Red White & Bloom Brands Inc.

Management
Discussion and Analysis

For the three months ended March 31, 2023

Dated May 30, 2023

CSE: RWB

OTCQX: RWBYF

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

- the performance of the Company's business and operations.
- the expected timing and projected cost of the Company's business objectives including its expansion plans, both organic and acquisitive.
- the business strategies of the Company.
- the impact of the introduction of new branded cannabis product offerings.
- the impact of ongoing and prospective cost savings initiatives.
- the impact of laws and regulations maintained by various levels of government (existing, proposed, and/or amended) including but not limited to those impacting operating licenses to conduct business activities in relevant jurisdictions.
- its expectations regarding production capacity including the Company's performance at its cultivation and processing facilities.
- expectations regarding relevant cannabis market conditions in the United States specific to each state in which the Company legally operates.
- the competitive conditions of the cannabis industry in the United States.
- the state of banking regulations in the United States as it relates to the cannabis industry.
- the intention of the Company to complete any offering of securities (in any form) or debt (in any form) issued by the Company.

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

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

NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES

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

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

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Red White & Bloom Brands Inc. (formerly Tidal Royalty Corp.) (the "Company" or "RWB") is intended to assist the reader in better understanding the operations and key financial results as of the date of this MD&A and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three months ended March 31, 2023 ("2023-Q1"), and the comparative period March 31, 2022 ("2022-Q1), and the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2022 ("2022-YE"), collectively referred to as the "Financial Statements." The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with the interim financial statements being prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting,* and select interpretations of the IFRS Interpretations Committee for all periods presented. The information in this MD&A is current as of May 30, 2023.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors on May 30, 2023.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars (CAD) except as indicated otherwise. All references to the Company contained in the MD&A include references to all its subsidiaries, as applicable. The Financial Statements and MD&A, along with addition information about the Company are filed on www.sedar.com.

COMPANY OVERVIEW AND STRATEGY

Company Overview

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

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

Company Strategy

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

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

DESCRIPTION OF THE BUSINESS

Retail

As of March 31, 2023, the Company is licensed to operate a total of four medical cannabis retail stores (dispensaries) in the state of Florida, a processing facility located in Sanderson, Florida, and a cultivation facility in Apopka, Florida. The Sanderson facility is owned by the Company and includes fifteen acres of land, a 110,000 square foot facility utilized for cultivation and processing, and a 4,000 square foot freestanding administrative office building. The Apopka facility is owned by the Company and includes a fully licensed and operational 45,000 square foot greenhouse situated on 4.7 acres of land. All outputs produced by the Apopka facility are committed to the Sanderson facility for processing. The Sanderson facility processes bulk cannabis inputs supplied to it exclusively by the Apopka facility. The Sanderson facility produces cannabis product offerings sold exclusively through the Company's captive medical retail stores (dispensaries) situated throughout the state of Florida. The Company leases a total of nine retail locations throughout the state, four of which are operating as of the date of this report. The 4th medical retail location, located in Clearwater, Florida, was approved and licensed for operation in February 2023. The Company is currently planning the activation of the remaining five locations over the course of fiscal 2023 contingent on the ability of the regulatory authorities to comply with the Company's fixturing and activation timeline.

As of March 31, 2023, the Company is licensed, within the state of Michigan, to operate a total of eight adult-use and/or medical use cannabis retail stores (dispensaries), two indoor cultivation facilities, (Glendale, Michigan, and Marquette, Michigan), a municipally licensed ten acre outdoor cultivation facility (Au Gres, Michigan), and several other properties located throughout the state of Michigan which are available for potential cultivation and cannabis dispensary operations.

The following sets out the Company's total licensed cannabis retail locations within the United States as of March 31, 2023.

Jurisdiction	Licensed, Active Cannabis Retail Stores	Cannabis Retail Stores available to be Activated	Total Available Retail Locations
Florida	4	5	9
Michigan	8	4	12

Distribution

Distribution operations in the state of California are focused on the distribution of Company branded cannabis product offerings to licensed retailers within the state of California. The Company offers a full product line of Platinum and Platinum Vape branded, premium cannabis products sold at retailers throughout California. The Company's primary business is the distribution of branded adult-use cannabis product offerings to legally licensed California adult-use cannabis retailers.

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

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

Subsidiary	Source Currency	Jurisdiction	% Ownership 2023	% Ownership 2022
Red White & Bloom Brands Inc. (Parent)	CAD	British Columbia, Canada	Parent	Parent
1251881 B.C. Ltd.	CAD	British Columbia, Canada	100%	100%
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
MichiCann Medical Inc.	CAD	Ontario, Canada	100%	100%
PV CBD, LLC	USD	California, United States	100%	100%
RWB Platinum Vape Inc.	USD	California, United States	100%	100%
Vista Prime Management, LLC	USD	California, United States	100%	100%
Vista Prime 3, Inc.	USD	California, United States	100%	100%
Vista Prime 2, Inc.	USD	California, United States	100%	100%
Mid-American Growers, Inc.	USD	Delaware, United States	100%	100%
*Royalty USA Corp.	USD	Delaware, United States	100%	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%	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	**Dissolved
RLTY Development MA 1 LLC	USD	Delaware, United States	**Dissolved	**Dissolved
Mid-American Cultivation, LLC.	USD	Illinois, United States	**Dissolved	**Dissolved
RWB Freedom Flower, LLC	USD	Illinois, United States	**Dissolved	**Dissolved
RWB Shelby, Inc.	USD	Illinois, United States	**Dissolved	**Dissolved
RLTY Development Orange LLC	USD	Massachusetts, United States	**Dissolved	**Dissolved
RLTY Development Springfield LLC	USD	Massachusetts, United States	**Dissolved	**Dissolved

**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.*

OUTLOOK

The Company continues to focus on the expansion of its businesses through various means including leveraging an asset light growth strategy in states in which it does not maintain a physical footprint. These actions included but were not limited to the following:

- Appointment of a new Chief Financial Officer, Edoardo ("Eddie") Mattei, who brings strong financial and operational experience that will be invaluable to the Company through its continued expansion.
- Expansion into Arizona, a key part of RWB's latest series of moves to scale entry into new strategic legal markets, with over twelve flavor profiles of its premium 510 Vapes and Disposable Vape products currently being stocked by dispensaries across the state.
- The addition of a new dispensary in Clearwater, Florida, expanding Florida's operations to four active locations across the state, with five additional locations pending activation.
- Leveraging key supply chain competencies in the state of California to streamline costs and increase speed to market for its distribution operations in the same state.

