Red White & Bloom Brands Inc.

Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2023, and 2022

CSE: RWB

OTCQX: RWBYF

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RED WHITE & BLOOM BRANDS, INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of **Red White & Bloom Brands, Inc**. (the "Company") have been prepared and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim consolidated financial statements by an entity's auditor.

MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

May 30, 2023

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at March 31, 2023	As at December 31, 2022
	$	$
Assets		
Current assets		
Cash and cash equivalents (note 8)	4,499,809	2,747,138
Accounts receivable (note 9)	13,494,374	8,439,143
Prepaid expenses and other assets (note 10)	2,449,864	5,311,199
Inventory (note 11)	15,349,289	14,457,013
Biological assets (note 12)	3,477,355	4,291,458
Total current assets	**39,270,691**	**35,245,951**
Non-current assets		
Property, plant and equipment, net (note 13)	72,827,043	73,873,258
Intangible assets, net (note 14)	125,246,795	125,348,600
Right-of-use assets, net (note 16)	20,810,355	20,703,498
Goodwill (note 15)	37,464,409	37,494,861
Total non-current assets	**256,348,602**	**257,420,217**
Total assets	**295,619,293**	**292,666,168**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	39,545,468	37,992,341
Short-term notes payable (note 18)	2,818,785	1,974,584
Short-term credit facility (note 18)	17,937,035	17,551,668
Short-term lease obligations (note 16)	873,395	602,418
Income taxes payable	14,600,005	12,633,699
Total current liabilities	**75,774,688**	**70,754,710**
Non-current liabilities		
Long-term notes payable (note 18)	94,733,643	87,357,123
Long-term convertible debentures (note 18)	67,258,461	64,897,343
Long-term lease obligations (note 16)	22,434,927	22,285,277
Deferred income tax liability	14,231,116	15,941,348
Derivative liabilities (note 18)	2,245,745	3,230,322
Total non-current liabilities	**200,903,892**	**193,711,413**
Total liabilities	**276,678,580**	**264,466,123**
Shareholders' equity		
Share capital (note 19)	342,068,972	342,068,972
Contributed surplus	16,684,591	16,368,382
Cumulative translation adjustment	10,526,483	10,705,725
Accumulated deficit	(360,843,283)	(352,649,020)
Non-controlling interest (note 23)	10,503,950	11,705,986
Total shareholders' equity	**18,940,713**	**28,200,045**
Total liabilities and shareholders' equity	**295,619,293**	**292,666,168**

Nature of operations (note 1)
Segmented results (note 27)
Subsequent events (note 30)
Commitments and contingencies (note 26)

Approved by the Board

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

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

RED WHITE & BLOOM BRANDS, INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT & LOSS & COMPREHENSIVE PROFIT & LOSS

(In Canadian Dollars)

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Revenue		
Sales revenue (note 21, 27)	27,046,088	28,046,801
Cost of goods sold, before fair value adjustments	17,636,414	16,705,335
Gross Profit before fair market value adjustments	**9,409,674**	11,341,466
Unrealized changes in fair value of biological assets	(450,795)	(2,450,005)
Realized fair value amounts included in inventory sold	(606,484)	276,927
Gross profit after fair market value adjustments	**8,352,395**	**9,168,388**
Operating Expenses		
General and administration (note 22)	8,774,566	8,646,668
Marketing expenses	553,777	547,330
Share-based compensation (note 19)	316,209	273,000
Depreciation and amortization (note 13, 16)	666,340	1,481,045
Bad debt expense (note 9)	555,136	407,540
Total Operating Expenses	**10,866,028**	**11,355,583**
Loss from operations before other expenses (income)	**(2,513,633)**	**(2,187,195)**
Other expense (income)		
Other expense (income)	(48,225)	-
Accreted interest, leases (note 16)	681,565	629,751
Finance expense, net (note 18)	6,919,421	7,373,386
(Gain) loss on revaluation of financial instruments (note 18)	(1,007,693)	-
Foreign exchange	24,317	(1,401,967)
Total other expenses (income)	**6,569,385**	**6,601,170**
Loss before income taxes	**(9,083,018)**	**(8,788,365)**
Current income tax expense	(1,975,397)	(2,071,170)
Deferred income tax recovery	1,696,281	-
Net income (loss) from continuing operations	**(9,362,134)**	**(10,859,535)**
Gain (loss) from discontinued operations (note 29)	(34,165)	(897,653)
Net loss for the period	**(9,396,299)**	**(11,757,188)**
Translation adjustment	179,242	(1,378,598)
Net income (loss) and Comprehensive income (loss)	**(9,217,057)**	**(13,135,786)**
Net loss attributable to:		
Shareholders	**(8,194,263)**	(11,425,784)
Non-controlling interests	(1,202,036)	(331,404)
Comprehensive loss attributable to:		
Shareholders	(8,015,021)	(12,804,382)
Non-controlling interests	(1,202,036)	(331,404)
Net loss per share, basic and diluted (note 20)	**(0.02)**	**(0.05)**
Weighted average number of outstanding common shares, basic and diluted	469,521,901	236,840,299

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

	Convertible Series I Preferred Shares	Convertible Series I Preferred Shares	Convertible Series II Preferred Shares	Convertible Series II Preferred Shares	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	$	#	$	#	$	$	$	$	$	$
Balance, January 1, 2022	**3,181,250**	**5,637,175**	**92,985,275**	**46,736,677**	**260,860,351**	**229,792,308**	**18,062,258**	**14,192,749**	**(692,849)**	**(116,877,562)**	**196,850,756**
Exercise. restricted share units (note 19)	-	-	-	-	260,000	240,350	-	(240,350)	-	-	-
Issuance, restricted share units (note 19)	-	-	-	-	-	-	-	273,000	-	-	273,000
Conversion, Preferred shares (note 19)	-	-	(3,753,940)	(5,995,355)	4,053,523	5,995,355	-	-	-	-	-
Shares issued, Pharmaco Acquisition (note 7)	-	-	37,000,000	19,240,000	37,000,000	19,240,000	-	-	-	-	38,480,000
Currency translation adjustment	-	-	-	-	-	-	-	-	(1,378,598)	-	(1,378,598)
Net loss	-	-	-	-	-	-	(331,404)	-	-	(11,425,784)	(11,757,188)
Balance, March 31, 2022	**3,181,250**	**5,637,175**	**126,231,335**	**59,981,322**	**302,173,874**	**255,268,013**	**17,730,854**	**14,225,399**	**(2,071,447)**	**(128,303,346)**	**222,467,970**

