Red White & Bloom Brands Inc.

Consolidated Financial Statements

For the years ended December 31, 2023, and restated 2022

CSE: RWB

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statement of Red White & Bloom Brands Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw your attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $142,446,442 during the year ended December 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets by $232,279,546. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter - Restatement of the December 31, 2022 consolidated financial statements

During the course of our audit of the December 31, 2023 consolidated financial statements, it was identified that certain non-monetary assets on the consolidated statement of financial position as at December 31, 2022 were converted at the period end exchange rate as opposed to the historical exchange rates as required by IFRS. The consolidated financial statements of the Company for the year ended December 31, 2022, excluding the adjustments that were applied to restate certain comparative information as described in note 33, were audited by another auditor who expressed an unqualified opinion on those statements on May 12, 2023. As part of our audit of the consolidated financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information for the year ended December 31, 2022 as described in note 33. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters emphasized above related to the *Material Uncertainty Relating to Going Concern* and *Restatement of the December 31, 2022 consolidated financial statements*, we have determined the matters described below to be key audit matters to be communicated in our report.

i) *Inventory and biological assets*

In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. In estimating the fair value of biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, average yield per plant, harvesting costs, selling costs, selling price, and the allocation of indirect costs, which form part of the standard cost per gram to complete production. Due to the nature of these estimates and the total balances of inventory and biological assets as at December 31, 2023 of $19,462,121 being material, these balances were significant to our audit.

Our audit procedures included, among others, performing sensitivity analyses over the Company's significant assumptions used to determine the fair value of biological assets to assess the impact of changes in those assumptions on the Company's determination of fair value; testing the stage of growth by observation of a sample of plants at year-end; testing the average selling price per gram by comparing to estimates used by management to actual sales prices per gram in actual sales transaction during and subsequent to year-end; and testing the net realizable value of inventory by comparing the carrying value of inventory to the prices earned from sales transactions near and subsequent to year-end.

ii) *Impairment*

The Company performs an annual impairment test of goodwill and intangible assets, and annually assesses whether any indicators of impairment exists for other intangibles and property, plant, and equipment. Management's assessment process is complex and highly judgmental and is based on assumptions, specifically those as described in notes 15, 16 and 18, which are affected by expected future market or economic conditions. These impairment tests were significant to our audit as the total balances of goodwill, intangibles and property, plant, and equipment as at December 31, 2023 was $132,459,980 which is material to the consolidated financial statements.

Our audit procedures included, among others, using the work of valuation specialists to assist us in evaluating the methodologies, assumptions and data used by the Company, in particular those assumptions relating to the forecasted revenue growth and profit margins for the Company. We also focused on the adequacy of the Company's disclosures about those significant assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the assets and cause the high degree of estimation uncertainty.

iii) *Revenue*

The Company's revenue is mainly related to the sale of medical and recreational cannabis products in point of sale consumer end-markets, and wholesale business to business markets. As revenue is a key performance indicator and an important metric for internal and external stakeholders with a balance for the year ended December 31, 2023 of $88,333,249, we determined revenue was significant to our audit.

Our audit procedures included, among others, obtaining an understanding of the relevant processes and internal controls, including management reviews, with respect to revenue recognition; on a sampling basis, reconciling and vouching revenues to supporting documentation, such as point of sales reports, daily cash logs, shipping documents and invoices; and assessing the appropriateness of the Company's disclosures relating to revenue recognition.

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INDEPENDENT AUDITORS' REPORT - continued

Key Audit Matters - continued

iv) *Business acquisition*

Subsequent to the reporting period, the Company finalized the Aleafia Acquisition. As a result of the acquisition, management had to make an assessment of the allocation of the total consideration amongst the identifiable assets acquired and liabilities assumed. This assessment was significant to our audit as the total consideration of $32,244,082 is material to the consolidated financial statements. Management's assessment process relies on estimates and judgements as to the fair values of assets assumed and liabilities acquired as further described in note 34.