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

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

RECENT DEVELOPMENTS

- On March 27, 2023, the Company entered into a secured note payable agreement with Royal Group Resources, Ltd. ("RGR") to document Canadian dollar advances made by RGR to the Company (the "CAD RGR Grid Note"), maturing on September 12, 2024; secured by a first priority security interest in, and pledge of the equity ownership interest of the Company's subsidiary; RWB Michigan, LLC. The CAD RGR Grid Note will bear interest at an aggregate rate of 12% per annum with interest payments on the last day of each month. As at the date of this MD&A, the principal balance of the CAD RGR Grid Note was $ 1,267,225.
- On March 15, 2023, the Company appointed a new Chief Financial Officer. On appointment, the Company issued 1,250,000 stock options, exercisable to acquire up to 1,250,000 common shares of the Company at an exercise price of $0.10. The stock options vest quarterly over a period of two years commencing on the first anniversary date of the grant. The terms for the grant are in line with the parameters set out in the Company's existing Employee Stock Option Plan.
- On March 10, 2023, the Company entered into a secured note payable agreement, amending the agreement with RGR to document US dollar advances made by RGR to the Company (the "USD RGR Grid Note"). The USD Grid Agreement initially provides for an amendment to an existing USD$5,850,000 RGR Note for a change in principal with all other terms and conditions remaining the same. As at the date of this MD&A, the principal balance of the USD RGR Grid Note was $13,350,000.
- In March 2023, trading on the OTCQX for the Company was suspended, pending the Company completing the filing of form 20Fs for 2021-YE, and 2022-YE. As of the date of this report, the Company is working diligently with its advisors to complete the required filings. Once complete, the Company will work in collaboration with the SEC and the OTCQX to confirm a timeline for release of the suspension. Once the release of the suspension is granted by the requisite authorities, the Company will concurrently seek to deregister its SEC membership in accordance with guidelines and timelines set by the applicable governing bodies. The Company is not seeking to file on an SEC sponsored exchange in the near term and, accordingly, will not be required to maintain both the cost and administration of maintaining the registration and its requisite filings.
- On February 10, 2023, the Company announced the launch of Platinum Vape product offerings in the adult use Arizona market. Offerings include more than twelve (12) flavor profiles of its Premium 510 Vapes and Disposable Vape products, stocked in dispensaries across the state. Additional high quality PV branded offerings are expected to be introduced within the state over the course of the 2023 fiscal year.
- On February 7, 2023, the Company successfully activated a medical use retail store (dispensary) in the city of Clearwater, Florida; its fourth medical use retail store in the State of Florida. As of the date of this report, the Company is finalizing timelines to activate its five remaining medical use retail stores in the state of Florida strategically located in the cities of Brandon, South Miami Beach, North Miami Beach, Hollywood, and Orange Park.

- On February 1, 2023, the Company amended the secured CAD$2,210,000 BJMD Note to update the principal from $2.2 million to $2.7 million, 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. $0.5 million in additional funding was received by the Company on amendment.
- On January 30, 2023, pursuant to the terms and conditions set out in its January 10, 2020 Credit Agreement with Bridging Finance, Inc. ("Bridging"), the Company extended the maturity of its Credit Facility to July 31, 2023. As a consequence of this extension, the Company was subjected to a non-refundable amendment fee in the amount of $136,000. The Company is continuing to work collaboratively with Bridging regarding a path forward given the pending maturity of the Credit Facility in fiscal 2023.

ACQUISITIONS

Acquisition of PharmaCo, Inc.

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

Consideration for the PharmaCo Acquisition included the issuance of 37 million units of RWB ("Units"), a previously held call/put 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 voluntary lock-up until January 1, 2023. The Units were issued at a deemed price of $1.00 per unit. All Series II Preferred Shares issued in relation to the PharmaCo Acquisition were converted into common shares of the Company by April 24, 2022 (refer to the "Summary of Outstanding Share Data" section).

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

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

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

DISCONTINUED OPERATIONS

During the year ended December 31, 2021, the Company discontinued operations of its wholly owned subsidiary, Mid-American Growers, Inc ("MAG"). Accordingly, the Company's results of operations for 2023-Q1, and 2022-Q1 exclude the operations from MAG. Components of residual loss from discontinued operations for the three months ended March 31, 2023, and 2022 are as follows:

	2023-Q1	2022-Q1	Variance
	$	$	$
Revenue	-	139,267	(139,267)
Cost of Sales	-	141,246	(141,246)
Gross loss	-	(1,979)	1,979
Total operating expenses	34,165	2,756,832	(2,722,667)
Loss from operations	**(34,165)**	**(2,758,811)**	**2,722,646**
Total other expense (income)	-	(1,861,158)	1,861,158
Net loss from discontinued operations	**(34,165)**	**(897,653)**	**863,488**

FINANCIAL HIGHLIGHTS

2023-Q1 Consolidated Highlights

The following is a condensed summary of the Company's results from operations for 2023-Q1, and 2022-Q1.