	Convertible Series I Preferred Shares	Convertible Series I Preferred Shares	Convertible Series II Preferred Shares	Convertible Series II Preferred Shares	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	$	#	$	#	$	$	$	$	$	$
Balance, January 1, 2023	**-**	**-**	**-**	**-**	**469,521,901**	**342,068,972**	**11,705,986**	**16,368,382**	**10,705,725**	**(352,649,020)**	**28,200,045**
Stock based compensation (note 19)	-	-	-	-	-	-	-	323,517	-	-	323,517
Stock option forfeitures (note 19)	-	-	-	-	-	-	-	(7,308)	-	-	(7,308)
Currency translation adjustments	-	-	-	-	-	-	-	-	(179,242)	-	(179,242)
Net loss	-	-	-	-	-	-	(1,202,036)	-	-	(8,194,263)	(9,396,299)
Balance, March 31, 2023	**-**	**-**	**-**	**-**	**469,521,901**	**342,068,972**	**10,503,950**	**16,684,591**	**10,526,483**	**(360,843,283)**	**18,940,713**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the period ended March 31, 2023	For the period ended March 31, 2022
	$	$
Cash flow from operating activities:		
Net loss for the period	**(9,396,299)**	**(11,757,188)**
Items not involving cash:		
Accreted interest on leases (note 16)	681,565	629,751
Depreciation of right-of-use assets (note 16)	412,334	456,912
Depreciation of property, plant and equipment (note 13)	1,182,844	1,030,322
Accrued interest on short-term notes (note 18)	11,886	-
Accrued interest on long-term notes (note 18)	3,280,843	-
Accrued interest on convertible debentures (note 18)	1,361,713	-
Accreted interest on convertible debentures (note 18)	1,034,306	-
Accrued interest on credit facility (note 18)	516,748	-
Finance Fees (note 18)	-	1,965,490
Revaluation of financial instruments (note 18)	(1,007,832)	-
Share-based compensation (note 19)	316,209	-
Issuance of restricted share units (note 19)	-	273,000
Realized (gain) loss in cost of sales	606,484	(276,927)
Fair value adjustment on biological assets	450,795	2,450,005
	(548,404)	**(5,228,635)**
Changes in non-cash working capital items:		
Accounts receivable (note 9)	(5,061,719)	(2,007,503)
Prepaid expenses (note 10)	2,857,274	(1,061,481)
Inventory (note 11)	(1,510,502)	(5,581,534)
Biological Assets (note 12)	359,823	(1,324,743)
Accounts payable and accrued liabilities (note 17)	1,645,189	15,556,734
Current Income tax payable	1,979,715	6,096,004
Deferred income taxes	(1,700,434)	-
Net cash provided by (used in) operating activities	**(1,979,058)**	**6,448,842**
Cash flows from investing activities		
Acquisition of property, plant and equipment (note 13)	(270,088)	(951,277)
PharmaCo Acquisition, cash (note 7)	-	747,226
Net cash provided by (used in) investing activities	**(270,088)**	**(204,051)**
Cash flow from financing activities:		
Issuance of long-term notes (note 18)	1,000,000	-
Amendment of long-term notes payable (note 18)	5,979,150	-
Principal payments on short-term notes (note 18)	(38,869)	-
Principal payments on long-term notes (note 18)	(1,025,325)	-
Interest payments on short-term notes (note 18)	(799,295)	-
Interest payments on credit facility (note 18)	(177,078)	-
Amendment fees on credit facility (note 18)	136,756	-
Amendment fee payments on credit facility (note 18)	(91,059)	-
Principal payments on lease obligations (note 16)	(86,659)	(839,955)
Interest payments on lease obligations (note 16)	(681,565)	(629,751)
Net cash provided by (used in) financing activities	**4,216,056**	**(1,469,706)**
Foreign exchange affecting cash	(214,239)	(853,220)
Change in cash during the year	1,752,671	3,921,865
Cash, beginning of year	2,747,138	818,753
Cash, end of year	**4,499,809**	**4,740,618**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The unaudited condensed interim consolidated financial statements for the period ended March 31, 2023 (the “Financial Statements”), have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2023, the Company incurred accumulated net comprehensive losses of $360,843,283 (December 31, 2022; $352,649,020) since inception, including non-cash impairments of $214,764,297 realized in fiscal 2022. For the three months ended March 31, 2023, the Company incurred a comprehensive net loss of $9,217,057 (2022; $13,135,786), and net cash used in operations was $1,979,058 (2022; net cash of $6,448,842 provided by operating).

The Company's operations are mainly funded with debt and equity financing, which is dependent upon many external factors and may be difficult to raise additional funds when required. The Company may not have sufficient cash to fund ongoing operations, and the acquisition and development of assets or servicing of debt requirements and will therefore require additional funding, which if not raised by the aforementioned, may result in the delay, postponement, or curtailment of some of its activities. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following March 31, 2023. To address its financing requirements, the Company continues to aggressively pursue several available options including financing via debt and equity markets to fund growth initiatives, both organic and acquisitive and monetization of captive assets; tangible and intangible. The Company will also continue to seek to improve its cash flow by prioritizing operating initiatives with greater expected returns and also aggressively reduce operating costs by streamlining its operations and support functions. While the Company has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company's ability to raise capital may be adversely impacted by: market conditions that may result in a lack of normally available financing in the cannabis industry; increased competition across the industry, and overall negative investor sentiment.. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favorable to the Company or at all. If the going concern assumption were not appropriate for the Financial Statements for the period ended March 31, 2023, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the condensed interim consolidated statements of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

A. STATEMENT OF COMPLIANCE

These Financial Statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the three months ended March 31, 2023, and 2022. These Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 (the "2022 Audited Consolidated Financial Statements").

These Financial Statements were authorized for issuance by the Company's Board of Directors and Audit Committee on May 30, 2023.

B. BASIS OF MEASUREMENT

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

C. FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these consolidated financial statements are reflected in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company's foreign currency and foreign currency translation accounting policies found in note 6 of the Company's 2022 Audited Consolidated Financial Statements. Functional currencies of subsidiaries included in these Financial Statements can be found in note 3.

3. BASIS OF CONSOLIDATION

SUBSIDIARIES

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

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

Subsidiaries with controlling interest within these Financial Statements include:

Subsidiary	Source Currency	Jurisdiction	% Ownership As at March 31, 2023	% Ownership As at December 31, 2022
Red White & Bloom Brands Inc. (Parent)	CAD	British Columbia, Canada	100%	100%
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%	100%
*RWB Illinois, Inc.	USD	Delaware, United States	100%	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 (PV) Licensing, LLC.	USD	Nevada, United States	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%

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

4. ACCOUNTING PRONOUNCEMENTS

A. ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

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

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

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

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 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 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 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 Financial Statements.

B. STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET EFFECTIVE

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

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 Financial Statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

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

5. CRITICAL ASSUMPTIONS AND SOURCES OF UNCERTANITY

The preparation of these Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates and judgments used in the preparation of these Financial Statements are described in the 2022 Audited Consolidated Financial Statements which can be found on the Company's profile on www.sedar.com.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these Financial Statements are consistent with those followed in preparation of the 2022 Audited Consolidated Financial Statements, which can be found on www.sedar.com, which were prepared in accordance with IFRS as issued by the IASB.

7. ACQUISITIONS

ACQUISITION OF PHARMACO INC.

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

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

Each Unit consists of one common share and one series II convertible preferred share (each, a "Series II Preferred Share" and collectively, the "Series II Preferred Shares") in the capital of RWB. Each Series II Preferred Share was convertible, in accordance with the formula as set out in the terms in RWB's articles, at any time or times before April 24, 2022. The Series II Preferred shares were subject to a voluntary lock-up until January 1, 2023. All Series II Preferred Shares issued in relation to the PharmaCo Acquisition were converted into common shares of the Company by April 24, 2022 (note 19).

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

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

During the year ended December 31, 2022, the Company assessed the goodwill acquired as a result of the PharmaCo Acquisition. Refer to note 15 for details on goodwill impairment relating to PharmaCo, Inc.

8. CASH AND EQUIVALENTS

Cash and equivalents as at March 31, 2023 and December 31, 2022, includes the following:

	As at March 31, 2023	As at December 31, 2022
	$	$
Cash in bank	4,117,381	2,196,902
Cash on hand	273,239	369,780
Cash in transit	109,189	180,456
Balance, cash	**4,499,809**	**2,747,138**

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

9. ACCOUNTS RECEIVABLE

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

As at March 31, 2023 and December 31, 2022 accounts receivable consists of the following:

	As at March 31, 2023	As at December 31, 2022
	$	$
Trade receivables	15,161,826	9,605,460
Sales tax receivable	501,649	450,848
Other receivables	1,742	-
Total receivables before expected credit losses	**15,665,218**	**10,056,308**
Provision for expected credit losses	(2,170,843)	(1,617,165)
Total	**13,494,374**	**8,439,143**

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

The Company assessed the carrying amount of trade receivables at March 31, 2023, for expected credit loss ("ECL") and included an expected credit loss of $2,170,843 (December 31, 2022; $1,617,165) against receivables. In the three months ended March 31, 2023, the Company expensed $555,136 (2022; $407,540) to bad debt expense on the consolidated statement of income (loss) and comprehensive income (loss) relating to expected credit losses. The Company does not include sales tax recoverable within its ECL calculations as management deems this as fully collectible.

The aging of the Company's trade receivables and the corresponding ECL as at March 31, 2023 is as follows:

Rate of expected credit loss:	**0.00%**	**3.42%**	**7.92%**	**8.90%**	**86.26%**	**Total**
Aging classification	**1-30 Days**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121+ Days**	
	$	**$**	**$**	**$**	**$**	**$**
Trade receivables	9,362,654	1,259,388	1,642,488	648,285	2,249,011	15,161,826
Expected credit losses	-	(43,115)	(130,030)	(57,706)	(1,939,992)	(2,170,843)
Net trade receivables	9,362,654	1,216,273	1,512,458	590,580	309,019	12,990,983
Sales tax recoverable	-	-	-	-	-	501,649
Other receivable	-	-	-	-	-	1,742
Balance, March 31, 2023	**9,362,654**	**1,216,273**	**1,512,458**	**590,579**	**309,019**	**13,494,374**

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

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

10. PREPAID EXPENSES

As at March 31, 2023, and December 31, 2022, the Company's prepaid expenses are comprised of the following amounts:

	As at March 31, 2023	**As at December 31, 2022**
	$	**$**
Other prepaid expenses	1,322,563	811,075
Vendor deposits	667,440	1,272,039
Security deposits	252,195	250,936
Insurance security deposit	162,396	2,708,800
Prepaid insurance	45,270	268,349
Total prepaid expenses	**2,449,864**	**5,311,199**

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

11. INVENTORY

The Company's inventory as at March 31, 2023 and December 31, 2022 consists of the following:

	As at March 31, 2023	As at December 31, 2022
	$	$
Cannabis and CBD derivative finished goods	4,762,935	4,740,066
Cannabis and CBD derivative work-in-process	7,511,107	6,598,751
Raw materials	2,966,560	2,953,773
Consumables and non-cannabis merchandise	108,687	164,423
Total inventory	**15,349,289**	**14,457,013**

In calculating the value of ending inventory, the Company allocates a portion of direct and indirect costs operating costs and salaries and wages to costs of inventory. During the period ended March 31, 2023, the amount allocated to finished goods inventory for the period was $ 3,010,156 (December 31, 2022; $65,680,910), which included $1,032,099 of salary and wage allocation (December 31, 2022; $4,671,039).

