amortization, fair value changes in biological assets, changes in inventory sold, share based compensation, gains or losses on revaluation of debts or accounts payable and accrued liabilities, gains or losses on extinguishment of debts or accounts payable and accrued liabilities, impairments of tangible or intangible assets, impairment of goodwill, accreted interest on leases and applicable short term and long term liabilities, gains or losses on asset disposals, foreign exchange, gain or loss on earnouts, and bad debts expense.

The Company has reconciled net loss and Adjusted EBITDA for 2022-Q4 and 2022-YE, with 2021-Q4 and 2021-YE comparatives as follows:

	2022-Q4	2021-Q4	VARIANCE	2022-YE	2021-YE	VARIANCE
	$	$	$	$	$	$
Net Income (Loss) for the Period	(206,077,990)	(9,541,497)	(196,536,493)	(242,127,730)	(83,350,703)	(158,777,027)
Depreciation and Amortization	1,057,922	4,867,816	(3,809,893)	6,295,910	21,012,472	(14,716,562)
Bad debt expense	1,229,227	-	1,229,227	1,229,227	-	1,229,227
Accreted interest, leases	2,666,326	-	2,666,326	2,666,326	1,423,009	1,243,317
Finance expense, net	3,154,231	9,123,795	(5,969,564)	21,830,728	22,540,693	(709,965)
(Gain) loss on revaluation of call/put option	-	(34,307,870)	34,307,870	-	(32,054,789)	32,054,789
(Gain) loss on evaluation of financial instruments	(803,868)	-	(803,868)	(803,868)	704,708	(1,508,576)
(Gain) loss on settlement of debt	(6,503,001)	21,053,625	(27,556,627)	(16,038,580)	663,105	(16,701,685)
(Gain) loss on debt extinguishment	4,296,428	-	4,296,428	4,296,428	-	4,296,428
Loss on licensing agreement, net	-	-	-	-	20,390,521	(20,390,521)
(Gain) loss on disposal of property, plant, and equipment	72,301	(2,862)	75,163	72,302	-	72,302
Restructuring costs	773,654	-	773,654	1,177,057	-	1,177,057
Impairment of intangible assets	29,539,510	-	29,539,510	29,539,510	-	29,539,510
Impairment of goodwill	185,224,788	-	185,224,788	185,224,787	-	185,224,787
Foreign exchange	(4,445,216)	(866,788)	(3,578,428)	3,184,091	1,243,731	1,940,360
Earn-out expense (recovery)	-	(9,401,250)	9,401,250	-	(9,401,250)	9,401,250
Current income tax expense	3,835,684	(609,921)	4,445,605	(8,686,256)	(3,674,224)	(5,012,032)
Deferred income tax recovery	(10,354,737)	(3,513,370)	(6,841,367)	10,354,737	3,513,370	6,841,367
Fair value of biological assets	(5,239,404)	(3,481,199)	(1,758,205)	2,867,768	3,431,994	(564,226)
Realized fair value of amounts in inventory	74,615	(4,538,103)	4,612,718	(2,709,239)	297,785	(3,007,024)
Share based compensation	(721,020)	(3,783,102)	3,062,082	477,980	4,881,530	(4,403,550)
Reversal of license liability	-	-	-	-	20,390,521	(20,390,521)
Adjusted EBITDA	**(2,220,549)**	**(35,000,725)**	**32,780,177**	**(1,148,822)**	**(27,987,527)**	**26,838,705**

(i) *Refer to Non-IFRS Measure*

The adjusted EBITDA loss for 2022-Q4 was $2,220,549 compared to an adjusted EBITDA loss of $35,000,725 for 2021-Q4 resulting in a positive variance of $32,780,177.

The adjusted EBITDA loss for the 2022-YE was $1,148,822 compared to an adjusted EBITDA loss of $27,987,527 for 2021-YE resulting in a positive variance of $26,838,705.

This item is a non-IFRS measure. The reader is referred to the "Adjusted EBITDA" note on page 3 of this MD&A for further details and reconciliation to the Company's IFRS measures.

FINANCIAL POSITION

ASSETS

As at 2022-YE, the Company had total assets of $292,666,168, a decrease of $154,201,981 compared to $446,868,114 as at 2021-YE. The net decrease in total assets was primarily due the following factors (set out below the table for the reader's reference):

As at	2022-YE	2021-YE	Variance	Variance
	$	$	$	%
Current assets				
Cash and cash equivalents	2,747,138	818,753	1,928,384	236%
Account receivable	8,439,143	4,823,696	3,443,682	75%
Prepaid expenses and other assets	5,311,199	3,700,500	1,610,699	44%
Inventory	14,457,013	5,991,739	8,465,274	141%
Biological assets	4,291,458	5,523,096	(1,231,602)	(22%)
Notes receivable	-	51,129,395	(51,129,395)	(100%)
Assets held for sale	-	55,022,520	(55,022,520)	(100%)
Derivative asset	-	1,218,382	(1,218,382)	(100%)
Total current assets	35,245,951	128,228,081	(92,982,130)	(73%)
Non-current assets				
Property, plant and equipment, net	73,873,258	24,392,475	49,480,783	203%
Intangible assets, net	125,348,600	116,893,915	8,454,685	7%
Right-of-use assets, net	20,703,498	18,688,257	2,015,241	11%
Call/put option	-	146,774,493	(146,774,493)	(100%)
Goodwill	37,494,861	11,890,928	25,603,933	215%
Total non-current assets	257,420,217	318,640,068	(61,219,851)	(19%)
Total assets	292,666,168	446,868,149	(154,201,981)	(35%)

Cash and equivalents

Cash and equivalents as at 2022-YE was $2,747,138, an increase of $1,928,384 compared to $818,753 as at 2021-YE. Contributing to the increase is $748,464 in cash received as a result of the PharmaCo Acquisition (page 10).

Accounts Receivables

Accounts receivables as at 2022-YE were $8,439,143, an increase of $3,443,682 compared to $4,823,696 as at 2021-YE. The increase in receivables is a direct result of an increase in year-over-year distribution revenue in the Company's Michigan operations and timing of the collections the associated receivables. The Company extends credit to certain customers and has offset its receivables balance with provisions totaling $1,617,165 and $599,990 for 2022-YE and 2021-YE, respectively, to account for expected credit losses.