	2023-Q1	2022-Q1	Variance
	$	$	$
Revenue	27,046,088	28,046,801	(1,000,713)
Cost of goods sold, before fair value adjustments	17,636,414	16,705,335	931,079
Gross profit before fair value adjustments	**9,409,674**	**11,341,466**	**(1,931,792)**
Unrealized changes in fair value of biological assets	(450,795)	(2,450,005)	1,999,210
Realized fair value amounts included in inventory sold	(606,484)	276,927	(883,411)
Gross Profit	**8,352,395**	**9,168,388**	**(815,993)**
Gross profit Percentage (%)	31%	33%	(2%)
Total operating expenses	10,866,028	11,355,583	(489,555)
Loss from operations before other expenses or income	**(2,513,633)**	**(2,187,195)**	**(326,438)**
Total other expenses	6,569,385	6,601,170	(31,785)
Loss before income taxes	**(9,083,018)**	**(8,788,365)**	**(294,653)**
Current income tax expense	(1,975,397)	(2,071,170)	95,773
Deferred income tax recovery	1,696,281	-	1,696,281
Net loss from continuing operations	**(9,362,134)**	**(10,859,535)**	**1,497,401**
Loss from discontinued operations	(34,165)	(897,653)	863,488
Loss for the quarter	**(9,396,299)**	**(11,757,188)**	**2,360,889**
Adjusted EBITDA	95,391	1,249,816	(1,154,425)

- Revenues were $27.0 million for 2023-Q1, a $1.0 million decrease from 2022-Q1 revenues of $28.0 million.
- Gross profit, before fair value adjustments, was $9.4 million for 2023-Q1, a $1.9 million decrease from 2022-Q1 gross profit before fair value adjustments of $11.3 million.
- Operating expenses were $10.9 million for 2023-Q1, a decrease of $0.5 million compared to 2022-Q1 operating expenses of $11.4 million.
- Losses from operations before other expenses were $2.5 million for 2023-Q1, a $0.3 million increase from 2022-Q1 losses from operations before other expenses of $2.2 million.
- Other expenses were $6.6 million for 2023-Q1, which were comparable to 2022-Q1 other expenses of $6.6 million.

RESULTS OF OPERATIONS

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

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

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

(3) ***Corporate segment*** which includes the publicly traded parent company which operates as a cost center for related public reporting and administrative costs amongst others.

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

Segmented revenues to gross profit, for 2023-Q1 and 2022-Q1 are as follows:

2023-Q1	DISTRIBUTION	RETAIL	CONSOLIDATED
	$	$	$
Revenue			
Sales revenue	20,926,290	6,119,798	27,046,088
Cost of goods sold before fair value adjustments	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 gains (losses) in fair value of biological assets	-	(450,795)	(450,795)
Realized fair value gains (losses) included in inventory sold	-	(606,484)	(606,484)
Gross profit	**7,483,664**	**868,731**	**8,352,395**
% of consolidated revenue	77%	23%	100%
% of consolidated cost of goods sold before fair value adjustments	76%	24%	100%
Gross profit before fair value adjustments (%)	36%	31%	35%
Gross profit (%)	36%	14%	31%
2022-Q1	**DISTRIBUTION**	**RETAIL**	**CONSOLIDATED**
Revenue			
Sales revenue	16,879,486	11,167,315	28,046,801
Cost of goods sold before fair value adjustments	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 gains (losses) in fair value of biological assets		(2,450,005)	(2,450,005)
Realized fair value gains (losses) included in inventory sold	-	276,927	276,927
Gross profit	**7,455,408**	**1,712,980**	**9,168,388**
% of consolidated revenue	60%	40%	100%
% of consolidated cost of goods sold before fair value adjustments	56%	44%	100%
Gross profit before fair value adjustments (%)	44%	35%	40%
Gross profit (%)	44%	15%	33%
Change 2023-Q1 vs 2022-Q1	**DISTRIBUTION**	**RETAIL**	**CONSOLIDATED**
Change in revenue	4,046,804	(5,047,517)	(1,000,713)
Change in cost of goods sold before fair value adjustment	4,018,548	(3,087,469)	931,079
Change in gross profit before fair adjustment	28,256	(1,960,048)	(1,931,792)
Change in gross profit	28,256	(844,249)	(815,993)

Revenue

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

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

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

Sales of products are in cash, in the case of retail revenues, or for otherwise agreed-upon credit terms, in the case of distribution revenues. The Company's payment terms for distribution customers vary by location and customer. The time between when distribution revenue is recognized and when payment is due is typically not greater than 60 to 90 days. The Company offers promotional discounts on its products at point of sale (Retail). The Company does not offer a warranty on its products in either channel.

Revenue for 2023-Q1

- ***Consolidated revenue for 2023-Q1*** amounted to $27.0 million, compared to $ 28.0 million for 2022-Q1. The overall decrease of $1.0 million in revenue is primarily attributed to lower revenues generated through the Retail channel in the current quarter. Further analysis of revenues reported for 2023-Q1 is provided in the discussion of the respective operating segments results below (Retail and Distribution).

- ***Retail revenue for 2023-Q1*** was $6.1 million compared to $11.2 million for 2022-Q1. The decrease of $5.1 million is primarily attributed to the impact of continuing competitive market conditions in the state of Michigan as well as the mix of revenues in 2022-Q1.

- ***Distribution revenue for 2023-Q1*** increased by $4.1 million in comparison to revenues for 2022-Q1. 2023-Q1 revenue was $21.0 million, compared to $16.9 million for 2022-Q1. The increase in revenues can be primarily attributed to a full quarter result from the activation of the Company's distribution operations in the state of Michigan, whereas in 2022-Q1, the Company did not experience a full quarter effect. The increase is also due to a shift in focus by management to increase the presence of the PV brand in the respective Distribution markets; specifically, the state of Michigan.

Despite pricing pressures in California and Michigan, the Company continues to proactively adapt the mix of its premium branded product offerings based on the maturing customer tastes defined by licensed retailers within the legal markets in which the Distribution segment operates. This product focus is the basis for building consumer awareness and loyalty to the Company's Platinum branded product lines.