Our audit procedures included, among others, assessing the acquisition agreement for assets acquired and liabilities assumed; using the work of valuation specialists to assist us in evaluating the methodologies, assumptions and data used by the Company in determining the allocation of the purchase price; and on a sampling basis, vouching to support the assets acquired and liabilities assumed.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the information other than the consolidated financial statements and auditor's report thereon. The information other than the consolidated financial statements and auditor's report thereon comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's consolidated financial reporting process.

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INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Renaldo Heard.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
April 29, 2024

RED WHITE & BLOOM BRANDS, INC.

MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

In conjunction with the audit of the consolidated financial statements for the year ended December 31, 2023, by the Company's new auditor, Williams & Partners Chartered Professional Accountants, LLP, the Company has restated its audited consolidated financial statements for the year ended December 31, 2022. A summary of the related adjustments has been outlined in Note 33 *Restatement of Financial Results* of the following audited consolidated financial statements for the year ended December 31, 2023, and 2022. The adjustments relate to the accounting treatment of foreign currency translation on select non-monetary assets held by the Company (notably property, plant and equipment, intangible assets, right-of-use assets and goodwill). The 2022 restated comparative financial results contained in the Financial Statements for the year ended December 31, 2023, should be considered to replace the audited consolidated financial statements for the year ended December 31, 2022, previously filed on May 15, 2023 (the "2022 Financial Statements"). Only information directly relating to these restatements has been updated in these audited consolidated financial statements.

April 29, 2024

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

TABLE OF CONTENTS

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Assets		
Current assets		
Cash and equivalents (note 8)	2,251,432	2,747,138
Accounts receivable (note 9)	20,370,419	8,439,143
Notes receivable (note 10)	24,704,714	-
Prepaid expenses (note 11)	894,036	1,079,424
Deposits (note 12)	7,329,096	4,231,775
Inventory (note 13)	15,247,455	14,457,013
Biological assets (note 14)	4,214,666	4,291,458
Other current assets	869,369	-
Total current assets	**75,881,187**	**35,245,951**
Non-current assets		
Property, plant and equipment, net (note 15)	33,328,762	68,545,353
Intangible assets, net (note 16)	87,251,511	118,100,696
Right-of-use assets, net (note 17)	17,563,934	18,988,224
Goodwill (note 18)	11,879,707	34,852,157
Total non-current assets	**150,023,914**	**240,486,430**
Total assets	**225,905,101**	**275,732,381**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (note 19)	42,125,919	37,320,277
Short-term notes payable (note 20)	146,899,857	1,974,584
Short-term credit facility (note 20)	19,430,227	17,551,668
Short-term convertible notes (note 20)	73,723,962	-
Short-term derivative liabilities (note 20)	673,405	-
Short-term lease obligations (note 17)	654,581	602,418
Income taxes payable (note 25)	21,007,534	12,633,699
Other current liabilities	3,645,248	672,064
Total current liabilities	**308,160,733**	**70,754,710**
Non-current liabilities		
Long-term notes payable (note 20)	-	87,357,123
Long-term convertible notes (note 20)	-	64,897,343
Long-term lease obligations (note 17)	21,422,671	22,285,277
Long-term derivative liabilities (note 20)	-	3,230,322
Deferred tax liability (note 25)	26,707,910	15,941,348
Total non-current liabilities	**48,130,581**	**193,711,413**
Total liabilities	**356,291,314**	**264,466,123**
Shareholders' equity		
Share capital (note 21)	342,110,972	342,068,972
Contributed surplus	17,120,356	16,368,382
Cumulative translation adjustment	(5,092,512)	(6,228,062)
Accumulated deficit	(491,547,402)	(352,649,020)
Non-controlling interest (note 26)	7,022,373	11,705,986
Total shareholders' equity (deficit)	**(130,386,213)**	**11,266,258**
Total liabilities and shareholders' equity	**225,905,101**	**275,732,381**