Prepaids and other assets

Prepaids and other assets at 2022-YE were $5,311,199, an increase of $1,610,699 when compared to $3,700,500 at 2021-YE. The $722,043 increase is attributable to additional prepaid licenses, taxes, and fees as a result of the PharmaCo Acquisition. $2,708,800 of the increase is attributable to a payment of USD$2,000,000 cash bond for RWB Florida as a requirement of the Florida license. Subsequent to 2022-YE, the cash bond was replaced with a traditional surety bond and USD$2,000,000 was refunded.

Assets available for sale

Assets available for sale as at 2022-YE were $nil, a decrease of $55,022,520 from the balance of $55,022,520 as at 2021-YE. During 2021-YE, the Company entered into a letter of intent agreement for the sale of the Granville, Illinois facility through its wholly owned subsidiary, Mid-American Growers, Inc. ("MAG"). The sale was completed in April 2022; accordingly, the entire Granville operation was classified as discontinued operations given it is no longer part of the Company's ongoing operations. Proceeds from sale of assets included in the MAG discontinued operations were largely used to settle principal and accrued interest in the amount of $53,394,324 on the Company's credit facility (refer to page 14 for *Discontinued Operations* of MAG and to page 52, *Credit Facility*, for a continuity of the Company's credit facility).

Inventory

Inventory as at 2022-YE was $14,457,013, an increase of $8,465,274 from $5,991,739 as at 2021-YE. The increase is primarily related to the volume of inventories (raw materials, work-in-progress represented by harvested flower, biomass, and other related cannabis inputs) required to service the increased product demand attributed to the PharmaCo Acquisition, the inception of distribution operations in Michigan, and the expansion of the Florida retail network.

Loans receivable

Notes receivable as at 2022-YE decreased to $nil from $51,129,395 as at 2021-YE, a decrease of $51,129,395. The decrease is the result of the elimination of a note receivable due to the Company, from PharmaCo. The closing of the PharmaCo Acquisition met the requirements of a business combination under IFRS 3; thus, the note receivable was eliminated on consolidation for 2022-YE.

Property, plant and equipment

Property, plant, and equipment values as at 2022-YE were $73,873,258, an increase of $49,480,783 from $24,392,475 as at 2021-YE. The increase is largely the result of the acquisition of $47,262,675 in property, plant and equipment on closing of the PharmaCo Acquisition (page 10). Florida Retail operations accounted for a total of $3,389,239 of the increase due to the renovations of two medical retail locations opened in 2022-YE (St. Petersburg and Daytona Beach), renovations of two additional medical retail locations set to open in fiscal 2023, and ongoing renovations and retrofitting of the cultivation facility in Apopka, Florida. These increases were offset by $4,678,140 increase in accumulated depreciation. PharmaCo and Florida operations are both included in the Company's Retail segment.

Intangible assets

Intangible assets as at 2022-YE were $125,348,600, an increase of $10,287,188 as compared to the 2021-YE balance of $116,893,915. Intangible assets in the Retail segment increased by $33,047,360 in 2022-YE as a result of licenses acquired as part of the PharmaCo Acquisition (page 10). The increase was offset by the Company recognizing an impairment charge, identified as part of its 2022 annual impairment testing process, for intangible assets associated with operating licenses for its Distribution operations in California totaling $29,539,510 as it pivots to a more agile distribution model in the state leveraging third party contractors in the state to facilitate manufacturing, warehousing and distribution of its branded cannabis product offerings to licensed retailers in the state. The remaining increases in intangible assets year-over-year are caused by an increase in foreign exchange rates.

Right-of-use assets

Right-of-use assets as at 2022-YE were $20,703,498, an increase of $2,015,240 as compared to $18,688,257 as at 2021-YE. The increase of $3,166,712 is due to additional leases assumed by the Company for its Retail operations. The additional leases are the result assuming PharmaCo leases subsequent to the closing of the PharmaCo Acquisition (page 10) and a new lease for in Clearwater, Florida. These increases were offset by a $1,894,561 increase in accumulated amortization.

Call/put option

Call/put option as at 2022-YE was $nil, a decrease of $146,774,493 as compared to $146,774,493 as at 2021-YE. The decrease is attributable to the PharmaCo Acquisition (page 10). In February 2022, the Company exercised the call/put option associated with the PharmaCo Acquisition, removing the asset from the statement of financial position.

Goodwill

Goodwill as at 2022-YE was $37,494,861, an increase of $25,603,933 as compared to $11,890,928 as at 2021-YE. During 2022-Q4, the Company completed its final accounting for the PharmaCo Acquisition (page 10); resulting in $192,170,736 in goodwill being allocated to the purchase. In accordance with IFRS IAS 36, the Company conducted its annual impairment review of goodwill held by the Company as of the fiscal year end including the goodwill assigned to the PharmaCo Acquisition (noted above). As a result of the review, the Company determined that an impairment to goodwill in an aggregate amount of $185,224,788 was required comprised of $174,079,006 impairment to the PharmaCo goodwill, $10,868,067 impairment of goodwill attributed to the Florida Acquisition (page 12) and a $277,714 impairment to the goodwill that arose from the Platinum Vape purchase.

LIABILITIES

As at 2022-YE, the Company had total liabilities of $264,466,123, an increase of $14,448,765 as compared to $250,017,358 as at 2021-YE. The net increase in total liabilities was primarily due to (1) a net increase in accounts payable and accruals including income taxes payable, including the impact of a decrease in accounts payable and accrued liabilities associated with the debt for shares transactions executed in December 2022, (2) a decrease to short-term credit facility associated with principal repayments made by the Company utilizing proceeds from the sale of the assets of MAG, (3) an increase in provisions for deferred tax liabilities including those associated with acquisitions, and (4) an increase in convertible debentures associated with the issuance of the CAD$17,000,0000 Convertible CPIL Note.