Cost of goods sold

Cost of goods sold for 2023-Q1

- ***Consolidated cost of goods sold before fair value adjustments for 2023-Q1*** was $17.6 million, a $0.9 million increase, when compared to $16.7 million for 2022-Q1.

- ***Retail cost of goods sold before fair value adjustments for 2023-Q1*** was $4.2 million, a decrease of $3.1 million when compared to $7.3 million in 2022-Q1. The decrease is in direct correlation with the decrease in revenues for the 2023-Q1 quarter.

- ***Distribution cost of goods sold before fair value adjustments for 2023-Q1*** was $13.4 million, an increase of $4.0 million, when compared to $9.4 million for 2022-Q1. The increase is in response to the increase in revenues for the 2023-Q1 quarter in addition to the impact of cost constraints arising from within the Company's supply chain; specifically, the cost of raw material inputs.

Gross profit before fair market value adjustments

Gross profit before fair market value adjustments for 2023-Q1

- ***Consolidated gross profit before fair value adjustments for 2023-Q1*** totaled $9.4 million, a $1.9 million decrease when compared to a consolidated gross profit before fair value adjustments of $11.3 million for 2022-Q1. The consolidated decrease is due to changes in gross profit before fair market value adjustment in the Retail and Distribution channels as described below.

- ***Retail gross profit before fair value adjustments for 2023-Q1*** totaled $1.9 million, compared to gross profit before fair value adjustments of $3.9 million for 2022-Q1. The decrease is the result of lower sales exhibited by the Retail operations for 2023-Q1 as well as challenging pricing and associated competitive market conditions in markets which the respective segment operates in.

- ***Distribution gross profit before fair value adjustments for 2023-Q1*** totaled $7.5 million, a flat movement when compared to a gross profit before fair value adjustments of $7.5 million for 2022-Q1 reflecting the more recent impact of price compression and higher supply chain/input costs in markets which the segment operates in.

Gross profit after fair market value adjustments

Gross profit after fair market value adjustments for 2023-Q1 and 2022-YE

- ***Consolidated gross profit, after fair value adjustments to biological assets for 2023-Q1*** was $8.4 million, a decrease of $1.2 million compared with $9.2 million for 2022-Q1.

- ***Retail gross profit, after fair value adjustments to biological assets or 2023-Q1*** was $0.9 million, compared to $1.7 million for 2022-Q1.

- ***Distribution gross profit, after fair value adjustments to biological assets or 2023-Q1*** $7.5 million, compared to $7.5 million for 2022-Q1.

OPERATING EXPENSES

The Company incurs on-going expenses, cash and non-cash, to operate its Retail and Distribution operations, along with various costs related to its public company standing.

Operating Expenses for 2023-Q1 and 2022-Q1 are as follows:

2023-Q1	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	2,086,774	4,613,795	2,059,890	14,107	8,774,566
Marketing expenses	448,735	83,060	21,982	-	553,777
Share-based compensation	-	-	316,209	-	316,209
Depreciation and amortization	145,434	520,906	-	-	666,340
Bad debt expense	555,136	-	-	-	555,136
Total operating Expenses	**3,236,079**	**5,217,761**	**2,398,081**	**14,107**	**10,866,028**
2022-Q1	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
General and administration	3,904,853	2,900,589	1,841,226	-	8,646,668
Marketing expenses	119,550	218,407	209,373	-	547,330
Share-based compensation	-	-	273,000	-	273,000
Depreciation and amortization	185,527	1,295,281	237	-	1,481,045
Bad debt expense	407,540	-	-	-	407,540
Total operating expenses	**4,617,470**	**4,414,277**	**2,323,836**	**-**	**11,355,583**
Variances	DISTRIBUTION	RETAIL	CORPORATE	OTHER	CONSOLIDATED
	$	$	$	$	$
Change in General and administration	(1,818,079)	1,713,206	218,664	14,107	127,898
Change in marketing expenses	329,185	(135,347)	(187,391)	-	6,447
Change in share-based compensation	-	-	43,209	-	43,209
Change in depreciation and amortization	(40,093)	(774,375)	(237)	-	(814,705)
Change in in bad debt expense	147,596	-	-	-	147,596
Change in total operating expenses	**(1,381,391)**	**803,484**	**74,245**	**14,107**	**(489,555)**

Consolidated operating expenses for 2023-Q1 totaled $10.9 million, a decrease of $0.5 million when compared to $11.4 million in consolidated operating expenses for 2022-Q1. The $0.5 million decrease is due to changes in operating expenses as described below.

General and administrative expenses (“G&A”)

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

The following table summarizes G&A expenses incurred by the Company for 2023-Q1, and 2022-Q1:

	2023-Q1	2022-Q1	Variance
	$	$	$
Salaries & Wages	3,873,810	4,227,489	(353,679)
Facilities Expenses	1,340,235	355,339	984,896
Penalties & Fines	510,144	1,045,514	(535,370)
Consulting Fees	508,609	573,317	(64,708)
Office Expenses	493,334	348,862	144,472
Insurance Expenses	480,056	392,524	87,532
Legal Fees	484,966	822,147	(337,181)
Travel Expenses	54,911	210,759	(155,848)
Audit Fees	295,163	174,527	120,636
Tax Expenses	268,774	283,976	(15,202)
Licenses & Permits	177,017	79,519	97,498
Bank Fees	190,955	53,426	137,529
Accounting Fees	65,763	79,269	(13,506)
Transfer Agent & Filing fees	20,205	-	20,205
Tax Service Fees	10,624	-	10,624
Total general and administrative expenses	**8,774,566**	**8,646,668**	**127,898**

General and Administrative for 2023-Q1

Total G&A expenses for 2023-Q1 were $8.8 million compared to $8.6 million for 2022-Q1. The increase of $0.2 million is primarily attributable to the realization of full quarter operations of PharmaCo, Inc. in 2023-Q1 whereas 2022-Q1 post-acquisition realized partial quarter operations.