12. BIOLOGICAL ASSETS

The Company's biological assets consist of 12,584 plants growing as at March 31, 2023 (December 31, 2022; 9,183).

The continuity of biological assets is as follows:

	As at March 31, 2023	As at December 31, 2022
	$	$
Carrying amount, beginning of year	4,291,458	5,523,061
Acquired from PharmaCo acquisition	-	579,964
Capitalized cost	3,010,155	13,546,176
Fair value adjustment over/(under) prior period	(531,470)	3,301,379
Transferred to inventory	(3,291,985)	(19,075,384)
Effects of foreign exchange	(803)	416,262
Carrying value, end of year	**3,477,355**	**4,291,458**

Sensitivity Analysis

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

	For the three months ended **March 31, 2023**		For the three months ended **March 31, 2022**	
	Weighted average assumption	10% Change of inputs	Weighted average assumption	10% Change of inputs
Selling price per gram	$6.42	$7.06	$6.43	$7.07
Yield by plant	614	675	192	211
Attrition rate	9.63%	10.60%	35.51%	39.06%
Post-harvest costs ($/gram)	$2.19	$2.41	$2.47	$2.71

During the fiscal year ended December 31, 2022, the Company suffered a significant crop loss due to pest pressure resulting in the loss of 5,796 previously viable plants, resulting in a higher-than-expected attrition rate for the aforementioned fiscal period. The value of the loss was recorded within the Retail operating segment on the consolidated statements of loss and comprehensive loss.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net as of March 31, 2023, and December 31, 2022 consists of the following:

	Building	Land	Land Improve-ment	Construction in progress	Leasehold Improve-ments	Computer hardware	Furniture & fixtures	Machinery & equipment	Vehicles	Building improve-ments	Total
	$	$	$	$	$	$	$	$	$	$	$
Costs											
Balance, December 31, 2021	7,187,200	613,787	1,172,031	1,536,749	4,160,961	66,087	336,879	9,104,676	187,944	190,405	24,556,719
Additions	45,550,472	15,111	-	2,652,761	1,985,807	9,527	154,756	868,672	2,664	273,041	51,512,811
Disposals	-	-	-	-	(17,424)	-	-	(54,878)	-	-	(72,302)
Balance, December 31, 2022	**52,737,672**	**628,898**	**1,172,031**	**4,189,510**	**6,129,344**	**75,614**	**491,635**	**9,918,470**	**190,608**	**463,446**	**75,997,228**
Adjustment for tenant improvement allowance	-	-	-	-	(71,946)	-	-	-	-	-	(71,946)
Additions	-	-	-	-	120,315	-	-	139,758	-	10,015	270,088
Balance, March 31, 2023	**52,737,672**	**628,898**	**1,172,031**	**4,189,510**	**6,177,713**	**75,614**	**491,635**	**10,058,228**	**190,608**	**473,461**	**76,195,370**
Accumulated depreciation											
Balance, December 31, 2021	(234,037)	-	6,340	-	388,578	20,242	35,286	739,651	60,768	-	1,016,828
Depreciation for the period	1,131,033	-	4,528	-	852,425	34,609	99,720	2,244,312	34,656	105,776	4,507,059
Disposals	-	-	-	-	-	-	-	(9,740)	-	-	(9,740)
Balance, December 31, 2022	**896,996**	**-**	**10,868**	**-**	**1,241,003**	**54,851**	**135,006**	**2,974,223**	**95,424**	**105,776**	**5,514,147**
Depreciation for the period	291,155	-	2,552	-	256,292	8,291	25,674	556,558	11,367	30,955	1,182,844
Balance, March 31, 2023	**1,188,151**	**-**	**13,420**	**-**	**1,497,295**	**63,142**	**160,680**	**3,530,781**	**106,791**	**136,731**	**6,696,991**
Foreign currency movement											
Balance, December 31, 2022	144,072	37,449	63,610	104,971	119,048	9,562	22,654	2,861,656	18,119	9,036	3,390,177
Balance, March 31, 2023	**101,680**	**36,908**	**62,614**	**101,483**	**114,888**	**9,532**	**22,331**	**2,852,489**	**18,020**	**8,719**	**3,328,664**
Net book value											
Balance, December 31, 2022	51,984,748	666,347	1,224,773	4,294,481	5,007,389	30,325	379,283	9,805,903	113,303	366,706	73,873,258
Balance, March 31, 2023	**51,651,201**	**665,806**	**1,221,225**	**4,290,993**	**4,795,306**	**22,004**	**353,286**	**9,379,936**	**101,837**	**345,449**	**72,827,043**

14. INTANGIBLE ASSETS

A continuity of the intangible assets as at March 31 2023, and December 31 2022 is as follows:

	Brand	Licenses	Total
	$	$	
Costs			
Balance, December 31, 2021	32,848,560	83,213,580	116,062,140
Addition – PharmaCo Acquisition (note 7)	-	29,242,034	29,242,034
Impairment	-	(29,539,510)	(29,539,510)
Balance, December 31, 2022	32,848,560	82,916,104	115,764,664
Additions	-	-	-
Impairment	-	-	-
Balance, March 31, 2023	**32,848,560**	**82,916,104**	**115,764,664**
Accumulated amortization			
Balance, December 31, 2021	-	-	-
Amortization for the period	-	-	-
Balance, December 31, 2022	-	-	-
Amortization for the period	-	-	-
Balance, March 31, 2023	-	-	-
Foreign currency movement			
Balance, December 31, 2022	2,094,960	7,488,976	9,583,936
Balance, March 31, 2023	2,066,580	7,415,551	9,482,131
Net book value			
Balance, December 31, 2022	34,943,520	90,405,080	125,348,600
Balance, March 31, 2023	**34,915,140**	**90,331,655**	**125,246,795**

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

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

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

Intangible asset Impairments

At the end of each annual reporting period, or when indicators of impairment arise, the Company assesses whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.   As at March 31, 2023, there were no indicators present that necessitated impairment of intangible assets.

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

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

15. GOODWILL

Goodwill as of March 31, 2023, and December 31, 2022 was comprised of the following:

	As at March 31, 2023	As at December 31, 2022
	$	$
Balance, beginning of the period	37,494,861	11,890,928
Goodwill resulting from acquisitions (note 7)	-	203,038,803
Goodwill impairment	-	(185,224,787)
Translation adjustment	(30,452)	7,789,917
Balance, end of the period	**37,464,409**	**37,494,861**

During the fiscal year ended, December 31, 2022, management completed its assessment of the purchase price allocation related to the PharmaCo Acquisition (note 7). On acquisition, the Company allocated $192,170,736 to goodwill.

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

An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount.

As at March 31, 2023, the were no conditions present that necessitated a review of the goodwill. Accordingly, the Company did not perform testing, and did not recognize any impairment. For the year ended December 31, 2022, the Company applied the VIU method to assess its goodwill and as a result of the assessment recorded a $185,224,787 impairment.

Allocation of goodwill to the Company's CGUs for the periods ending March 31, 2023, and December 31, 2022 as follows:

	Retail Segment	Distribution Segment	Total
	$	$	$
Balance, December 31, 2021	**11,620,363**	**270,565**	**11,890,928**
Allocation to Red White & Bloom, Florida Inc.	10,868,067	-	10,868,067
Acquisition of PharmaCo, Inc. (note 7)	192,170,736	-	192,170,736
Goodwill impairment – Red White & Bloom, Florida, Inc.	(10,868,067)	-	(10,868,067)
Goodwill impairment – PharmaCo, Inc.	(174,079,006)	-	(174,079,006)
Goodwill impairment - RWB Platinum Vape, Inc.	-	(277,714)	(277,714)
	29,712,093	**(7,149)**	**29,704,944**
Effects of foreign exchange	7,782,768	7,149	7,789,917
Balance, December 31, 2022	**37,494,861**	**-**	**37,494,861**
Effects of foreign exchange	(30,452)	-	(30,452)
Balance, March 31, 2023	**37,464,409**	**-**	**37,464,409**

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

During the preparation of the December 31, 2022, Financial Statements, the Company became aware of an error regarding the deferred tax liability and goodwill associated with the 2021 acquisition of its Florida operations. 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 originally reported with the December 31, 2021, audited 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 December 31, 2022 audited consolidated financial statements 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 the fiscal year ended December 31, 2021.

16. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

A continuity of the Company's right-of-use assets is as follows:

	Right-of-use Assets
	$
Costs	
Balance, December 31, 2021	19,408,152
Additions	3,110,096
Balance, December 31, 2022	**22,518,248**
Additions	-
Disposals	-
Balance, March 31, 2023	**22,518,248**
Accumulated depreciation	
Balance, December 31, 2021	1,144,079
Depreciation for the period	1,721,906
Balance, December 31, 2022	**2,865,985**
Depreciation for the period	412,334
Balance, March 31, 2023	**3,278,319**
Foreign currency movement	
Balance, December 31, 2022	1,051,235
Balance, March 31, 2023	**1,570,426**
Net book value	
Balance, December 31, 2022	**20,703,498**
Balance, March 31, 2023	**20,810,355**

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

	As at March 31, 2023	As at December 31, 2022
	$	$
Opening balance	**22,887,695**	19,274,492
Additions	-	3,177,419
Interest accretion	681,565	2,666,326
Interest payments	(681,565)	(2,666,326)
Principal payments	(86,659)	(505,244)
Ending balance	22,801,035	21,946,667
Effects of foreign exchange	507,287	941,028
Less: Short-term lease obligations	(873,395)	(602,418)
Long-term lease obligation	**22,434,927**	**22,285,277**

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

Future minimum lease payments (principal and interest):	As at March 31, 2023	As at December 31, 2022
		$
2023	2,304,958	3,075,680
2024	3,084,954	3,087,462
2025	3,238,223	3,240,855
2026	3,306,630	3,309,317
2027	3,219,220	3,221,836
Thereafter	34,892,716	34,921,078
Total minimum lease payments	50,046,701	50,856,228
Present value of minimum lease payments	18,377,162	19,022,342
Effect of discounting	3,184,370	2,660,517
Current portion lease obligations	873,395	602,418
Long term lease obligations	**22,434,927**	**22,285,277**

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities at March 31, 2023 and December 31, 2022:

	As at March 31, 2023	As at December 31, 2022
	$	$
Trade payables	19,724,626	19,896,024
Accrued liabilities and other	12,101,237	10,799,471
Customer deposits	27,998	28,021
Sales and excise tax payable	7,691,607	7,268,825
Total	**39,545,468**	**37,992,341**

During the period ending March 31, 2023, the Company had 2 significant suppliers representing 12.4% and 10.5% of its trade payables. During the year December 31, 2022, the Company had two significant suppliers representing 17% and 13% of its trade payables.

18. DEBT

A. NOTES PAYABLE

As at March 31, 2023, and December 31, 2022 the Company had the following outstanding notes payable:

	Date of Issue	Maturity date	Interest(ii)	As at March 31, 2023	As at December 31, 2022
			%	$	$
USD$828,200 - City of San Diego	2021-10-25	On Demand	7.00%	663,676	686,267
Due to Oakshire	various	On Demand	0.00%	1,148,952	1,149,885
$16,218 - Ford loan	2020-11-01	2023-01-12	5.90%	-	325
$26,872 - Ram loan	2020-09-01	2023-08-15	7.39%	-	4,739
USD$25,885,000 RGR Note(i)	2022-09-15	2024-09-12	12.50%+PIK	38,039,699	36,677,932
USD$2,887,000 TAII Note	2022-09-15	2024-09-12	12.50%+PIK	4,086,357	3,939,834
USD$6,349,000 SDIL Note(i)	2022-09-15	2024-09-12	12.50%+PIK	8,988,035	8,664,359
USD$269,000 SIL Note	2022-09-15	2024-09-12	12.50%+PIK	380,813	367,099
USD$18,300,000 VRT Note	2022-09-13	2024-02-12	12.90%+PIK	24,887,576	24,849,083
USD$ RGR Grid Note(i)(iii)	2022-11-01	2024-09-12	12.00%	15,532,201	10,765,408
CAD$2,210,000 BJMD Note(i)	2022-09-15	2024-09-12	12.50%+PIK	23,681	2,226,776
CAD$2,710,000 BJMDSD Note(i)	2023-02-01	2024-09-12	12.50%+PIK	2,799,771	-
CAD$ - RGR Grid Note(i)	2023-03-27	2024-09-12	12.00%	1,001,667	-
Total notes payable				**97,552,428**	**89,331,707**
Short-term notes payable				1,974,584	51,876,994
Long-term notes payable				87,357,123	38,104,234

(i)Held by a related party (note 25) / (ii)See below for details on PIK interest / (iii) Note as at December 31, 2023 was referred to as the USD$7,850,000 RGR Note.

For the three months ended March 31, 2023, the Company had the following transactions relating to notes payable.

On March 10, 2023, the Company entered into a secured note payable amending the agreement with RGR to document US dollar advances made by RGR to the Company (the “USD RGR Grid Note”). The USD RGR Grid Note initially provides for an amendment to an existing USD$5,850,000 RGR Note and an additional $2,000,000 in funding, for a change in principle with all other terms and conditions remaining the same as the USD$5,850,000 RGR Note. As at year-end December 31, 2022, the, the Company referred to the USD$5,850,000 RGR Note and the additional $2,000,000 in funding as the USD$7,850,000 RGR Note.

On March 27, 2023, the Company entered into a secured note payable agreement with 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 February 1, 2023, the Company amended the secured CAD$2,210,000 BJMD Note to update the principal from $2,210,000 to $2,710,000, renaming the loan from the “CAD$2,210,000 BJMD Note” to the “CAD$2,710,000 BJMDSD Note,” with all other terms and conditions remaining the same. $500,000 in additional funding was received by the Company on amendment.

During the three months ended March 31, 2023, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintenance of records, maintenance of properties, inspection, insurance coverage, perform obligations, and notice of certain events.

For the year ended December 31, 2022, the Company had the following transactions relating to notes payable.

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

On May 27, 2022, the Company entered into a loan extension and amendment agreement with Viridescent Realty Trust, Inc. (“VRT”) (the "Extension Agreement") related to the USD$18,000,000 VRT (Acreage acquisition 2) Note. The Extension Agreement provided for a 60-day extension of the maturity date of the outstanding loan from its original maturity date of May 31, 2022, to an amended maturity date of July 26, 2022. The Extension Agreement also revised the interest rate from 8% to 12.5%, effective May 28, 2022. On July 26, 2022, the Company entered into a second amendment to extend the maturity date to August 5, 2022, with no changes to the existing terms.

On August 5, 2022, the Company engaged in a final amendment, extending the maturity date to August 19, 2022. On September 13, 2022, the Company established a new loan with VRT (the "USD$18,300,000 VRT Note"), discharging payment of US$2,666,548 comprising of US$2,246,548 in interest accrued to the date of settlement and US$420,000 in principle on the USD$18,000,000 VRT (Acreage acquisition 2) Note, and the remaining US$17,580,000 in principle was settled on execution of the US$18,300,000 VRT Note. The loan USD$18,300,000 VRT Note also included an administrative fee of US$180,000 and a non-refundable origination discount of US$540,000. The USD$18,300,000 VRT Note is secured by select assets of the Florida operations. Interest is calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. Base interest is payable monthly, with principal and interest above base due on February 12, 2024. The amendment resulted in the extinguishment the Acreage acquisition 2 Note and a resulting loss of $950,400.

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

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

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

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

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

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

d) New secured debt totaling USD$6,540,000 (the "USD$5,000,000 SDIL Note" and the "USD$1,540,000 TAII Note) bearing 12.5% interest, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest due September 12, 2024. The USD$5,000,000 SDIL Note, the USD$1,540,000 TAII Note and a

USD$2,959,495 outstanding balance owing to RGR on an existing total USD$11,550,000 RGR Note were immediately consolidated into the following new loans:

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

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

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

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

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

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

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

A continuity of the Company's notes payable for the three months ended March 31, 2023, and the year ended December 31, 2022, is as follows:

	$
Balance, December 31, 2021	**89,731,228**
Additions	120,197,021
Coupon interest	8,612,871
Interest paid-in-kind	1,942,905
Principal payments	(17,894,275)
Interest payments	(5,993,161)
Debt modification	(8,054,891)
Gain (loss) on debt modification	67,489
Extinguishment	(106,865,135)
Gain (loss) on extinguishment	(4,363,917)
Establishment of derivative	3,119,904
Effects of foreign exchange	8,831,668
Balance, December 31, 2022	**89,331,707**
Short-term	1,974,584
Long-term	87,357,123
	$
Balance, December 31, 2022	**89,331,707**
Additions	6,979,150
Coupon interest	1,683,781
Interest paid-in-kind	1,608,949
Finance fees	65,676
Principal payments	(1,064,194)
Interest payments	(799,295)
Effects of foreign exchange	(253,346)
Balance, March 31, 2023	**97,552,428**
Short-term	2,818,785
Long-term	94,733,643

Off Balance Sheet arrangements

The Company did not enter any off-balance sheet arrangements during period ending March 31, 2023 (2022; nil).