A summary of the Company's liabilities as at 2022-YE, and as at 2021-YE is as follows:

As at	2022-YE	2021-YE	Variance	Variance
	$	$	$	%
Current liabilities				
Accounts payable and accrued liabilities	37,992,341	27,475,664	10,516,677	38%
Short-term license liability	-	8,135,473	(8,135,473)	(100%)
Short-term notes payable	1,974,584	51,876,994	(49,902,410)	(96%)
Short-term credit facility	17,551,668	65,472,909	(47,921,241)	(73%)
Short-term lease obligations	602,418	640,159	(37,741)	(6%)
Income taxes payable	12,633,699	3,828,818	14,560,765	380%
Total current liabilities	70,754,710	157,430,017	(86,675,307)	(55%)
Non-current liabilities				
Long-term notes payable	87,357,123	38,104,234	49,252,889	129%
Long-term convertible debentures	64,897,343	26,017,720	38,879,623	149%
Long-term lease obligations	22,285,277	18,634,333	3,650,944	20%
Deferred income tax liability	15,941,348	7,504,953	8,436,395	112%
Derivative liabilities	3,230,322	2,326,101	904,221	39%
Total non-current liabilities	193,711,413	92,587,341	101,124,072	109%
Total liabilities	264,466,123	250,017,358	14,448,765	6%

Current Liabilities

Total current liabilities as at 2022-YE totaled $70,754,710, an $86,675,307 decrease as compared to $157,430,017 as at 2021-YE. The decrease is the result of changes in the current liabilities categories described below.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at 2022-YE was $37,992,341, a $10,516,677 increase when compared to $27,475,664 as at 2021-YE. This increase is a direct result of purchasing and payments activity associated with working capital requirements for the acquired PharmaCo retail operations, and the Distribution operations in Michigan. Trade payables accounted for $8,307,164 of the total increase noted above.

Short-term license liability

In 2022-YE, the Company cleared its remaining contingent license liability in the amount of $8,135,473 in response to a cease-and-desist notice from the licensor question with respect to the exploitation of rights tied to the High Times brand name (*refer to Commitments and Contingencies note on page 45*). This reversal resulted in $nil short-term license liabilities as at 2022-YE as compared to $8,135,473 as at 2021-YE.

Short-term note payable

Short-term notes payable as at 2022-YE totaled $1,974,584, a $49,902,410 decrease as compared to $51,876,994 as at 2021-YE. This decrease is the result of the completion of a comprehensive debt restructuring plan to extend and amend existing debt and to issue new debt via private placement (the "Debt Restructure"). The Debt Restructure amended certain notes classified as short-term notes payable in 2021-YE to long-term classification in 2022-YE as described below (*refer to the Liquidity and Resources section of this MD&A on page 48 for more details relating to the Debt Restructure).*

Short-term notes payable as at 2022-YE, and as at 2021-YE are as follows:

	Date of Issue	Maturity Date	Interest per annum	2022-YE	2021-YE
			%	$	$
USD$828,200 - City of San Diego - note	2021-10-25	on demand	7.00%	686,267	734,994
CAD$$7,329,616 note - 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 note 2	2020-06-18	2022-04-06	1.00%	-	183,557
$16,218 - Ford note	2020-11-01	2023-01-12	5.90%	326	3,610
$26,872 - Ram note	2020-09-13	2023-07-25	6.10%	4,738	11,800
Interest portion - USD$7,850,000 RGR Note(i)	2022-11-01	2024-09-12	12.00%	10,765,408	-
Total short-term notes payable				**1,974,584**	**51,876,994**

(i) Held by a related party

Short-term credit facility

The Company's short-term credit facility was $17,551,668 at 2022-YE, a $47,921,241 decrease when compared to $65,472,909 as at 2021-YE. The decrease is a result of a repayment of principal of the credit facility utilizing proceeds from the sale of the MAG operations, which has now been classified as discontinued operations (*refer to the Discontinued Operation notes on page 14*).

On August 16, 2022, the Company extended the termination date on its credit facility for the principal balance outstanding. The maturity date was extended to October 31, 2022, while maintaining the same terms and conditions; interest at 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 subsequent to 2022-YE, on January 30, 2023.

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

The total interest recorded during 2022-YE, in relation to the credit facility was $3,830,665 (2021-YE; $7,858,909).
$2,686,621 in interest due on the Company's credit facility was included in accounts payable and accrued liabilities as at 2021-YE. The Company reclassified this amount to short-term credit facilities during 2022-YE (refer to page 52 for a continuity of the credit facility).

Short-term lease liabilities

The Company's short-term lease obligations were $602,418 at 2022-YE, a $37,741 increase when compared to $640,159 for 2021-YE. The increase is a result of an additional lease obligation acquired as a result of the PharmaCo Acquisition (*refer to the Acquisitions note on page 10*).

Long-term liabilities

Total long-term liabilities for 2022-YE totaled $200,901,443, an 108,314,102 increase from $92,587,341 for 2021-YE. The increase is the result of changes in the long-term liability categories described below.

Long-term notes payable

Long-term notes payable as at 2022-YE totaled $87,357,123, a $49,252,889 increase when compared to the $38,104,234 in long-term notes payable for 2021-YE. This increase is the result of the completion of a comprehensive debt restructuring plan to extend and amend existing debt and to issue new debt via private placement (the "Debt Restructure"). The Debt Restructure amended certain notes classified as short-term notes payable in 2021-YE, to long-term classification in 2022-YE as described below (r*efer to the Liquidity and Resources section of this MD&A on page 48 for more details relating to the Debt Restructure).*

Long-term notes as at 2022-YE, and 2021-YE are as follows:

				2022-YE	2021-YE
	Date of issue	Maturity	Interest Rate	$	$
$16,218 - Ford note	2020-11-01	2023-01-12	5.90%	-	3,610
$26,872 - Ram note	2020-09-13	2023-07-25	6.10%	-	11,800
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%+	24,849,085	-
USD$25,885,000 RGR Note(i)	2022-09-15	2024-09-12	12.50%+*PIK	36,677,932	-
USD$2,887,000 TAII Note	2022-09-15	2024-09-12	12.50%+*PIK	3,939,834	-
USD$6,349,000 SDIL Note(i)	2022-09-15	2024-09-12	12.00%+*PIK	8,664,359	-
USD$269,000 SIL Note	2022-09-15	2024-09-12	12.50%+*PIK	367,099	-
CAD$2,210,000 BJMD Note(i)	2022-09-15	2024-09-12	12.50%+*PIK	2,226,776	-
USD$7,850,000 RGR Note(i)	2022-11-01	2024-09-12	12.00%	10,632,040	-
Total long-term notes payable				**87,357,123**	**38,104,234**

(i) Held by a related party

Long-term convertible debentures

For 2022-YE, 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 comparative for prior year.