- ***Salaries and wages*** *in 2023-Q1***,** totaled $3.8 million, a decrease of $0.4 million when compared to salaries and wages of $4.2 million for 2022-Q1. The decrease is due to management's commitment to the execution of continued cost reduction initiatives. The Company also realized a reduction in salaries and wages quarter over quarter due to the discontinuation of its MAG operations. For 2023-Q1, there were no remaining employees relating to the discontinued operation.
- ***Facilities expenses*** in 2023-Q1 totaled $1.3 million, an increase of $0.9 million when compared to facilities expenses of $0.4 million for 2022-Q1. The increase is primarily attributed to the full quarter effect of retail operations included with the PharmaCo Acquisition.
- ***Penalties and fines*** *for 2023-Q1* totaled $0.5 million, a decrease of $0.5 million when compared to fines and penalties of $1.0 million for 2022-Q1.
- ***Legal fees*** in 2023-Q1 totaled $0.5 million, a decrease of $0.3 million when compared to legal fees of $0.8 million for 2022-Q1. The higher legal fees in 2022-Q1 can be attributed to costs related to closing the PharmaCo Acquisition.
- ***Audit fees*** in 2023-Q1 totaled $0.3 million, an increase of $0.1 million when compared to audit fees of $0.2 million for 2022-Q1. The increase is due to audit fees for the 2021-YE audit not yet being fully established in 2022-Q1.
- ***Licenses and permits*** in 2023-Q1 were $0.2 million, a change of $0.1 million when compared to licenses and permits expense of $0.1 million for 2022-Q1. The increase is primarily due to the timing of renewal of licenses in 2023-Q1 for the PharmaCo retail locations in the state of Michigan.
- ***Bank fees*** *for 2023-Q1* were $0.2 million, an increase of $0.1 million when compared to expenses of $0.1 million for 2022-Q1. The increase is primarily the result of the full quarter effect of increased banking activity tied to the PharmaCo retail locations and the three retail stores activated in the state of Florida.

Bad Debt Expense

Bad debt expense *for 2023-Q1* was $0.6 million, compared to $0.4 million for 2022-Q1. The $0.2 million increase is due to increased revenues in the Distribution segment in which the Company offers credit terms to certain customers.

OTHER EXPENSES (INCOME)

Other expenses (income) for 2023-Q1 and 2022-Q1 are as follows:

2023-Q1	DISTRIBUTION	RETAIL	CORPORATE	CONSOLIDATED
	$	$	$	$
Other expense (income)	-	(40,342)	(7,883)	(48,225)
Accreted interest, leases	41,888	639,677	-	681,565
Finance expense, net	11,854	1,786,145	5,121,422	6,919,421
(Gain) loss on evaluation of financial instruments	-	1,342	(1,009,035)	(1,007,693)
Foreign exchange	-	-	24,317	24,317
Total other expenses (income)	**53,742**	**2,386,822**	**4,128,821**	**6,569,385**
2022-Q1	**DISTRIBUTION**	**RETAIL**	**CORPORATE**	**CONSOLIDATED**
	$	$	$	$
Other expense (income)	-	-	-	-
Accreted interest, leases	35,054	594,697	-	629,751
Finance expense, net	(8,146)	1,999,285	5,382,247	7,373,386
(Gain) loss on evaluation of financial instruments	-	-	-	-
Foreign exchange	-	-	(1,401,967)	(1,401,967)
Total other expenses (income)	**26,908**	**2,593,982**	**3,980,280**	**6,601,170**
Variances	**DISTRIBUTION**	**RETAIL**	**CORPORATE**	**CONSOLIDATED**
	$	$	$	$
Change in other expense (income)	-	(40,342)	(7,883)	(48,225)
Change in accreted interest, leases	6,834	44,980	-	51,814
Change in finance expense, net	20,000	(213,140)	(260,825)	(453,966)
Change in (Gain) loss on evaluation of financial instruments	-	1,342	(1,009,035)	(1,007,693)
Change in foreign exchange	-	-	1,426,284	1,426,284
Change in total other expenses (income)	**26,834**	**(207,160)**	**148,541**	**(31,785)**

Accreted Interest, Leases

Accreted interest on leases for 2023-Q1 totaled $0.7 million, a $0.1 million increase from $0.6 million for 2022-Q1. The increase is the result of five additional leases acquired as part of the PharmaCo Acquisition, along with additional leases executed in Florida for medical retail dispensaries activated during 2022-YE.

Finance Expense

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

Net finance expense for 2023-Q1 totaled $6.9 million, a $0.5 million decrease when compared to the net finance expense of $7.4 million for 2022-Q1. This decrease is largely attributed to decreased interest charges on its credit facility following a principal repayment in April 2022 (see details related to the Credit Facility in the Debt section on page X)

Revaluation of financial instruments

Revaluation of financial instruments for 2023-Q1 resulted in a $1.0 million gain, a $1.0 million increase from $nil on revaluation of financial instruments for 2022-Q1. The valuation inputs of convertible debentures containing embedded derivatives can be found in the “Liquidity and Capital Resources” section.

ADJUSTED EBITDA

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

The Company has reconciled net loss and Adjusted EBITDA for 2023-Q1 with 2022-Q1 comparatives as follows:

	2023-Q1	2022-Q1	VARIANCE
	$	$	$
Net Income (Loss) for the Period	**(9,396,299)**	**(11,757,188)**	**2,360,889**
Depreciation and amortization	666,340	1,481,045	(814,705)
Bad debt expense	555,136	407,540	147,596
Accreted interest, leases	681,565	629,751	51,814
Finance expense, net	6,919,421	7,373,386	(453,965)
(Gain) loss on evaluation of financial instruments	(1,007,693)	-	(1,007,693)
Foreign exchange	24,317	(1,401,967)	1,426,284
Current income tax expense	1,975,397	2,071,170	(95,773)
Deferred income tax recovery	(1,696,281)	-	(1,696,281)
Fair value changes in biological assets	450,795	2,450,005	(1,999,210)
Realized fair value changes in inventory sold	606,484	(276,927)	883,411
Share based compensation	316,209	273,000	43,209
Adjusted EBITDA	**95,391**	**1,249,815**	**(1,154,424)**

(i) Refer to Non-IFRS Measure

The Adjusted EBITDA loss for 2023-Q1 was $3.0 million compared to an adjusted EBITDA loss of $7.2 million for 2022-Q1 resulting in a positive variance of $4.2 million.