Nature of operations and going concern (note 1)
Segmented results (note 30)
Restatement of 2022 Financial Results (note 33)
Subsequent events (note 34)
Commitments and contingencies (note 29)

Approved by the Board

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

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE PROFIT AND LOSS

(In Canadian Dollars)

	Year ended 31-Dec-23	Year ended 31-Dec-22 *Restated (note 33)*
	$	**$**
Revenue		
Sales revenue (note 23)	88,333,249	87,714,962
Cost of goods sold, before fair value adjustments	57,134,380	65,203,119
Gross Profit before fair market value adjustments	**31,198,869**	**22,511,843**
Unrealized changes in fair value of biological assets	494,783	2,867,768
Realized fair value amounts included in inventory sold	(2,208,445)	(2,709,239)
Gross profit after fair market value adjustments	**29,485,207**	**22,670,372**
Operating Expenses		
General and administration (note 24)	28,022,215	21,854,593
Marketing expenses	1,783,015	3,011,690
Share-based compensation (note 21)	751,975	477,980
Depreciation and amortization (note 15, 16)	3,783,648	6,060,810
Bad debt expense (note 9)	3,418,621	879,296
Total Operating Expenses	**37,759,474**	**32,284,369**
Income (loss) from operations before other expenses	**(8,274,267)**	**(9,613,997)**
Other expense (income)		
Interest earned on promissory notes (note 10)	(3,038,994)	-
Other income	(392,048)	-
Accreted interest, leases (note 17)	2,698,285	2,661,133
Finance expense (note 20)	30,800,766	21,608,773
Acquisition costs (note 34)	492,220	-
Business transaction costs	640,583	-
Loss on debt extinguishment (note 20)	-	4,296,428
(Gain) loss on debt modification (note 20)	(518,461)	-
(Gain) on valuation of financial instruments (note 20)	(2,539,091)	(803,868)
Loss on disposal of assets (note 15)	1,396	21,437
(Gain) or loss on settlement of debt (note 20)	138,799	(16,038,580)
Impairment of property, plant and equipment (note 15)	33,983,322	-
Impairment of intangible assets (note 16)	26,898,966	29,539,510
Impairment of goodwill (note 18)	24,317,700	185,224,787
Foreign exchange	(5,244,810)	3,184,091
Total other expenses (income)	**108,238,633**	**229,693,711**
Loss before income taxes	**(116,512,900)**	**(239,307,708)**
Current income tax (expense)/recovery (note 25)	(8,814,581)	(13,617,128)
Deferred income tax recovery (note 25)	(11,169,781)	10,139,713
Net loss from continuing operations	**(136,497,262)**	**(242,785,123)**
Gain (loss) from discontinued operations (note 31)	(7,084,732)	657,394
Net loss for the period	**(143,581,994)**	**(242,127,729)**
Translation adjustment (note 33)	1,135,552	(10,839,324)
Net loss and Comprehensive loss	**(142,446,442)**	**(252,967,053)**
Net loss from continuing operations attributable to:		
Shareholders	(131,813,650)	(236,428,852)
Non-controlling interests (note 26)	(4,683,612)	(6,356,272)
Net loss and comprehensive loss attributable to:		
Shareholders	(137,762,830)	(246,610,782)
Non-controlling interests (note 26)	(4,683,612)	(6,356,272)
Net loss per share, basic and diluted (note 22)	**(0.28)**	**(0.60)**
Weighted average number of outstanding common shares, basic and diluted (note 22)	**469,940,379**	**392,443,765**

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In Canadian Dollars)