Long-term convertible debentures as at 2022-YE totaled $64,897,343, a $38,879,623 increase when compared to the $26,017,720 long-term convertible debentures for 2021-YE. The increase is due to the September 15, 2022 Debt Restructure which included the issuance of a $17,000,000 convertible debenture to C-Points Investments, Ltd. ("CPIL"), and due to the amendment of two $5,400,000 notes classified by the Company as notes payable in prior years (the USD$5,400,000 DCIL Note and the USD$5,400,000 SDIL Note). Details relating to the terms of the 2022-YE convertible notes, and the Debt Restructure can be found in the *Liquidity and Capital Resources* section commencing on page 48 of this MD&A.

Long-term lease obligations

Long-term lease obligations as at 2022-YE totaled $22,285,277, a $3,650,944 increase when compared to the $18,634,333 in long-term lease obligations for 2021-YE. The increase is due to the $1,932,142 in lease obligations acquired upon closing of the PharmaCo Acquisition and the addition of the Clearwater, Florida dispensary during 2022-YE.

Long-term derivative liabilities

Long-term derivative liabilities as at 2022-YE totaled $3,230,322, a $904,221 increase when compared to the $2,326,101 in long-term derivatives for 2021-YE. The increase is due to the increase in long-term convertible debentures as mentioned above, which was offset by a gain due to fair market value adjustments for the 2022-YE.

SHAREHOLDERS' EQUITY

As at 2022-YE, total shareholders' equity was $28,200,045, a decrease of $168,650,711 compared to $196,850,756 as at 2021-YE. The decrease was primarily attributed to the increase of the accumulated deficit of $237,771,458 related to the net loss realized for 2022-YE. The net loss realized included non-cash impairments of intangible assets and goodwill totaling $214,764,298. The accumulated deficit as of 2022-YE totals $352,649,020 compared to $116,877,562 at 2021-YE.

SUMMARY OF QUARTERLY RESULTS

The Company's results for the last eight quarters reflect the changes in profitability realized by the Company as it continues the execution of its objective of becoming a leading multi-state operator and house of premium brands. The net income and/or losses realized by the Company include impacts from the changes in fair value of biological assets (realized and unrealized), changes in the fair value of convertible debentures and their associated derivative liabilities, changes in share based compensation derived from the change in the fair value of stock-based incentives issued by the Company derived from the underlying trading shares market price and their associated volatility, and impairments to the fair value of indefinite life intangibles and goodwill recorded the course of the relevant periods set out in the exhibit. Background on these specific changes is set out in *Results from Operations – Consolidated*.

The Company's operating results have varied over the past eight quarters due primarily to (1) the competitive nature of the legal cannabis markets in which it maintains operations, (2) the seasonal nature of cannabis markets in which the Company operates, (3) impairment charges related to the adjustment in fair value of investments made by the Company, (4) professional fees tied to public company compliance and executed transactions, (5) marketing expenses attributed to brand awareness initiatives that the Company has executed across existing and target legal markets, and (6) debt service and finance expenses (net) attributed to various debt issues and restructurings executed by the Company.

	Revenues	Net Income (loss)	Total Assets	Total Liabilities
	$	$	$	$
31-Dec-22	16,500,257	(206,077,989)	305,612,082	277,412,037
30-Sep-22	25,543,993	(8,455,562)	470,285,234	257,061,442
30-Jun-22	27,402,453	(17,646,210)	475,198,417	267,604,002
31-Mar-22	28,046,801	(11,757,188)	529,680,825	307,212,855
31-Dec-21	8,249,000	(9,541,497)	446,868,114	250,017,358
30-Sep-21	11,202,321	(5,472,693)	536,457,077	324,992,040
30-Jun-21	13,327,814	(11,448,650)	525,626,963	319,055,204
31-Mar-21	11,823,405	(56,887,862)	405,166,991	238,972,560

SUMMARY OF OUTSTANDING SHARE DATA

AUTHORIZED

As at 2022-YE, the authorized shares of the Company were as follows:

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

ISSUED AND OUTSTANDING

The following summarizes the changes to the Company's common share capital during the year ended December 31, 2022, and 2021:

Common Shares

Common share transactions	Common Shares	Share Capital
	#	$
Balance, December 31, 2020	**191,317,226**	**178,088,767**
Shares issued for the Florida Acquisition	5,950,971	$8,747,927
Shares issued for the Apopka Acquisition	1,010,656	1,051,082
Conversion of convertible series II preferred shares	32,290,461	11,596,682
Debt settlement	7,022,312	3,259,469
Exercise of stock options	1,375,000	903,994
Exercise of RSU	3,529,145	3,186,970
Exercise of warrants	16,180,195	20,253,387
Finance charges	2,184,385	2,704,030
Balance, December 31, 2021	**260,860,351**	**229,792,278**
Shares issued for the PharmaCo Acquisition	37,000,000	19,247,696
Shares issued to settle interest due on the USD$20,112,015 Convertible M&V Note	6,004,594	1,104,873
Exercise of restricted share units	910,000	419,000
Shares issued for settlement of debt	22,440,467	2,244,047
Conversion of series I preferred shares conversion	3,181,250	5,637,175
Conversion of series II preferred shares conversion	139,125,139	83,682,864
Balance, December 31, 2022	**469,521,801**	**$342,127,963**

Series I Preferred Shares

The following summarizes the changes to the Company's series I preferred share capital during the year ended December 31, 2022, and 2021:

Series I preferred share transactions	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	(3,181,250)	(5,637,175)
Balance, December 31, 2022	-	-

Series II Preferred Shares

The following summarizes the changes to the Company's series II preferred share capital during the year ended December 31, 2022, and 2021:

Series II Preferred Shares	Series II Preferred Shares	Share Capital
	#	$
Balance, December 31, 2020	**113,585,889**	**46,046,088**
Exercise of stock options	(1,200,000)	879,325
Series II preferred shares conversion	(30,246,040)	(11,596,682)
Debt settlement	8,445,426	11,407,946
Balance, December 31, 2021	**90,585,275**	**$46,736,677**
Shares issued for the PharmaCo Acquisition	37,000,000	36,946,187
Series II preferred shares conversion	(129,985,275)	(83,682,864)
Balance, December 31, 2022	-	-

STOCK OPTIONS

The Company had the following outstanding stock options at 2022-YE, and 2021-YE. The number of stock options and weighted average exercise prices as at 2022-YE, and 2021-YE 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	(1,355,265)	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

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**

RESTRICTED SHARE UNITS ("RSU'S")

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	**-**	**-**

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	(20,764,979)	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**

OUTSTANDING SHARE DATA AS AT THE DATE OF THIS MD&A

	#
Issued and outstanding common shares	469,521,801
Stock options outstanding	19,033,456

As at 2022-YE, the Company had 5,222,713 warrants outstanding. Subsequent to 2022-YE, 1,000,000 warrants expired on February 4, 2023, and the remaining 4,222,713 warrants expired on May 12, 2023. As at the date of this MD&A, the Company no longer has any warrants outstanding.

RELATED PARTY TRANSACTIONS

KEY MANAGEMENT COMPENSATION

Key management personnel include those people who have 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 2022-YE, and 2021-YE, can be summarized as follows:

	2022-YE	2021-YE
	$	$
Management salaries, bonuses, and other benefits	475,189	211,186
Consulting fees by a company controlled by a director of the company	369,655	547,065
Share-based payments – officers	(21,634)	-
Share-based payments – directors	(15,495)	556,270
Total	**797,715**	**1,314,521**

During the year ended December 31, 2022, the Company recovered $37,130 (2021; $0) 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.

AMOUNTS DUE TO/FROM RELATED PARTIES

- Included in accounts payable and accrued liabilities is $743,233 (2021-YE; $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 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 term at an effective interest rate of 16.43% (*refer to Convertible Debentures on page 50).*

RELATED PARTY TRANSACTIONS

2022-YE 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 (*refer to Convertible Debentures on page 50*).
- 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 existing 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 2022-YE, 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 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-YE 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.

COMMITMENTS AND CONTINGENCIES

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.

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 as of December 31, 2022, and December 31, 2021, applicable regulations continue to evolve and are subject to change and differing interpretations in each jurisdiction where licensure is maintained for operations. 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 state regulatory body (OMMU), and the Company did not receive a THC license in the State of Illinois. In addition, on February 23, 2022, the Company received a cease-and-desist notice from the Licensor in respect to the Rights and ceased to be engaged in the manufacturing, sale or licensing of the Rights. The first licensing period under the agreement 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. Given the aforementioned events and the Company's position, supported by defenses presented to the Licensor, the Company reversed the accrued license liability, in the amount of $8,135,473, remaining after February 23, 2022 and up to current fiscal 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.

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 Financial Statements. Management believes that the resolutions of these proceedings will not have a material unfavorable effect on the Company's consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

GOING CONCERN

The Financial Statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business as they come due. The ability of the Company to continue operations as a going concern is ultimately dependent on increasing revenues, decreasing costs, improving cash flows, having adequate sources of funding from debt facilities (both incumbent and prospective), and other potential capital market resources such as equity financing.

Management continually monitors and evaluates the Company's liquidity by reviewing near term capital requirements and ensuring planning and budgeting controls and processes are in place which confirm sufficient resources are available to finance the Company's ongoing operations including burdened payroll, facility costs including lease payments (as applicable), net working capital investment, capital expenditures, and debt service requirements.

The Company's primary sources of liquidity are cash from sales of goods and services to its Retail (direct to consumer) and Distribution (direct to retailer) customers, debt financing and equity financing. As at 2022-YE, the Company had no off-balance sheet arrangements (2021-YE; $nil).

The objective when managing the Company's liquidity and capital structure is to maintain sufficient cash to fund working capital needs. As at 2022-YE, cash and cash equivalents were $2,747,138 (2021-YE - $818,753) and the Company had negative working capital (current assets less current liabilities) of $35,508,759 (2021-YE; 30,420,353). The Company will remain primarily reliant on debt financing and capital markets for prospective funding required to meet its ongoing obligations.

The Company believes that the current capital resources are not sufficient to pay its operating expenses for the next twelve months and is currently seeking additional debt and/or equity funding to ensure it can continue to drive growth in its respective Retail and Distribution operations, fund Corporate overheads, and capitalize on growth opportunities; both organic and acquisitive. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

These adjustments do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to sustain itself as a going concern in the normal course of operations. Adjustments of this nature could be material.

CASH FLOW HIGHLIGHTS

The following is the cash flow from operating, investing, and financing activities by the Company for 2022-YE, and 2021-YE is as follows:

	2022-YE	2021-YE	Variance
	$	$	$
Net cash used in operating activities	(17,522,835)	(46,581,898)	29,059,063
Net cash used in investing activities	(3,484,247)	(49,021,619)	45,537,372
Net cash used in (provided by) financing activities	(8,805,385)	(99,202,461)	90,397,076

As at 2022-YE, there was no formal material commitment for capital expenditures.

Operating Activities

Net cash used for operating activities for 2022-YE, including the change in non-cash working capital, was $17,522,837, a decrease of $29,059,063 compared to $46,581,898 of net cash used for operating activities for 2021-YE which was comprised of a year-over-year increase in items not involving cash of $41,187,187, offset by a year-over-year use of cash related to non-cash working capital of $12,128,124. For detailed information related to cash movements for operating activities in 2022-YE, the reader is referred to the audited consolidated Statement of Cash Flow included in the 2022-YE Financial Statements.

Financing Activities

Net cash received from financing activities for 2022-YE was $8,805,385, a $90,397,076 decrease in net cash received from financing activities when compared to $99,202,461 received for 2021-YE. The decrease is largely the result of the Company receiving less cash as the result of notes payable issuances in 2022-YE than it had received 2021-YE. The Company received proceeds from the issuance of notes payable in the amount of $19,909,656 in 2022-YE, $53,535,767 less than the $73,445,423 received in 2021-YE. In addition, in 2022-YE, the Company had a $31,355,894 decrease in the cash received for the issuance of convertible debentures, a $15,781,652 decrease in the proceeds from the exercise of shares for warrants, a $704,935 decrease in proceeds from stock option exercises, and an $18,380,187 decrease for the proceeds from the issuance of share capital when compared to 2021-YE. These decreases were offset by a $31,595,553 decrease in cash used to pay loans payable, using $6,887,436 in 2022-YE compared to $38,482,979 in 2021-YE. For more details on the Company's financing activities refer to the Debt section on page 48.