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

STATEMENT OF FINANCIAL POSITION

Assets

As at 2023-Q1, and 2022-YE, the Company held the following assets:

As at	2023-Q1	2022-YE	Variance
	$	$	$
Current assets			
Cash and cash equivalents	4,499,809	2,747,138	1,752,671
Account receivable	13,494,374	8,439,143	5,055,231
Prepaid expenses and other assets	2,449,864	5,311,199	(2,861,335)
Inventory	15,349,289	14,457,013	892,276
Biological assets	3,477,355	4,291,458	(814,104)
Total current assets	**39,270,691**	**35,245,951**	**4,024,739**
Non-current assets			
Property, plant and equipment, net	72,827,043	73,873,258	(1,046,215)
Intangible assets, net	125,246,795	125,348,600	(101,805)
Right-of-use assets, net	20,810,355	20,703,498	106,857
Goodwill	37,464,409	37,494,861	(30,452)
Total non-current assets	**256,348,602**	**257,420,217**	**(1,071,615)**
Total assets	**295,619,293**	**292,666,168**	**2,953,125**

As at 2023-Q1, the Company had total assets of $295.6 million, an increase of $3.0 million compared to $292.6 million as at 2022-YE.

- ***Cash and equivalents as at 2023-Q1*** was $4.5 million, an increase of $1.8 million compared to $2.7 million as at 2022-YE. The increase can be attributed to the $27.0 million in revenues realized within the current quarter as well as additional financing obtained in 2023-Q1 through the issuance of the USD RGR Grid Note and the CAD RGR Grid Note (See the Debt section on page 27 for more details on the aforementioned notes payable).
- ***Accounts receivables as at 2023-Q1*** were $13.5 million, an increase of $4.1 million compared to $8.4 million as at 2022-YE. The increase in receivables is a direct result of an increase in Distribution revenue in the Company's Michigan operations and timing of the collections of the associated receivables. The Company extends credit to certain customers and has offset its receivables balance with provisions totaling $2.2 million and $1.6 million for 2022-YE to account for expected credit losses.
- ***Prepaids and other assets at 2023-Q1*** were $2.5 million, a decrease of $2.8 million compared to $5.3 million at 2022-YE. The decrease is primarily attributable to a refund received in 2023-Q1 of a USD$2,000,000 cash bond posted by the Company's Florida (Retail) operations which was included in prepaids and other assets at 2022-YE. The cash bond had been posted as part of the licensure deliverables in the state.
- ***Inventory as at 2023-Q1*** was $15.3 million, an increase of $0.8 million from $14.5 million as at 2022-YE. The increase is primarily related to the volume of inventories (raw materials, work-in-progress represented by harvested flower, biomass, and other related cannabis inputs) required to service the increased product demand attributed to the PharmaCo Acquisition, distribution operations in Michigan, and the continuing expansion of the Florida retail network.

Liabilities

A summary of the Company's liabilities as at 2023-Q1, and as at 2022-YE is as follows:

As at	2023-Q1	2022-YE	Variance
	$	$	$
Current liabilities			
Accounts payable and accrued liabilities	39,545,468	37,992,341	1,553,127
Short-term notes payable	2,818,785	1,974,584	844,201
Short-term credit facility	17,937,035	17,551,668	385,367
Short-term lease obligations	873,395	602,418	270,977
Income taxes payable	14,600,005	12,633,699	1,966,306
Total current liabilities	**75,774,688**	**70,754,710**	**5,019,978**
Non-current liabilities			
Long-term notes payable	94,733,643	87,357,123	7,376,520
Long-term convertible debentures	67,258,461	64,897,343	2,361,118
Long-term lease obligations	22,434,927	22,285,277	149,650
Deferred income tax liability	14,231,116	15,941,348	(1,710,232)
Derivative liabilities	2,245,745	3,230,322	(984,578)
Total non-current liabilities	**200,903,892**	**193,711,413**	**7,192,479**
Total liabilities	**276,678,580**	**264,466,123**	**12,212,457**

As at 2023-Q1, the Company had total liabilities of $276.7 million, an increase of $12.2 million as compared to $264.5 million as at 2022-YE. The net increase in total liabilities was primarily due to (1) a net increase in accounts payable and accruals and income taxes payable, (2) an increase in notes payable due to the issuance of new notes, (3) an increase in convertible debenture liabilities due to accrued interest, off-set by a decrease in deferred income tax liability. Details of these changes are described below:

Current Liabilities

Total current liabilities as at 2023-Q1 totaled $75.8 million, a $5.0 million decrease as compared to $70.8 million as at 2022-YE. The decrease is the result of changes in the current liabilities categories described below.

- ***Accounts payable and accrued liabilities as at 2023-Q1*** was $39.5 million, a $1.5 million increase when compared to $38.0 million as at 2022-YE. This increase is a direct result of purchasing and payments activity associated with Retail operations in Michigan and Florida. Trade payables for the Retail segment increased by $1.8 million moving from $11.1 million as at 2022-YE, to $12.9 million as at 2023-Q1. This increase was offset by a $0.6 million decrease in accounts payable and accrued liabilities in the Distribution segment.
- ***Short-term notes payable as at 2023-Q1*** totaled $2.8 million, a $0.8 million increase as compared to $2.0 million as at 2022-YE. This increase is the result of accrued interest relating to outstanding notes payable. The total interest recorded during the three months ended March 31, 2023, in relation to the notes payable was $1.7 million (2022; $8.6 million), offset by $0.8 million in interest payments (2022-YE; $6.0 million) (refer to the Liquidity and Resources section of this MD&A for further details).
- ***Short-term credit facility as at 2023-Q1*** was $17.9 million, a $0.3 million increase when compared to $17.6 million as at 2022-YE. This increase is the result of accrued interest on the credit facility. 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) (refer to the Liquidity and Resources section of this MD&A for further details).