B. CONVERTIBLE DEBENTURES

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at March 31, 2023, and December 31, 2022.

	USD$1,093,750 Convertible VMOS **Note**	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note[(i)]	USD$5,400,000 Convertible SDIL Note[(i)]	CAD$17,000,000 Convertible CPIL Note[(i)]
Purpose of issuance	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Debt restructure	Debt restructure	Debt restructure
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/annum	8%	8%	8%	8%	8%	8%	8%	8%
Additional interest/annum	-	-	-	-	4% in shares	-	-	-
Default rate/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	Shares of RWB Platinum Vape, LLC	Shares of RWB Platinum Vape, LLC	1st priority security interest RWB Michigan, LLC
****Valuation method used for embedded derivatives***	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
Derivative liability valuation inputs, March 31, 2023								
Stock price	$0.068	$0.068	$0.068	$0.068	$0.068	$0.068	$0.068	n/a
Term (years)	1.06	1.06	1.06	1.06	1.18	1.45	1.45	2
Volatility	109.8%	109.8%	109.8%	109.8%	108.3%	105.6%	105.6%	n/a
Implied spread	996	996	996	996	996	996	996	n/a
Risk-free rate	4.6%	4.6%	4.6%	4.6%	4.5%	4.4%	4.4%	n/a
Discount/market yield	14.6%	14.6%	14.6%	14.6%	14.5%	14.3%	14.3%	15.07
Derivative liability valuation inputs, March 31, 2022								
Stock price	$0.42	$0.42	$0.42	$0.42	$0.42	n/a	n/a	n/a
Credit rating	CCC+	CCC+	CCC+	CCC+	CCC+	n/a	n/a	n/a
Credit spread	7.64%	7.36%	7.64%	7.64%	7.66%	n/a	n/a	n/a
Volatility	100%	100%	100%	100%	90%	n/a	n/a	n/a
Instrument specific spread	2.50%	1.96%	2.50%	2.5%	10.01%	n/a	n/a	n/a
Risk-free rate	0.80%	0.81%	0.80%	0.80%	0.83%	n/a	n/a	n/a
Discount/market yield	10.65%	10.65%	10.65%	9.89%	17.69%	n/a	n/a	n/a

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

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

A continuity of convertible debentures held by the Company for the three months ended March 31, 2023, and the year ended December 31, 2022, is as follows:

	Total
	$
Carrying Value, December 31, 2021	**26,017,720**
Issuance of convertible debentures	17,019,681
Less: debt issuance costs	(19,681)
Net proceeds from issuance of convertible debentures	17,000,000
Reclassification of convertible debenture	17,810,090
Reclassification of debt issuance costs	(15,832)
Amounts classified as an embedded derivative liability	(3,119,904)
Amounts classified as equity, net of transaction costs	(2,106,983)
Convertible debentures at amortized cost	55,585,091
Reclassification of interest accretion	1,918,294
Interest accrued	4,281,074
Interest accretion	2,830,910
Effects of foreign exchange	281,974
Carrying Value, December 31, 2022	**64,897,343**
Short-term, December 31, 2022	-
Long-term, December 31, 2022	64,897,343

	Total
Carrying Value, December 31, 2022	**64,897,343**
Interest accrued	1,361,713
Interest accretion	1,034,306
Effects of foreign exchange	(34,901)
Carrying value, March 31, 2023	**67,258,461**
Short-term, March 31, 2023	-
Long-term, March 31, 2023	67,258,461

The Company did not issue any new convertible debentures during the three months ended March 31, 2023.

During the period ended March 31, 2023, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintenance of records, maintenance of properties, inspection, insurance coverage, perform obligations, and notice of certain events.

Convertible debenture activity during the year ended December 31, 2022

As part of the Debt Restructure on September 15, 2022, the Company issued new convertible debt in the amount $17,000,000 to C-Points Investments Ltd, (the "CAD$17,000,000 CPIL Convertible Note"), a Company related to RWB (note 24). The proceeds of the CAD$17,000,000 CPIL Convertible Note were used to settle USD$13,000,000 in debt owing on the USD$19,370,020 RGR Note (note 18). The terms of the CAD$17,000,000 CPIL Convertible Note can be found in the tables above.

On September 15, 2022, two existing loans of $5,400,000 each, previously classed as notes payable (note 18), owing on the USD$5,400,000 DICL Note and the USD$5,400,000 SDIL Note were amended to extend the maturity dates to September 12, 2024. The modification resulted in a $1,683,573 loss on each extinguishment. On extinguishment, the new notes (the USD$5,400,000 DICL Convertible Note and the USD$5,400,000 SDIL Convertible Note) were established and reclassified to convertible debt with along with a related derivative liability component (note 18). Terms of the USD$5,400,000 DICL Convertible Note and the USD$5,400,000 SDIL Convertible Note can be found in the tables above.

On July 14, 2022, the Company issued 6,004,594 common shares (note 19), valued at $1,104,873 to the holder of USD$20,112,015 M&V Convertible Note (2021; $753,385) to satisfy additional interest due per the terms of the USD$20,112,015 M&V Convertible Note.

C. DERIVATIVE LIABILITIES RELATING TO CONVERTIBLE DEBENTURES

The Company revalues its derivative liabilities to fair market value each period in accordance with IFRS 9 Financial Instruments and IAS 32. Fair market value gains and losses are recorded to the consolidated statement of income (loss) and comprehensive income (loss). The Company's derivative liabilities associated with convertible debentures listed in section B of this note, as at March 31, 2023, and 2022, and the corresponding fair market value gains (losses) for the three months ended March 31, 2023 and 2022 were as follows:

	Three months ended March 31, 2023	Twelve months ended December 31, 2022
	$	$
Opening balance, derivative liability, net	**3,230,322**	**3,230,322**
Gain (loss) on FMV adjustments of derivative liability	(1,006,679)	-
Gain (loss) interest liability classified as a derivative liability	(1,153)	-
Effects of Foreign exchange	23,255	-
Ending balance, derivative liability, net	**2,245,745**	**3,230,322**

During the three months ended March 31, 2023, the Company recorded a gain of $1,007,832 (2022; $nil) on the revaluation of derivative liabilities on the consolidated statements of loss and comprehensive loss.

D. CREDIT FACILITY

The lender of the Company's credit facility is Bridging Finance, Inc. (the "Credit Facility"). The Credit Facility bears an annual interest rate of 12%, compounded monthly and payable in arrears on the last day of each month. The Credit Facility is secured by general security agreements on mortgages on certain owned real property of PharmaCo among other security obligations.

In January 2022, the Lender, through its receiver (PwC), agreed in principle to an amended maturity date subject to the completion of the sale of the MAG assets (note 29). The MAG assets were subsequently sold and closed on April 28, 2022, with $53,394,324 of the proceeds going towards repayment of the obligations to the Lender. On August 16, 2022, the Company and the Lender agreed to an extension moving the maturity date January 30, 2022, to October 31, 2022, while maintaining the same terms and conditions.

On January 30, 2023, the Company further extended the maturity date to July 31, 2023, with no other changes to existing terms. The January 30, 2023, extension was subject to an amendment fee of $136,000.

A continuity of the Company's secured Credit Facility is as follows:

	$
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**
Amendment Fee	136,000
Finance charge	756
Accrued interest	516,748
Interest payments	(177,078)
Amendment fee payment	(91,059)
Balances, March 31, 2023	**17,937,035**

The total interest recorded during the three months ended March 31, 2023, in relation to the credit facility was $516,748 (2022; $2,037,347).

During the three months ended March 31, 2023, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintenance of records, maintenance of properties, inspection, insurance coverage, perform obligations, and notice of certain events.

E. DEBT REPAYMENT & SETTLEMENTS

In April 2022, the Company's settled debt owing on its credit facility in the amount of $53,394,324. Proceeds from the sale of its assets relating to the discontinued operations of MAG (note 29) were sent directly to the credit facility on closing of the sale for the payment of $5,004,036 in outstanding interest and $48,390,288 in principle.