Investing Activities

Net cash used for investing activities for 2022-YE was $3,484,247, a $45,537,372 decrease when compared to $49,021,619 for 2022-YE. The decrease is predominantly the reduction of cash used for acquisitions in 2022-YE. The Company had an inflow of cash of $748,464 resulting from the PharmaCo Acquisition (page 10) in 2022-YE, whereas in 2021-YE, the Company used cash of $31,757,985 in cash to close the Florida Acquisition and the Apopka Florida Greenhouse Acquisition (page 12). In addition, in 2021-YE, the Company advanced loans amounting to $7,828,229, whereas the Company did not advance any loans in 2022-YE.

DEBT

Debt Restructure

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 notes 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 note 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 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 USD$5,850,000 note (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 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 are 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 notes:

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

Each of the above 3 notes attracts a 12.5% interest rate, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest are 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 note (the USD$5,400,000 DICL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component.

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 note (the USD$5,400,000 SIDL Convertible Note) was established and reclassified to convertible debt with along with a related derivative liability component.

g) The Company issued new convertible debt in the amount CAD$17,000,000 to C-Points Investments Ltd, (the "CAD$17,000,000 CPIL Convertible Note"), a Company related to RWB. 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. 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 term at an effective interest rate of 16.43%.

Notes payable

The Company has secured financing from various sources since inception in order to execute its strategy of driving the growth of its distribution and retail operations. The various financings have aided the Company in expanding its operations, providing sources of funds for new activation-related costs, and has been a source for funding required for acquisitions, and other development costs.

As at 2022-YE, and 2021-YE the Company had the following outstanding notes payable:

	Date of Issue	Maturity date	Security	Interest	2022	2021
				%	$	$
USD$828,200 - City of San Diego – note	2021-10-25	on demand	unsecured	7.00%	686,267	734,994
CAD$$7,329,616 note - Private lenders	2021-10-01	on demand	unsecured	-	-	253,170
USD 11,500,000 RGR Note(i)	2021-11-29	2022-05-30	secured	10.00%	-	14,713,347
USD$5,000,000 Oakengate Investments Note	2021-04-21	2021-09-20	unsecured	12.00%	-	6,877,815
USD$11,550,000 RGR Note(i)	2021-01-11	2021-01-11	unsecured	12.00%	-	3,377,268
USD 10,000,000 VRT (Acreage acquisition 1) Note	2021-04-27	2021-11-27	secured	8.00%	-	594,650
USD$18,000,000 VRT (Acreage acquisition 2) Note	2021-04-27	2022-08-19	secured	8-12.5%	-	24,065,831
US 899,000 - Due to Oakshire	various	on demand	unsecured	-	1,149,885	1,076,362
$190,853 - SBA note 2	2020-06-18	2022-04-06	unsecured	1.00%	-	183,557
$16,218 - Ford note	2020-11-01	2023-01-12	unsecured	5.90%	325	3,610
$26,872 - Ram note	2020-09-13	2023-07-25	unsecured	6.10%	4,739	11,800
USD$19,370,020 RGR Note(i)	2021-09-01	2023-01-31	unsecured	10.00%	-	25,022,136
USD$5,400,000 DICL Note(i)	2021-11-25	2023-09-14	secured	8.00%	-	6,533,344
USD$5,400,000 SDIL Note(i)	2021-11-25	2023-09-14	secured	8.00%	-	6,533,344
USD$18,300,000 VRT Note	2022-09-13	2024-02-12	secured	12.9%+	24,849,083	-
USD$5,000,000 SDIL Note(i)	2022-09-15	2024-09-12	secured	*PIK only	-	-
USD$25,885,000 RGR Note(i)	2022-09-15	2024-09-12	secured	12.50%+*PIK	36,677,932	-
USD$2,887,000 TAII Note(i)	2022-09-15	2024-09-12	secured	12.50%+*PIK	3,939,834	-
USD$6,349,000 SDIL Note(i)	2022-09-15	2024-09-12	secured	12.00%+*PIK	8,664,359	-
USD$269,000 SIL Note (i)	2022-09-15	2024-09-12	secured	12.50%+*PIK	367,099	-
USD$5,850,000 OIL Note	2022-09-15	2024-09-12	secured	12.00%	-	-
USD$5,850,000 RGR Note(i)	2022-09-15	2024-09-12	secured	12.00%	-	-
CAD$2,210,000 BJMD Note(i)	2022-09-15	2024-09-12	secured	12.50%+*PIK	2,226,776	-
USD$7,850,000 RGR Note(i)	2022-11-01	2024-09-12	secured	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 / *See Debt Restructure note above for terms for PIK interest*

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.

Convertible debentures

Outstanding financings in the form of convertible debentures issuances, with details on the terms and conditions are as follows:

	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 V	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
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%
Add'l interest /annum	-	-	-	-	4% paid in shares	-	-	-
Default rate per annum	5%	5%	5%	5%	8%	10%	10%	8%
Conversion price/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	All shares of RWB Platinum Vape, LLC	All shares - RWB Platinum Vape, LLC	1st 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

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

The Company's continuity of its convertible debentures for 2022-YE, and 2021-YE is as follows and is presented in Canadian dollars:

	Total
	CAD$
Carrying Value, January 1, 2021	**-**
Issuance of convertible debentures	31,353,454
Less: debt issuance costs	(983,704)
Net proceeds from issuance	30,369,750
Classified as an embedded derivative liability	(4,440,848)
Interest classified as a derivative liability	(2,935,299)
Convertible debentures at amortized cost	22,993,603
Interest accrued	1,702,818
Accretion of interest	944,114
Foreign exchange	377,185
Carrying value, December 31, 2021	**26,017,720**
Short-term	-
Long-term	26,017,720
Carrying Value, January 1, 2022	**26,017,720**
Issuance of convertible debentures	17,019,681
Less: debt issuance costs	(19,681)
Net proceeds from issuance	17,000,000
Reclassification of notes payable	17,810,090
Reclassification of debt issuance costs	(15,832)
Classified as an embedded derivative liability	(3,119,904)
Classified as equity, net of transaction costs	(2,106,983)
Convertible debentures at amortized cost	55,585,090
Interest accrued	4,281,074
Reclassification of interest accretion	1,918,294
Accretion of interest	2,830,910
Effects of foreign exchange	281,973
Carrying Value, December 31, 2022	**64,897,343**
Short-term	-
Long-term	**64,897,343**

For more in-depth details on the continuity of convertible debentures to the end of 2022-YE, refer to the Company's Consolidated Audited Financial Statements.