Long-term liabilities

Total long-term liabilities for 2023-Q1 totaled $200.9 million, a $7.2 million increase from $193.7 million for 2022-YE. The increase is the result of changes in the long-term liability categories described below.

- ***Long-term notes payable as at 2023-Q1*** totaled $94.7 million, a $7.3 million increase when compared to the $87.4 million in long-term notes payable for 2022-YE. This increase is primarily the result of the issuance of the CAD RGR Grid Note for $1.2 million, and the amendment of the USD RGR Grid Note which increased the principal amount by $5.5 million, along with accrued interest related to the various long-term notes payable in the amount of $1.6 million. This increase was offset by $1.0 million in principal payments (refer to the Liquidity and Resources section of this MD&A for further details).
- ***Long-term convertible debentures as at 2023-Q1*** totaled $67.3 million, a $2.4 million increase when compared to the $64.9 million long-term convertible debentures for 2022-YE. The increase is directly attributed to the $2.4 million in accrued interest related to the outstanding convertibles. Details relating to the terms of the convertible notes can be found in the Company's 2022 Annual Financial Statements. For a continuity of the convertible debentures issued by the Company, refer to the Liquidity and Capital Resources section of this MD&A.
- ***Long-term derivative liabilities as at 2023-Q1*** totaled $2.2 million, a $1.0 million decrease when compared to the $3.2 million in long-term derivatives for 2022-YE. The decrease is due to fluctuation in the fair market value of the embedded derivatives in outstanding convertible debentures. Details of inputs used in the valuation methodology can be found in the Company's 2022 Annual Financial Statements.

Shareholders' Equity

As at 2023-Q1, total shareholders' equity was $18.9 million, a decrease of $9.3 million compared to $28.2 million as at 2022-YE. The decrease was primarily attributed to the increase of the accumulated deficit of $9.4 million related to the net loss for 2023-Q1.

SUMMARY OF QUARTERLY RESULTS

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

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

Quarter	Revenue	Cost of Goods Sold	Gross profit before FMV adjustments	Gross profit after FMV adjustments	Net loss	Earnings per share
	$	$	$	$	$	$
31-Mar-23	27,046,088	17,636,414	9,409,674	8,352,395	(9,396,299)	(0.02)
31-Dec-22	16,500,257	14,832,060	1,668,197	6,832,986	(204,268,770)	(0.49)
30-Sep-22	25,543,993	15,871,907	9,672,086	8,208,447	(8,455,562)	(0.02)
30-Jun-22	27,402,453	22,614,856	4,787,597	3,418,053	(17,646,210)	(0.04)
31-Mar-22	28,046,801	16,705,335	11,341,466	9,168,388	(11,757,188)	(0.05)
31-Dec-21	2,452,552	8,265,932	(5,813,380)	2,205,922	(9,541,497)	(0.02)
30-Sep-21	11,202,321	5,339,460	5,862,861	6,863,943	(5,472,693)	(0.03)
30-Jun-21	12,151,850	992,141	11,159,709	6,795,942	(11,448,650)	(0.06)

SUMMARY OF OUTSTANDING SHARE DATA

Authorized

As at 2023-Q1, the authorized shares of the Company were as follows:

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

As at March 31, 2023, the Company had the following securities outstanding.

Securities Outstanding	Number of Securities	Weighted Average Exercise / Conversion Price
Common Shares	469,521,901	N/A
Stock Options	18,999,289	0.9
Restricted Share Units	-	N/A
Warrants	-	N/A

As at May 30, 2023, the Company had 469,521,901 Common Shares issued and outstanding.

RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel include those persons having the 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 its 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**

Due to/from Related Parties

- Included in accounts payable and accrued liabilities as of March 31, 2023 is $925,372 (December 31, 2022; $743,233) related to accrued salaries and consulting fees payable to officers and directors of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.
- The CAD$17,000,000 Convertible CPIL Note included in long-term convertible debentures 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 Debt section on page 27.

Related Party Transactions

2023-Q1 Transactions

- 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.
- Officers and Directors of the Company held an aggregate of 23,341,450 common shares and 7,496,875 stock options.

2022-YE Transactions

- On September 15, 2022, the Company issued the CAD$17,000,000 Convertible CPIL Note an entity related to the President and Director of the Company (*refer to Convertible Debentures on page 50*).
- On September 19, 2022, a member of the Board of Directors resigned, and the Company appointed a new President and Director.
- On October 7, 2022, the Company granted 3,200,000 stock options to existing Directors of the Company at an exercise price of $0.135 to purchase common shares in the capital of RWB.
- Officers and Directors of the Company held an aggregate of 23,649,654 common shares and 6,746,875 stock options.
- During 2022-YE, 875,000 stock options were forfeited by past Officers and Directors of the Company.