For the year ended December 31, 2022, restated (note 33)	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
	#	$	#	$	#	$	$	$	$	$	$
Balances, January 1, 2022	3,181,250	5,637,175	92,985,275	46,736,677	260,860,351	229,792,308	18,062,258	14,192,749	(692,849)	(116,877,562)	196,850,756
Exercise of restricted share units (note 21)	-	-	-	-	910,000	406,850	-	(406,850)	-	-	-
Exercise of stock options (note 21)	-	-	-	-	100	105	-	(40)	-	-	65
Issuance of restricted share units (note 21)	-	-					-	472,750	-	-	472,750
Conversion of preferred shares I to common shares (note 21)	(3,181,250)	(5,637,175)	-	-	3,181,250	5,637,175	-	-	-	-	-
Preferred shares conversion (note 21)	-	-	(129,985,275)	(83,682,864)	139,125,139	83,682,864	-	-	-	-	-
Share based compensation (note 21)	-	-	-	-	-	-	-	5,230	-	-	5,230
Shares issued for Pharmaco, Inc. (note 7)	-	-	37,000,000	36,946,187	37,000,000	19,200,750	-	-	-	-	56,146,937
Shares issued for derivative liability (note 20)	-	-	-	-	6,004,594	1,104,873	-	-	-	-	1,104,873
Shares issued for the settlement of debt (note 20)	-	-	-	-	22,440,467	2,244,047	-	-	-	-	2,244,047
Equity portion of convertible debentures (note 20)	-	-	-	-	-	-	-	2,104,543	-	-	2,104,543
Currency translation adjustment	-	-	-	-	-	-	-	-	(5,535,213)	-	(5,535,213)
Net loss	-	-	-	-	-	-	(6,356,272)	-	-	(235,771,458)	(242,127,730)
Balances, December 31, 2022, *restated*	-	-	-	-	**469,521,901**	342,068,972	11,705,986	16,368,382	(6,228,062)	(352,649,020)	11,266,258

For the year ended December 31, 2023	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	(6,228,062)	(352,649,020)	11,266,258
Stock based compensation (note 21)	-	-	-	-	-	-	-	773,142	-	-	773,142
Stock option forfeitures (note 21)	-	-	-	-	-	-	-	(21,168)	-	-	(21,168)
Issuance of shares for debt settlement (note 20, 21)	-	-	-	-	700,000	42,000	-	-	-	-	42,000
Currency translation adjustments	-	-	-	-	-	-	-	-	1,135,550	-	1,135,550
Net loss	-	-	-	-	-	-	(4,683,613)	-	-	(138,898,382)	(143,581,995)
Balance, December 31, 2023	-	-	-	-	**470,221,901**	**342,110,972**	**7,022,373**	**17,120,356**	**(5,092,512)**	**(491,547,402)**	**(130,386,213)**

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In Canadian Dollars)