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

19. SHARE CAPITAL AND RESERVES

A. AUTHORIZED

As at March 31, 2023, the authorized shares were as follows:

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

B. ISSUED AND OUTSTANDING

There were no changes to the Company's common share capital during the three months ended March 31, 2023. Changes for the year ended December 31, 2022, and the balance outstanding is as follows:

Common Shares

Common Shares	Common Shares	Share Capital
	#	$
Balance, December 31, 2021	**260,860,351**	**229,792,308**
Shares issued for the PharmaCo Acquisition (note 7)	37,000,000	19,200,750
Shares issued to settle interest due on the USD$20,112,015 Convertible M&V Note (note 18)	6,004,594	1,104,873
Exercise of restricted share units (note 18)	910,000	406,850
Exercise of stock options (note 18)	100	105
Shares issued for settlement of debt (note 18)	22,440,467	2,244,047
Conversion of series I preferred shares conversion (note 18)	3,181,250	5,637,175
Conversion of series II preferred shares conversion (note 18)	139,125,139	83,682,864
Balance, December 31, 2022	**469,521,901**	**$342,068,972**
Balance, March 31, 2023	**469,521,901**	**$342,068,972**

Series I Preferred Shares

As at March 31, 2023, and December 31, 2022, the Company did not have any outstanding Series I Preferred Shares. Changes during the year ended December 31, 2022, are as follows:

Series I Preferred Shares	Series I Preferred Shares	Share Capital
	#	$
Balance, December 31, 2021	**3,181,250**	**$5,637,175**
Series I preferred shares conversion (note 22)	(3,181,250)	(5,637,175)
Balance, December 31, 2022	-	-
Balance, March 31, 2023	-	-

Series II Preferred Shares

As at March 31, 2023, and December 31, 2022, the Company did not have any outstanding Series II Preferred Shares. Changes during the year ended December 31, 2022, are as follows:

Series II Preferred Shares	Series II Preferred Shares	Share Capital
	#	$
Balance, December 31, 2021	**92,985,275**	**$46,736,677**
Shares issued for the PharmaCo Acquisition (note 7)	37,000,000	36,946,187
Series II preferred shares conversion (note 22)	(129,985,275)	(83,682,864)
Balance, December 31, 2022	-	-
Balance, March 31, 2023	-	-

Share Capital transactions for the three months ended March 31, 2023:

The Company did not have transactions relating to share capital during the three months ended March 31, 2023.

Share Capital transactions for the year ended December 31, 2022:

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

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

On July 14, 2022, the Company settled additional interest due on the USD$20,112,015 Convertible M&V Note (note 18), issuing 6,004,594 common shares valued at $1,104,873.

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

On December 21, 2022, the Company settled USD$7,702,745 in debt relating to PharmaCo, Inc. (note 18) by issuing 22,440,467 common shares valued on date of issuance at $2,244,047.

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

C. STOCK OPTIONS

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

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

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

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

The Company uses the Black-Scholes model to establish the fair value of the options on the date of grant by applying the assumptions below. The fair value of the option is expensed over the option's vesting period. For stock options outstanding as at March 31, 2023, and December 31, 2022, the Company used the following assumptions.

Grant Date	Vesting Start Date	Expiry Date	Share price on Date of Grant	Exercise Price	Volatility	Risk Free Rate	Dividends
			$	%	%	%	$
2018-06-22	2018-09-22	2023-06-22	1.15	5.28	101.57%	1.98%	$nil
2018-10-01	2019-10-01	2023-10-01	1.15	0.50	101.57%	1.98%	$nil
2018-12-12	2019-03-12	2023-12-12	1.15	2.46	101.57%	1.98%	$nil
2019-01-15	2019-01-15	2024-01-15	1.15	1.00	100.00%	2.27%	$nil
2019-02-04	2019-10-01	2024-02-04	1.15	1.00	100.00%	2.27%	$nil
2019-04-01	2020-04-01	2024-04-01	1.15	1.00	100.00%	2.27%	$nil
2019-04-26	2019-04-26	2024-04-26	1.15	5.44	100.00%	2.27%	$nil
2019-04-29	2019-04-29	2024-04-29	1.15	1.00	100.00%	2.27%	$nil
2019-05-13	2019-08-13	2024-05-13	1.15	1.00	100.00%	2.27%	$nil
2020-01-11	2020-04-11	2025-01-11	1.15	1.00	105.27%	0.45%	$nil
2020-04-01	2021-04-01	2025-04-01	1.15	1.00	105.27%	0.45%	$nil
2020-09-10	2020-12-10	2025-09-10	0.66	0.66	105.27%	0.45%	$nil
2020-10-01	2021-01-01	2025-10-01	0.54	0.65	105.27%	0.45%	$nil
2020-10-12	2020-10-12	2025-10-12	0.60	0.65	105.27%	0.45%	$nil
2020-11-18	2021-02-18	2025-11-18	0.67	0.67	105.27%	0.45%	$nil
2020-12-03	2020-12-03	2025-12-03	0.69	0.75	105.27%	0.45%	$nil
2021-07-06	2021-07-06	2025-07-06	1.10	1.10	88.00%	1.23%	$nil
2021-11-12	2022-11-08	2026-11-12	0.63	0.63	88.00%	1.23%	$nil
2022-10-07	2023-01-07	2027-10-07	0.15	0.50	94.35%	3.98%	$nil
2023-03-15	2024-03-15	2033-03-15	0.10	0.10	110.13%	3.28%	$nil

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

The number of stock options and weighted average exercise prices as at March 31, 2023 and December 31, 2022 are as follows:

	Options	Weighted average exercise price
	#	$
Balance, December 31, 2021	**15,269,289**	**1.26**
Issued	7,100,000	0.15
Exercised	(100)	0.65
Expired	(1,355,625)	0.89
Cancelled	(500,000)	0.93
Forfeited	(2,730,108)	0.58
Balance Outstanding, December 31, 2022	**17,783,456**	**0.95**
Issued	(i) 1,250,000	0.10
Expired	(19,167)	0.87
Forfeited	(15,000)	0.67
Balance Outstanding, March 31, 2023	**18,999,289**	**0.89**
Exercisable		
Exercisable as at March 31, 2023	11,207,000	1.40
Exercisable as at March 31, 2022	8,864,608	1.65

(i) *Issued to an officer of the Company (see note 24)*

Stock Options are measured at fair value at the date of grant and are expensed to share based compensation over the option's vesting period. For the three months ended March 31, 2023, the Company expensed $316,209 (2022; $nil) in share-based compensation expense.

The following reflects the remaining contractual life for outstanding and exercisable options as at March 31, 2023:

	Outstanding			Exercisable	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	$	#	(years)	#	(years)
2023-06-22	5.28	463,358	0.23	463,358	0.23
2023-10-01	0.50	1,425,000	0.50	1,425,000	0.50
2023-12-12	2.46	45,000	0.70	45,000	0.70
2024-01-15	1.00	500,000	0.79	500,000	0.79
2024-02-04	1.00	400,000	0.85	400,000	0.85
2024-04-01	1.00	400,000	1.01	350,000	1.01
2024-04-26	5.44	1,234,502	1.07	1,234,502	1.07
2024-04-29	1.00	500,000	1.08	500,000	1.08
2024-05-13	1.00	30,000	1.12	30,000	1.12
2025-01-11	1.00	371,429	1.79	371,429	1.79
2025-04-01	1.00	125,000	2.01	116,668	2.01
2025-07-06	1.10	155,000	2.27	135,625	2.27
2025-09-10	0.66	15,000	2.45	15,000	2.45
2025-10-01	0.65	3,400,000	2.51	3,400,000	2.51
2025-10-12	0.65	50,000	2.54	50,000	2.54
2025-11-18	0.67	150,000	2.64	165,000	2.64
2025-12-03	0.75	800,000	2.68	800,000	2.68
2026-11-26	0.63	585,000	3.66	317,918	3.66
2027-10-07	0.50	7,100,000	4.52	887,500	4.52
2033-03-15	0.10	1,250,000	9.96	-	-
		18,999,289	**3.32**	**11,207,000**	**1.92**

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

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

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

The Company did not issue RSU's during the three months ended March 31, 2023. During the year ended December 31, 2022, the Company issued RSU's to a certain employee of the Company with the following terms:

Grant Date	Expiry Date	Share price on date of grant	Vesting	RSUs	Value
		$		#	$
2022 Grants					
8-Feb-22	5-Feb-27	0.56	100%	525,000	294,000

RSU transactions and the number of RSU's outstanding for the three months ended March 31, 2023, and the year ended December 31, 2022 are as follows:

Restricted Share Units		
	#	$
Balance, December 31, 2021	**385,000**	**112,850**
Granted	525,000	294,000
Exercised	(910,000)	(406,850)
Balance, December 31, 2022	**-**	**-**
Balance, March 31, 2023	**-**	**-**

Total stock-based compensation as a result of the RSU grants during the three months ended March 31, 2023, amounted to $nil, (2022; $273,000).