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.

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 charged during the 2022-YE related to the credit facility was $3,830,665 (2021-YE; $7,858,909).

2022-YE amendments

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.

2021-YE amendments

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 2022-YE, and 2021-YE, the Company satisfied all financial covenants. Covenants include prompt payment, preservation of corporate existence, compliance with laws, payment of taxes, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, completion of RTO, discharge of all obligations and liabilities arising under ERISA and further assurance.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the year.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of other financial instruments, which include accounts receivable, accounts payable and accrued liabilities, loans receivable, and notes 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.

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 notes receivable. Accounts receivable balances are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a good credit standing and continued good payment history with the Company.

As at 2022-YE, the Company held an accounts receivable balance of $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 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 2022-YE; thus, is not exposed to significant credit risk on loans receivable.

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

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 this MD&A, the Company was not a client of SVB and has remained unaffected by the events above.

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 2022-YE and 2021-YE, the interest rate on notes 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.

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 (USD). The Company does not currently use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

CAPITAL RISK MANAGEMENT

The Company monitors its capital structure and will adjust 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 2022-YE, the Company has a shareholders' equity of $28,200,045 (2021-YE; $196,850,756). Included in the consolidated statements of financial position presented is an accumulated deficit of $352,649,020 as at 2022-YE (2021-YE; $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 2022-YE. The Company is not subject to any external capital requirements.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated Financial Statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated Financial Statements are considered appropriate in these circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing this MD&A, Management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are consistent with those disclosed in the notes to the Financial Statements for 2022-YE.

The information provided in this report, including the consolidated Financial Statements, is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated Financial Statements.

NEW ACCOUNTING PRONOUNCEMENTS

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.

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")

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 Current or Non-current at the reporting date. Instead, the amendment requires disclosure of information about these covenants in the notes to the Financial 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.

OTHER RISKS AND UNCERTAINTIES

There can be no assurance that the Company will be profitable.

There are always unquantifiable risks associated with any business operating in a new and growing industry, such as cannabis, that competes with conflicting federal and state laws. There is no assurance that the Company will be or can remain profitable in this type of environment.

We may require additional financing to fund our operations.

Profits generated from continuing operations may fall short of projections given the competitive nature of the markets in which our businesses operate. As such, it may be likely that we will operate at a loss until we are able to generate sufficient cash from internal operations to realize positive cash flow. In the interim, we may require additional financing in order to ensure the continuity of our businesses and ongoing business initiatives including the expansion of our branded products offerings and the extension of our asset-light strategy into other legal markets (US states). Our ability to arrange such incremental financing, should it be necessary in the future, will depend in part upon prevailing capital market conditions, as well as our capacity to manage our respective businesses profitably. There can be no assurance that we will be successful in our efforts to arrange such additional financing on terms satisfactory to the Company whether by way of debt or equity, or at all. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

We may issue a substantial number of our common shares without investor approval as a means of raising required financing.

Any such share issuance of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of the investor's investment.

The market price of our common shares may experience significant volatility due to key factors.

Key factors can include but are not limited to (1) quarterly variations in our operating results, (2) changes in significant financial estimates employed by the Company which cause material variations from projections otherwise communicated, (3) material comments or guidance issued by securities analysts in relation to our common shares or the performance of our Company, or our competitors or the cannabis industry in general, (4) announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or performance, (5) acquisitions or consolidations within our group of companies, by competitors or within the cannabis industry in general, and (6) market conditions in the cannabis industry, such as regulatory developments. Global stock markets and the Canadian Securities Exchange ("CSE") in particular have, from time to time, experienced extreme price, and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have often been unrelated to the operations of the companies themselves. In addition, there can be no assurance that active trading or liquid public market conditions will be sustained for our common shares.

We do not anticipate that any dividends will be paid on our common shares in the foreseeable future.

We anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors in common shares may not receive any funds in the form of dividends unless they sell their common shares. Shareholders may not be able to sell their shares on favorable terms, or at all.

The Company has a limited operating history in the U.S. cannabis sector, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment in the Company in the form of financings.

The Company has a history of negative cash flow and operating losses that is not expected to change in the near term. Access to funds via financing, drawn from debt or equity markets, may be limited for an extended period until the Company can convince investors in these markets that it can sustain positive cash flows and income from operations.

The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company.

Currently, the U.S. cannabis industry is generally comprised of small to medium-sized entities. However, the risk remains that larger conglomerates and companies, both incumbent and prospective, who recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. Legal state regulatory controls to prevent or deter these types of conditions have not been formally adopted given the nascent condition of the industry in the United States. As such, the industry participants may face uncertain competitive conditions from larger competitors that place its operations at risk and may not have sufficient resources to remain competitive which could materially and adversely affect the operations of the Company.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund ongoing working capital requirements or capital expenditures.

The level of indebtedness of the Company could have significant consequences on the Company, including but not limited to: (1) increasing the Company's vulnerability to general adverse economic and industry conditions, which would require the Company to dedicate a substantial portion of its cash flow from operations to making interest and/or principal payments on its existing indebtedness, thereby, reducing the availability of the Company's cash flow to fund both maintenance and growth capital expenditures, ongoing working capital and other general corporate expenses, (2) limiting the Company's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates, (3) placing the Company at a competitive disadvantage compared to its competitors that have greater financial resources, and (4) limiting the Company's ability to complete fundamental corporate changes or transactions.