	For the Year Ended 31-Dec-23	For the Year Ended 31-Dec-22, Restated ***(note 33)***
	$	$
Cash flow from operating activities:		
Net loss for the period	**(143,581,994)**	**(242,127,730)**
Items not involving cash:		
Accreted interest on leases (note 18)	2,698,285	2,661,133
Depreciation of right-of-use assets (note 18)	1,638,950	1,721,906
Depreciation of property, plant and equipment (note 15)	3,783,648	4,266,602
Disposal of property, plant and equipment (note 15)	1,396	21,439
(Gain) loss on extinguishment of debt (note 20)	-	4,296,428
Accrued interest on short-term notes (note 20)	16,500,363	10,555,776
Accreted interest on short-term notes (note 20)	302,366	-
Accrued interest on convertible debentures (note 20)	6,885,071	9,030,278
Accreted interest on convertible debentures (note 20)	4,491,949	-
Accrued interest on credit facility (note 20)	2,187,017	3,830,665
Amendment fees on credit facility (note 20)	136,756	-
Finance Fees	-	1,127
Revaluation of financial instruments (note 20)	(2,539,090)	(803,868)
Accrued interest on interest receivable (note 10)	(2,068,176)	-
Amortized discount on note receivable (note 10)	(970,818)	-
(Gain)/Loss on Debt Modification (note 20)	(518,461)	(16,038,580)
Stock based compensation (note 21)	751,975	5,230
Write off of deposit and bad debts (note 20)	-	1,229,227
Issuance of restricted share units (note 21)	-	472,750
Realized (gain) loss in cost of sales	(2,208,445)	2,709,239
Fair value adjustment on biological assets	494,783	(2,867,768)
Impairment of goodwill (note 18)	24,317,700	185,224,787
Impairment of intangible assets (note 16 and 31)	32,180,267	29,539,510
Impairment of Property, Plant and equipment (note 15)	33,983,322	-
Changes in non-cash working capital items:		
Accounts receivable (note 9)	(12,118,833)	(253,179)
Prepaid expenses (note 11)	67,986	(391,078)
Deposits (note 12)	(3,097,321)	-
Inventory (note 13)	1,078,566	(4,923,884)
Biological Assets (note 14)	(518,750)	5,095,728
Accounts payable and accrued liabilities (note 19)	4,866,996	(8,644,124)
Current Income tax payable (note 25)	8,761,489	8,292,238
Deferred income taxes (note 25)	11,049,822	(16,320,749)
Other assets	(869,369)	-
Other liabilities	3,645,248	296,515
Net cash provided by (used in) operating activities	**(8,667,302)**	**(23,120,382)**
Cash flows from investing activities		
Acquisition of property, plant and equipment (note 15)	(2,028,920)	(4,232,711)
Acquisition of Intangible assets (note 16)	(102,167)	-
Acquisition of right-of-use assets (note 17)	(84,860)	67,323
Acquisition of Pharmaco, Inc. (note 7)	-	748,464
Net cash provided by (used in) investing activities	**(2,215,947)**	**(3,416,924)**
Cash flow from financing activities:		
Exercise of stock options (note 21)	-	65
Issuance of short-term note (note 20)	7,894,225	2,847,281
Amendment of short-term notes payable (note 20)	19,257,093	6,363,456
Principal payments on short-term notes (note 20)	(1,330,466)	-
Interest payments on short-term notes (note 20)	(3,594,809)	-
Interest payment on convertible debt (note 20)	(1,246,874)	-
Interest payments on credit facility (note 20)	(354,155)	(1,045,331)
Amendment fee payments on credit facility (note 20)	(91,059)	-
Addition to leases (note 17)	78,850	-
Principal payments on lease obligations (note 18)	(305,512)	(505,244)
Interest payments on lease obligations (note 18)	(2,698,285)	(2,666,326)
Net cash provided by (used in) financing activities	**17,609,008**	**4,993,901**
Foreign exchange affecting cash equivalents	(7,221,465)	6,538,003
Effect of cumulative translation adjustment due to restatement (note 33)	-	16,933,787
Change in cash and equivalents during the year	(495,706)	1,928,385
Cash and equivalents, beginning of year	2,747,138	818,753
Cash and equivalents, end of year	**2,251,432**	**2,747,138**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Red White & Bloom Brands Inc., (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" (note 34). The Company was incorporated on March 12, 1980, pursuant to the Business Corporations Act, British Columbia, with its registered office is located at 1890-1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

RWB is a multi-state operator in the United States conducting operations in the legal cannabis industry. The principal activity of the Company is the sale of a diverse range of high-quality cannabis-based products delivered through its distribution and retail channels. The Company operates twelve (12) licensed adult-use and medical retail dispensaries located in the legal states of Michigan and Florida. Through its distribution operations, RWB has extended its penetration in the U.S. market, through direct sales to licensed retailers, in the states of Michigan and California. As of December 31, 2023, the Company, in accordance with its asset-light strategy, was in the process of expanding its brand footprint to include licensing of its key Platinum and Platinum Vape brands in the emerging state of Ohio. As of December 31, 2023, the Company had established a footprint in the legal states of Arizona and Missouri.