E. WARRANTS

As of March 31, 2023, and December 31, 2022, the number of outstanding warrants and weighted average exercise prices are as follows:

	Warrants	Weighted average exercise price
	#	$
Balance outstanding December 31, 2021	**25,987,692**	**1.03**
Expired	(20,757,490)	1.00
Exercised	(7,489)	1.00
Balance outstanding, December 31, 2022	**5,222,713**	**1.16**
Expired	(1,000,000)	1.20
Balance outstanding, March 31, 2023	**4,222,713**	**1.15**

As of March 31, 2023, 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**
2023-05-12	4,222,713	1.15	0.12	4,222,713	0.12
Total warrants	**4,222,713**		**0.12**	**4,222,713**	**0.12**

During the period ended March 31, 2023, and the year ended December 31, 2022, the Company did not issue any warrants.

20. EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the three months ended March 31, 2023, and 2022 is as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Outstanding common shares	469,521,901	302,173,874
Earnings (loss) attributable to RWB common shares ($)	(8,194,263)	(11,425,784)
Weighted average number of shares outstanding, basic and dilutive	469,521,901	236,840,299
Loss per share, basic and diluted ($)	**(0.02)**	**(0.05)**

No stock options or warrants have been included in the computation of diluted loss per share for the period ended March 31, 2023, or 2022, as their effect would be anti-dilutive.

21. REVENUES

The Company generates revenue through two distinct sales channels: Retail and Distribution. Revenues by channel for the three months ended March 31, 2023, and 2022 is as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Distribution	20,926,290	16,879,486
Retail	6,119,798	11,167,315
Total revenue	**27,046,088**	**28,046,801**

Revenue as a percentage of total sales for three months ended March 31, 2023, and 2022 is as follows:

	Three months ended March 31, 2023	**Three months ended March 31, 2022**
	%	%
Distribution	77	60
Retail	23	40
Total	**100**	**100**

As of March 31, 2023, and 2022 the Company did not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company has not adjusted any of the transaction prices for the time value of money. The Company did not have significant customers representing more than 10% of total revenues earned by the Company.

22. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses for the three months ended March 31, 2023, and 2022 are as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Salaries & Wages	3,873,810	4,227,489
Facilities Expense	1,340,235	355,339
Penalties & Fines	510,144	1,045,514
Consulting Fees	508,609	573,317
Office Expense	493,334	348,862
Insurance Expense	480,056	392,524
Legal Fees	484,966	822,147
Travel Expense	54,911	210,759
Audit Fees	295,163	174,527
Tax Expense	268,774	283,976
Licenses & Permits	177,017	79,519
Bank Fees	190,955	53,426
Accounting Fees	65,763	79,269
Transfer Agent & Filing Fees	20,205	-
Tax Service Fees	10,624	-
Total G&A expenses	**8,774,566**	**8,646,668**

23. NON-CONTROLLING INTERESTS

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

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

RWB Florida, LLC became the sole shareholder of Red White & Bloom Florida Inc. ("RWB Florida") after finalizing the "Florida Acquisition on April 27, 2021 (note 7). RWB Florida is the holder of an MMTC license from the Florida Department of Health, Office of Medical Marijuana Use ("OMMU") and operates pursuant to the MMTC license throughout the State of Florida.

The following table presents summarized financial information before intragroup eliminations for non-wholly owned subsidiaries at March 31, 2023, and December 31, 2022:

	As at March 31, 2023	As at December 31, 2022
	($)	**($)**
Assets		
Current	8,995,210	14,372,784
Non-current	98,235,883	107,753,717
Total assets	**107,231,093**	**122,126,501**
Liabilities		
Current	5,772,497	4,969,840
Non-current	39,411,953	65,307,061
Total liabilities	45,184,450	70,276,901
Net Assets	**62,046,643**	**51,849,600**

	Three months ended March 31, 2023	Three months ended March 31, 2022
Net Income (loss)	(5,262,855)	(27,829,562)
Interests		
Controlling interests – 77%	(4,060,819)	(21,473,290)
Non-controlling interests – 23%	**(1,202,036)**	**(6,356,272)**

24. RELATED PARTY TRANSACTIONS

A. KEY MANAGEMENT

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for the three months ended March 31, 2023, and 2022, can be summarized as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	**$**
Management salaries, bonuses, and other benefits	219,156	80,659
Consulting fees by a company controlled by a director of the company	86,410	253,772
Share-based payments – directors	54,120	-
Total	**359,686**	**334,431**

B. AMOUNTS DUE TO/FROM RELATED PARTIES

- Included in accounts payable and accrued liabilities is $925,372 as at March 31, 2023 (December 31, 2022; $743,233) payable to officers and directors of the Company for accrued salaries and consulting fees. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.

- The CAD$17,000,000 Convertible CPIL Note (note 18) included in long-term convertible debentures on the Condensed Consolidated Statement of Financial Position 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%. Additional terms of the note can be found in note 18.

C. RELATED PARTY TRANSACTIONS

Transactions for the three months ended March 31, 2023

- The Company expensed $54,120 in stock-based compensation relating to options held by Officers and Directors of the Company.
- The Company appointed a new Chief Financial Officer and Corporate Secretary. On appointment, the Company granted the new Chief Financial Officer and Corporate Secretary 1,250,000 stock options (note 19).
- Officers and Directors of the Company held an aggregate of 23,341,450 common shares and 7,496,875 stock options.

Transactions for the year ended December 31, 2022

- On September 15, 2022, the Company issued the CAD$17,000,000 Convertible CPIL Note an entity related to the President and Director of the Company (note 18).
- On September 19, 2022, a member of the Board of Directors resigned, and the Company appointed a new President and Director.
- On October 7, 2022, the Company granted 3,200,000 stock options to Directors of the Company at an exercise price of $0.135 to purchase common shares in the capital of RWB.
- Officers and Directors of the Company held an aggregate of 23,649,654 common shares and 6,746,875 stock options.
- During the year ended December 31, 2022, 875,000 stock options were forfeited by past Officers and Directors of the Company.

The Company identified close members of the family of key management personnel that currently represent lenders to the Company (note 18) 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.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The three levels of the fair value hierarchy are:

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

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

B. CREDIT RISK

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

As at March 31, 2023, the Company held an accounts receivable balance $ 13,494,374 (December 31, 2022; $8,439,143). Included in this balance is a provision for expected credit losses ("ECL") in the amount of $2,170,843 (December 31, 2022; $1,617,165). See note 9 for details relating to the Company's accounts receivable and ECL provision for the three months ended March 31, 2023, and the year ended December 31, 2022, and 2022.

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 March 31, 2023; thus, is not exposed to significant credit risk on loans receivable.

C. LIQUIDITY RISK

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

As at March 31, 2023, the Company had a cash balance of $4,499,809 (December 31, 2022; 2,747,138) available to apply against short-term business requirements and current liabilities of $ 75,774,688 (2022; $70,754,710), including short-term lease obligations (note 16), short term notes and a credit facility (note 18), 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 these Financial Statements, the Company has remained unaffected by the events noted above.

D. INTEREST RATE RISK

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

As at March 31, 2023 and December 31, 2022, the interest rate on loans receivable, credit facilities, and convertible debentures are fixed based on the contracts in place, with the exception of the USD$18,300,000 VRT Note (note 18) which interest is calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. As such, the Company is exposed to interest rate risk to the extent as stated on these financial assets and liabilities.

E. FOREIGN CURRENCY RISK

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management.

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

At as March 31, 2023, and December 31, 2022, the Company was exposed to the following currency risk:

	As at March 31, 2023	As at December 31, 2022
	$	$
Financial assets denominated in foreign currencies (USD)	293,987,866	291,649,767
Financial liabilities denominated in foreign currencies (USD)	(231,727,655)	(221,604,545)
Net exposure	**62,260,210**	**70,045,222**

A three (3) percent increase in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income (loss) for the three months ended March 31, 2023 by $69,095 (2022; $207,122).

F. CAPITAL RISK MANAGEMENT

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

The Company's equity comprises of share capital, contributed surplus, option and convertible debenture reserve, and accumulated deficit. As at March 31, 2023, the Company has a shareholders' equity of $18,940,713 (December 31, 2022; $28,200,045). Included in the consolidated statements of financial position for the three months ended March 31, 2023, is an accumulated deficit of $360,843,283 (December 31, 2022; $352,649,020). 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. The Company's capital management objectives, policies and processes have remained unchanged during the period ended March 31, 2023. The Company is not subject to any external capital requirements.