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

COMMITMENTS AND CONTINGENCIES

Claims and Litigation

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

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

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

Contingencies

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

On June 4, 2020, the Company acquired certain rights granted from HT Retail Licensing, LLC ("Licensor") to 1251881 BC Ltd, ("Licensee"), a wholly owned subsidiary of the Company. Under this agreement, the Licensor granted an exclusive, non-transferable, non-assignable right and license to practice High Times Intellectual Property Rights (the "Rights") related to the Commercialization of Cannabis Products and CBD Products in the Territory - Michigan, Florida and Illinois for Cannabis and in the general US for CBD. The Rights for the State of Florida were denied for use by the state regulatory body (OMMU), and the Company did not receive a THC license in the State of Illinois. In addition, on February 23, 2022, the Company received a cease-and-desist notice from the Licensor in respect to the Rights and ceased to be engaged in the manufacturing, sale or licensing of the Rights. The first licensing period under the agreement was for a period of 18 months which was completed on December 20, 2021. The Company recorded an accrual of licensing fees commencing on June 4, 2020, up until, and including, December 31, 2021. Given the aforementioned events and the Company's position, supported by defenses presented to the Licensor, the Company reversed the accrued license liability, in the amount of $8,135,473, remaining after

February 23, 2022 and up to current fiscal year ending December 31, 2022. The Company has entered into negotiations with respect to any outstanding liabilities to the Licensor and agreed to voluntary non-binding mediation between the Company and the Licensor. To date, the Company has not reached a resolution with the Licensor, as there continues to be a dispute over the amount of licensing fees owned to the Licensor and there can be no assurance that a resolution would be favorable to the Company. Notwithstanding the above, the Company's position remains that there was a failure of the Licensor to perform under the licensing agreements between the parties.

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

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

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

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

The Company's primary sources of liquidity are cash from sales of goods and services to its Retail (direct to consumer) and Distribution (direct to retailer) customers, debt financing and equity financing. As at 2023-Q1, the Company had no off-balance sheet arrangements (2022-YE; $nil).

The objective when managing the Company's liquidity and capital structure is to maintain sufficient cash to fund working capital needs. As at 2023-Q1, cash and cash equivalents were $4.5 million (2022-YE; $2.7 million) and the Company had negative working capital (current assets less current liabilities) of $36.5 million (2022-YE; $35.5 million). The Company will remain primarily reliant on debt financing and equity markets for prospective funding required to meet its ongoing obligations.

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

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

Cash flow Highlights

The following is the cash flow from operating, investing, and financing activities by the Company for 2023-Q1, and 2022-Q1 is as follows:

	2023-Q1	2022-Q1	Variance
	$	$	$
Net cash provided by (used in) operating activities	(1,979,058)	6,448,842	(8,427,900)
Net cash used in investing activities	(270,088)	(204,051)	(66,037)
Net cash provided by (used in) financing activities	4,216,056	(1,469,706)	5,685,762

As at 2023-Q1, there was no formal commitment for material capital expenditures.

Net cash used in operating activities for 2023-Q1, including the change in non-cash working capital, was $2.0 million, a decrease of $8.4 million compared to $6.5 million of net cash provided by operating activities for 2022-Q1 which was comprised of a quarter-over-quarter decrease of non-cash working capital of $13.1 million offset by quarter-over-quarter increase in items not involving cash of $4.7 million. For detailed information related to cash movements for operating activities in 2023-Q1, refer to the Interim Consolidated Statement of Cash Flows included in the 2023-Q1 Financial Statements.

Net cash used in investing activities for 2023-Q1 was $0.3 million, a $0.1 million increase when compared to $0.2 million for 2022-Q1. The increase is predominantly the $0.7 million reduction of cash acquired through acquisitions of property, plant and equipment, offset by the inflow of cash of $0.7 million resulting from the PharmaCo Acquisition in 2022-Q1 (refer to Note 7 in the 2023-Q1 Financial Statements), whereas in 2023-Q1, there were no acquisitions. For more details on the changes in property, plant and equipment, please refer to Note 13 in the 2023-Q1 Financials Statements.

Net cash received from financing activities for 2023-Q1 was $4.2 million, a $5.7 million increase in net cash received from financing activities when compared to $1.5 million used for 2022-Q1. The increase is largely the result of the Company receiving more cash as the result of notes payable issuances and amendments in 2023-Q1. For more details on the Company's financing activities refer to the Debt section below.

Debt

Debt Restructure

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

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

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

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

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

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

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

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

Each of the above 3 notes attracts a 12.5% interest rate, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest are due September 12, 2024. The modification to the USD$11,550,000 RGR Note resulted in an extinguishment loss of $4,298.

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

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

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

Notes payable

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

As at 2023-Q1, and 2022-YE 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				2,818,785	1,974,584
Long-term				94,733,643	87,357,123

(i)Held by a related party (note 25) / (ii)See Debt Restructure 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 agreement, 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 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 notes 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 CAD$2,210,000 BJMD Note to update the principal from $2.2 million to $2.7 million and renaming the loan from "CAD$2,210,000 BJMD Note" to the "CAD$2,710,000 BJMDSD Note," with all other terms and conditions remaining the same. $0.5 million 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.

Convertible debentures

The Company's continuity of its convertible debentures for 2023-Q1, and 2022-YE is as follows and is presented in Canadian dollars:

	Total
	$
Carrying Value, January 1, 2022	**26,017,720**
Issuance of convertible debentures	17,019,681
Less: debt issuance costs	(19,681)
Net proceeds from issuance 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, January 1, 2023	**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 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 more in-depth details on the convertible debentures, refer to the Company's 2022 Annual Financial Statements.

Credit Facility

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 $0.5 million (2022; $2.0 million).

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 more details on the Company's credit facility, refer to the Company's 2022 Annual Financial Statements.

2023-Q1 amendments

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.

2022-YE amendments

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

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

See 2022 Annual Financial Statements for a discussion of the Company's financial instruments and risk management.

OTHER RISKS AND UNCERTAINTIES

See the 2022 Annual Management Discussion and Analysis for a discussion of other risks and uncertainties.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in these circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

NEW ACCOUNTING PRONOUNCEMENTS

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after January 1, 2023.

The Company adopted the following new standards and amendments to standards that were effective January 1, 2023. These changes did not have a material impact on the Interim Financial Statements.

- *Amendments to IAS 37 Onerous Contracts and the Cost of Fulfilling a Contract (“IAS 37”)*
- *Amendments to IAS 1 Presentation of Financial Statements (“IAS 1”)*
- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)*
- *Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (“IAS 12”)*

See the Company’s 2022 Annual Financial Statements for a summary of future accounting standards not yet adopted.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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