The audited consolidated financial statements for the year ended December 31, 2023, and restated 2022 (the "Financial Statements"), have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2023, the Company incurred accumulated net comprehensive losses of $491,547,402 (restated 2022; $352,649,020) since inception, including non-cash impairments of $85,199,988 realized in fiscal 2023 (restated 2022; $214,764,297) (note 15, 16, and 18). For the year ended December 31, 2023, the Company incurred a comprehensive net loss of $142,446,442 (restated 2022; $252,967,053). Working capital deficit (current assets less current liabilities) as at December 31, 2023 was $232,279,546 (2022; $35,508,759). Net cash used in operations was $8,667,302 (restated 2022; $23,120,382).

The Company's operations are mainly funded with debt and equity financing, which is dependent upon many external factors. Access to these sources of financing continue to be constrained given the state of the global cannabis markets. 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 able to be raised through the aforementioned sources of funding, may result in the delay, postponement, or curtailment of some of its operating activities. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following the December 31, 2023, fiscal year end. To address its financing requirements, the Company continues to aggressively pursue several available options including financing via debt and equity markets to fund growth initiatives, both organic and acquisitive, and monetization of captive assets; tangible and intangible. The Company will also continue to seek to improve its cash flow by prioritizing operating initiatives with greater expected returns and 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 secure sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company's ability to raise capital in various formats may be adversely impacted by cannabis market conditions that may restrict sources of funding and increased competition across the industry resulting in compression of operating margins. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favorable to the Company or at all. If the going concern assumption were not appropriate for the Financial Statements for the year ended December 31, 2023, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the consolidated statements of financial position classifications used; such adjustments could be material. These factors cast significant doubt upon the Company's ability to continue as a going concern.

2. BASIS OF PRESENTATION

A. STATEMENT OF COMPLIANCE

The Company's audited consolidated financial statements ("Financial Statements") have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2023, and 2022.

These Financial Statements were authorized for issuance by the Company's Board of Directors and Audit Committee on April 29, 2024.

B. BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis except for biological assets and certain financial instruments classified as fair value through profit or loss, which are measured at fair value, as detailed in Note 6. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

C. FUNCTIONAL AND PRESENTATION CURRENCY

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

3. BASIS OF CONSOLIDATION

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.

(In Canadian Dollars)

Subsidiaries with controlling interest within these Financial Statements include:

Subsidiary	Source Currency	Jurisdiction	% Ownership As at 31-Dec-23	% Ownership As at 31-Dec-22 Restated (note 33)
Red White & Bloom Brands Inc. (Parent)	CAD	British Columbia, Canada	100%	100%
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
MichiCann Medical Inc.	CAD	Ontario, Canada	100%	100%
(1) RWB (PV) Canada, Inc.	CAD	Ontario, Canada	100%	-
PV CBD, LLC	USD	California, United States	100%	100%
(1) RWB California, Inc.	USD	California, United States	100%	-
RWB Platinum Vape Inc.	USD	California, United States	100%	100%
(4) Vista Prime Management, LLC	USD	California, United States	100%	100%
(4) Vista Prime 3, Inc.	USD	California, United States	100%	100%
(4) Vista Prime 2, Inc.	USD	California, United States	100%	100%
(4) Mid-American Growers, Inc.	USD	Delaware, United States	100%	100%
(3) (4) RLTY USA Corp.	USD	Delaware, United States	100%	100%
(3) (4) 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%
(4) Real World Business Integration, LLC	USD	Illinois, United States	100%	100%
(4) 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%	-
(2) RLTY Beverage 1 LLC	USD	Delaware, United States	Dissolved	100%
(2) RLTY Development MA 1 LLC	USD	Delaware, United States	Dissolved	100%
(2) Mid-American Cultivation, LLC	USD	Illinois, United States	Dissolved	100%
(2) RWB Freedom Flower, LLC	USD	Illinois, United States	Dissolved	100%
(2) RWB Shelby, Inc.	USD	Illinois, United States	Dissolved	100%
(2) RLTY Development Orange LLC	USD	Massachusetts, United States	Dissolved	100%
(2) RLTY Development Springfield LLC	USD	Massachusetts, United States	Dissolved	100%