26. CONTINGENCIES AND COMMITMENTS

A. CLAIMS AND LITIGATION

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

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

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

B. CONTINGENCIES

The Company’s operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of licenses and permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with applicable local and state regulations at September 30, 2022 and December 31, 2021, cannabis and other regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

On June 4, 2020, the Company acquired certain rights granted from HT Retail Licensing, LLC (“Licensor”) to 1251881 BC Ltd, (“Licensee”), a wholly owned subsidiary of the Company. Under this agreement, the Licensor granted an exclusive, non- transferable, non-assignable right and license to practice High Times Intellectual Property Rights (the “Rights”) related to the Commercialization of Cannabis Products and CBD Products in the Territory - Michigan, Florida and Illinois for Cannabis and in the general US for CBD. The Rights for the State of Florida were denied for use by the OMMU, and the Company did not receive a THC license in the State of Illinois. The first licensing period for Michigan was for a period of 18 months which was completed on December 20, 2021. The Company recorded an accrual of licensing fees commencing on June 4, 2020, up until, and including, December 31, 2021.

On February 23, 2022, the Company received a cease-and-desist notice from a Licensor in respect to the Rights and ceased to be engaged in the manufacturing, sale or licensing of the Rights. Accordingly, the Company reversed the license liability, in the amount of $8,135,473, remaining after February 23, 2022, and during the year ending December 31, 2022. The Company has entered into negotiations with respect to any outstanding liabilities to the Licensor and agreed to voluntary non-binding mediation between the Company and the Licensor. To date, the Company has not reached a resolution with the Licensor, as there continues to be a dispute over the amount of licensing fees owned to the licensor and there can be no assurance that a resolution would be favorable to the Company. Notwithstanding the above, the Company's position remains that there was a failure of the Licensor to perform under the licensing agreements between the parties.

27. SEGMENTED RESULTS

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

Comparative revenues, cost of goods before fair value adjustments, fair value adjustments, operating expenses and other expenses have been reclassified to confirm to the current period's financial statement presentation. The exhibits set out below summarize the consolidated financial information of the Company's reportable segments for the three months ended March 31, 2023, and 2022.

For the three months ended March 31, 2023	Corporate	Distribution	Retail	Other	Consolidated
	$	$	$	$	$
Sales revenue	-	20,926,290	6,119,798	-	27,046,088
Cost of goods sold	-	13,442,626	4,193,788	-	17,636,414
Gross profit before fair value adjustments	-	7,483,664	1,926,010	-	9,409,674
Unrealized gain (loss) in fair value of biological assets	-	-	(450,795)	-	(450,795)
Realized fair value gain (loss) included in inventory sold	-	-	(606,484)	-	(606,484)
Total gross profit	-	7,483,664	868,731	-	8,352,395
Total gross Profit (%)	0%	36%	14%	0%	31%
Total operating Expenses	2,398,078	3,236,079	5,217,764	14,107	10,866,028
Total other expenses	4,128,820	53,741	2,386,824	-	6,569,385
Profit (loss) before income taxes	(6,526,898)	4,229,844	(6,735,857)	(14,107)	(9,083,018)
Income tax	-	1,878,590	(1,599,474)	-	279,116
Net profit (loss) from continuing operations	(6,526,898)	2,315,254	(5,136,383)	(14,107)	(9,362,134)
Loss from discontinued operations	-	-	-	(34,165)	(34,165)
Net income (loss) for the period	(6,526,898)	2,315,254	(5,136,383)	(48,272)	(9,396,299)
Attributed to:					
Red White and Bloom	(6,526,898)	2,315,254	(3,934,347)	(48,272)	(8,194,263)
Non-controlling interests	-	-	(1,202,036)	-	(1,202,036)
As at March 31, 2023					
Intercompany Balances	300,271,734	(178,382,037)	(78,854,011)	(43,035,686)	-
Total Assets	138,948,643	206,435,247	(15,315,860)	(34,448,737)	295,619,293
Total non-current assets	-	3,026,821	213,085,231	40,236,550	256,348,602
Total liabilities	161,880,941	26,718,298	88,039,336	40,005	276,678,580
Total non-current liabilities	135,424,052	1,226,855	71,578,370	(7,325,385)	200,903,892
% of revenue	0%	77%	23%	0%	100%
% of loss	56%	0%	44%	0%	100%
% of Income	0%	100%	0%	0%	100%

For the three months ended March 31, 2022	Corporate	Distribution	Retail	Other	Consolidated
	$	$	$	$	$
Sales revenue	-	16,879,486	11,167,315	-	28,046,801
Cost of goods sold	-	9,424,078	7,281,257	-	16,705,335
Gross profit before fair value adjustments	-	7,455,408	3,886,058	-	11,341,466
Unrealized gain (loss) in fair value of biological assets	-	-	(2,450,005)	-	(2,450,005)
Realized fair value gain (loss) included in inventory sold	-	-	276,927	-	276,927
Total gross profit	-	7,455,408	1,712,980	-	9,168,388
Total gross profit (%)	0%	44%	15%	0%	33%
Total operating expenses	2,323,835	4,617,471	4,414,277	-	11,355,583
Total other expenses	3,980,280	26,908	2,593,982	-	6,601,170
Profit (loss) before income taxes	(6,304,115)	2,811,029	(5,295,279)	-	(8,788,365)
Income tax	-	1,267,844	803,326	-	2,071,170
Net profit (loss) from continuing operations	(6,304,115)	1,543,185	(6,098,605)	-	(10,859,535)
Loss from discontinued operations	-	-	-	(897,653)	(897,653)
Net Loss for the year	(6,304,115)	1,543,185	(6,098,605)	(897,653)	(11,757,188)
Attributed to:					
Red White and Bloom	(6,304,115)	1,543,185	(5,767,201)	(897,653)	(11,425,784)
Non-controlling interests	-	-	(331,404)	-	(331,404)
As at December 31, 2022					
Intercompany Balances	298,042,757	(175,991,742)	(79,047,259)	(43,003,756)	-
Total Assets	1,043,197	18,915,772	232,404,962	40,302,237	292,666,168
Total non-current assets	-	3,133,175	214,017,790	40,269,252	257,420,217
Total liabilities	152,577,198	25,581,582	86,267,305	40,038	264,466,123
Total non-current liabilities	127,805,847	1,261,616	71,975,289	(7,331,339)	193,711,413
% of revenue	0%	62%	41%	0%	100%
% of loss	54%	0%	52%	0%	100%
% of Income	0%	66%	0%	0%	100%

28. RECLASSIFICATIONS

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

- Salaries and wages have been reclassified to general and administrative expenses in the statement of loss and comprehensive loss.
- $407,540 originally recorded in general and administrative expenses in the financial reporting period for three months ended March 31, 2022, has been reclassified in these Financial Statements to Bad debt expense on the statement of loss and comprehensive loss.
- $1,430,967 in foreign exchange losses were misclassed in the items not affecting cash section of operating activities in the Condensed Interim Consolidated Statement of Cash Flows for the reporting period ended months ended March 31, 2022. This loss was reallocated in the comparative figures in the Condensed Interim Consolidated Statement of Cash Flows for the reporting period ended months ended March 31, 2023, to Net effects of foreign exchange. This reallocation had a corresponding impact on net cash used in operating activities for the period ended March 31, 2022.

- The Company's CDOM's reassessed the classification of operating segments to better reflect how the Company services its customers and respective legal markets in the United States. For the year ending December 31, 2022 and onward, the Company has segregated it operations into three main operating segments (i) Retail, and (ii) Distribution, and (iii) Corporate, with all other non-reporting operations to a fourth segment; Other.

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

29. DISCONTINUED OPERATIONS

During the year ended December 31, 2021, the Company discontinued operations of its wholly owned subsidiary, Mid American Growers, Inc. Components of residual loss from discontinued operations for the three months ended March 31, 2023, and 2022 are as follows:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Revenue	-	139,267
Cost of sales, before fair value adjustments	-	141,246
Gross profit (loss)	**-**	**(1,979)**
General and administration	34,165	2,707,216
Sales and marketing	-	49,616
Loss from operations before other expenses (income)	**(34,165)**	**(2,758,811)**
Other expense (income)	-	(1,831,491)
Finance expense	-	(24,925)
(Gain) loss on disposal of property, plant and equipment	-	(4,742)
Loss before income taxes	**(34,165)**	**(897,653)**
Net loss from discontinued operations	**(34,165)**	**(897,653)**
Net loss per share, basic and diluted on discontinued	**(0.00)**	**(0.01)**
Weighted average number of outstanding common shares, basic and diluted	469,521,901	236,840,299

Additional information on the discontinuation of Mid-American Growers, Inc. can be found in the Company's 2022 Audited Consolidated Financial Statements which can be found at Sedar.com.

30. SUBSEQUENT EVENTS

Subsequent to the three months ended March 31, 2023, the Company did not have any material events.