The Company's revenues and expenses may be negatively impacted by fluctuations in currency.

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to currency exchange fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition, and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. Federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs, and reputational harm.

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level, or both. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), and as such, activities within the cannabis industry are illegal under U.S. Federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought against the Company, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive, and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Such risks are difficult to predict. For instance, it is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results, and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. The regulatory uncertainties make identifying the new risks applicable to the Company and its business and the assessment of the impact of those risks on the Company and its business extremely difficult.

The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Company and its subsidiaries and may affect the financial condition of market participants, including the Company.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the participant and, thereby, on the Company's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected.
Changes to or the imposition of new federal and/or state government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings, and could make future financing unviable.

The Company may become subject to litigation which could have a significant impact on the Company's profitability.

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Company, or one or more of the Company's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States, a branch thereof, or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially averse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Litigation and other claims are subject to inherent uncertainties and Management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our Financial Statements could also occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

As the possession and use of cannabis is illegal under the CSA, we may be deemed to be aiding and abetting illegal activities, and as such may be subject to enforcement actions which could materially and adversely affect our business.

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). Such an action would have a material adverse impact on our business and operations.

Losing access to traditional banking and the application of anti-money laundering rules and regulations to our business could have a significant effect on our ability to operate our business.

The Company is subject to a variety of laws and regulations in Canada and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title Ill of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business note, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company operates in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain financial institutions, in the United States and Canada, which in turn may make it difficult to operate the Company's business.

Proceeds from the Company's operations could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.

The Company's future operations may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions, or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its trading common shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time in the future.

The Company has historically relied entirely on access to both public and private capital markets and their resources to support its continuing operations, and the Company expects to continue to rely almost exclusively on these capital markets to finance its business in the U.S. legal cannabis industry.

Although such businesses carry a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have, to date, been successful in raising private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada, which could lead to the imposition of certain restrictions on the Company's ability to operate in the U.S.

It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Company's Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the Exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future.

For the reasons set forth above, the Company's future financings in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines which could substantially increase compliance costs or require the alteration of previously established business plans.

The Company's business operations will be affected by laws and regulations relating to the manufacture, management, transportation, storage, and disposal of cannabis, as well as laws and regulations relating to consumable products, health and safety, the conduct of operations and the protection of the environment. These laws are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

As consumer perceptions regarding legality, morality, consumption, safety, efficacy, and quality of cannabis evolve, the Company may face unfavorable publicity or consumer perception.

The legal cannabis industry in the U.S. remains at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy, and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition, and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for continuing the legalization of medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization for medical use as opposed to legalization in general). The Company's ability to gain and increase market acceptance of cannabis products may require substantial expenditures on investor relations, strategic relationships, and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

Cannabis use may increase the risk of serious adverse side effects which could subject the Company or its subsidiaries to product liability claims, regulatory action, and litigation.

The Company faces the risk of product liability claims, regulatory action, and litigation if its products or services are alleged to have caused loss or injury. The Company and its subsidiaries may become subject to product liability claims due to allegations that their products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, may exacerbate the symptoms for individuals with bipolar disorder, may increase the risk for the development of depressive disorders, may impair learning, memory and attention capabilities, and result in other side effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. There can be no assurance that the Company and its subsidiaries will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in the Company and its subsidiaries becoming subject to significant liabilities that are uninsured and could adversely affect their commercial arrangements with third parties. Product liability claims or regulatory action against the Company and its subsidiaries could result in increased costs, and could adversely affect the Company's financing and reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

If our portfolio companies do not comply with applicable packaging, labeling, and advertising restrictions on the sale of cannabis in the adult-use market, we could face increased costs, our reputation could be negatively affected and there could be a material adverse effect on our results of operations and financial condition.

Products distributed by the Company or its subsidiaries into the adult-use market may be required to comply with legislative requirements relating to product formats, product packaging, and marketing activities around such products, among other factors. As such, the brands and products of our Company and its subsidiaries will need to be specifically adapted, and their marketing activities carefully structured, in an effective and compliant manner. If our Company and subsidiaries are unable to effectively market the cannabis products and compete for market share, or if the costs relating to compliance with government legislation increase beyond what can be absorbed in the final price of our products to applicable consumers, our earnings could be adversely affected.

The Company's products may become subject to product recalls, which could negatively impact on our results of operations.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products are recalled due to an alleged product defect or for any other reason, such recall may disrupt certain aspects of the Company's business and result in a material adverse effect on certain aspects of its planned operations. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of our operations by the U.S. FDA, or other equivalent regulatory agencies, requiring further senior management attention and potential legal fees and other material compliance related expenses.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Forecasts regarding the size of the cannabis industry and the sales of cannabis products are inherently subject to significant unreliability given the nascent character of the cannabis industry. A failure in the demand for products to materialize as forecast due to competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management.

While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such people. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

The Company could consume considerable amounts of financial and other corporate resources if it were subject to litigation, complaints, or enforcement actions resulting in an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water, and other local utilities.

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier contracted by the Company was to go out of business or cease supply for any reason, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of the Company.

The success of the Company may depend, in part, on its ability to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright, and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

The continuing impacts of the global COVID-19 pandemic may continue to adversely impact the Company's financial performance in the future.

The Company operates within the jurisdiction of the United States of America, specifically within legal cannabis markets (states) within this jurisdiction, which has 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 US economy during the pandemic, global supply chain disruptions that continue to impact the supply of manufacturing inputs goods 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 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 businesses 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 and ongoing investments in protective equipment and infrastructure mitigating the spread of COVID-19 within work environments.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO"), President, and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated Financial Statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. The lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is compensated for by senior management monitoring of relevant at-risk activities including the monitoring of key performance indicators for its various operating segments. The aforementioned officers, specifically the President and CFO, have and will continue to closely monitor essential operational and financial activities of the Company and also diligently invest in increasing the level of oversight in vital workflows. It is important to note that continuous monitoring of internal controls may also require the Company to hire additional staff or supplement skillsets within its existing ranks to be able to implement a more robust series of internal controls. Management has chosen to disclose the potential risk in its filings and will continue to diligently assess the cost and timelines to implement enhancements to staffing and processes that continue to strengthen its existing internal controls infrastructure.