(1) Newly incorporated: RWB (PV) Canada, Inc. (March 7, 2023) – also registered in Alberta, RWB California, Inc. (February 7, 2023)
(2) Dissolved: 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).
(3) Reinstated: RLTY USA Corp (August 28, 2023), RWB Illinois, Inc. (August 30, 2023)
(4) Discontinued Operations

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 came in effect for annual periods beginning on or after January 1, 2023.

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, 2024, 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.

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

A. BUSINESS COMBINATIONS AND ACQUISITIONS

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

B. CONTROL

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

C. EXPECTED CREDIT LOSS ON RECEIVABLES

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

For select receivables resulting from licensing revenues, Management applies the general approach, as defined in IFRS, to measure expected credit losses, which requires two bases on which expected credit losses are measured; 12-month expected credit losses and lifetime expected credit losses.

D. BIOLOGICAL ASSETS AND INVENTORY VALUATION

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

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

E. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

F. ESTIMATED USEFUL LIVES AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

G. ESTIMATED USEFUL LIVES AND AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets with finite lives is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that are amortized are tested for impairment when indicators of impairment exist.

Intangible assets that have indefinite useful lives, such as operating licenses and intellectual property including but not limited to acquired brand names, are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company assess the classification of the useful lives of indefinite life intangible asset at each reporting date to conclude on whether this assessment remains appropriate. Any change in this estimate is accounted for on a prospective basis as a change in estimate.

H. DETERMINATION OF CASH-GENERATING UNITS

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

I. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

J. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

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

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

K. LEASES

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

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

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

L. FAIR VALUE OF FINANCIAL INSTRUMENTS

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using the most appropriate valuation technique. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost.

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

M. CONVERTIBLE DEBENTURES

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

N. SHARE-BASED COMPENSATION

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

O. CONVERTIBLE PREFERRED SHARES AND UNITS

The Company is authorized for an unlimited number of preferred shares. The Company reserves and authorizes the issuance of the number of common shares required to satisfy the conversion of each outstanding preferred share.

Series I preferred shares are convertible on a one-to-one basis, into common shares of the Company. On liquidation, Series I preferred shareholders are entitled to receive cash out on the assets of the Company before any amount can be paid out to common shareholders.

Series II preferred shares are convertible at a ratio that requires management to estimate the amount of time that will lapse between the initial issuance of the preferred share and its conversion date, into one common share of the Company. Series II preferred shares automatically converts into common shares on the anniversary date. On liquidation, Series II preferred shareholders are entitled to receive cash out on the assets of the Company before any amount can be paid common shareholders or Series I preferred shareholders.

P. REVENUE RECOGNITION

The Company assesses its contracts in accordance with IFRS 15;

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

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

Q. DEFERRED INCOME TAX ASSETS

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

R. GOING CONCERN AND LIQUIDITY

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

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

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

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

S. LITIGATION AND CLAIMS RISKS

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

6. MATERIAL ACCOUNTING POLICIES

A. FOREIGN CURRENCY TRANSLATION

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

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

- Assets and liabilities are translated at the spot rate in effect at the end of the reporting period
- Non-monetary assets and liabilities are translated at the historic exchange rate, with accumulative depreciation or amortization translated at average rate
- Equity is translated at the historical exchange rate
- Revenues and expenses are translated at the average exchange rate for the period.

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

B. CASH AND CASH EQUIVALENTS

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

C. EXPECTED CREDIT LOSSES ON RECIEVABLES

Accounts receivables are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered (note 9).

D. INVENTORY

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost or net realizable value (note 13). Inventories of harvested cannabis are transferred from biological assets to raw materials at their fair value less costs to sell at the point of harvest which becomes the initial cost of inventory. Any subsequent post-harvest costs, either direct or indirect, are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory are written down to net realizable value.

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

- Direct materials such as packages, labels, and bottles.
- Direct labour for individuals who participate in the respective manufacturing processes which includes trimming, drying and packaging.
- Indirect labour for personnels’ time spent related to the respective manufacturing processes.
- Indirect materials consumed related to the manufacturing processes.
- Utilities related to the post-harvest process.
- Depreciation and maintenance on manufacturing and packaging equipment.
- Quality assurance conducted for finished goods.

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

E. BIOLOGICAL ASSETS

The Company's biological assets (note 14) consist of cannabis plants, at various stages of growth, which are valued at fair value at each reporting date. Fair value is calculated as the future selling price less cost to sell.

Fair Value Measurement:

The Company measures fair value of its biological assets at each reporting date using the future selling price less costs to sell. Fair value is determined using a model which estimates the expected harvest yield in grams for plants being cultivated as of the reporting date, and incorporates the stage of growth of the plants, the expected selling price per gram, , estimated attrition of plants during their life cycle and any additional costs to be incurred, such as post-harvest costs.

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

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

Sensitivity Analysis

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

Costs to Sell

Cost to sell include all direct and indirect costs relating to biological transformation, which are capitalized to biological assets during their life cycle.

The direct and indirect costs include the following:

- Direct materials consumed in the growing process such as soil, chemicals, fertilizers, and other supplies.
- Direct labour for individuals who work in the cultivation department.
- Indirect labour for other personnels' time spent related to the cultivation process.
- Indirect materials consumed related to the cultivation process.

- Utilities related to the cultivation process.
- Depreciation and maintenance of production equipment.
- Quality assurance processes conducted on the plants.

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

F. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment (note 15) is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recorded on a straight-line basis over the estimated useful life less residual value. Cost is comprised of expenditures that are directly attributable to the acquisition of the asset in addition to other varied costs associated with bringing the assets to a state of commercial readiness. Property, plant, and equipment that is not placed into use is not depreciated until placed in use.

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

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

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

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

G. INTANGIBLE ASSETS

The Company's finite life intangible assets (note 16) are recorded at fair market value less any accumulated amortization and impairment losses, if any, and are assessed for indicators of impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Amortization is recorded on a straight-line basis over the estimated useful life less residual value. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of the asset and recognized in the consolidated statements of income (loss) and comprehensive income (loss).

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

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

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

H. GOODWILL

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

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

I. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

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

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

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

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

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

J. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the assets belong. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of income (loss) and comprehensive income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

K. SHARE CAPITAL

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

L. REVENUE RECOGNITION

The Company assesses its contracts in accordance with IFRS 15

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

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

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

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

The Company’s revenue is comprised of three sales channels (i) Retail Revenue, (ii) Distribution Revenue, and (iii) Licensing Revenue.

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

(ii) **Distribution Revenue**: Revenue from sales to customers through the Company’s distribution channel are recognized, net of promotional discounts at the time of sale, estimated returns and sales taxes, when control of the goods has transferred to the customer. Where the Company arranges the shipping of goods, revenue is recognized on the date the goods are shipped from the Company’s warehouse or third-party distribution partner (FOB shipping point). Where the customer arranges for the pickup of goods, revenue is recognized at the time the goods are transferred to the customer’s carrier. Costs to ship orders to customers are included as an expense in cost of goods sold. As stated above, reserves for sales returns have not been historically material to the financial statements.

(iii) **Licensing Revenue**: Revenue from sales to licensed third party distributors of non-THC, branded products and licensing fees associated with the consumption of non-THC branded products.

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

M. SHARE-BASED COMPENSATION

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

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

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

N. COST OF GOODS SOLD

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

O. OPERATING SEGMENTS

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

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

(1) ***Corporate segment*** which includes the publicly traded parent company and is a cost centre for related public reporting and administrative costs.
(2) ***Distribution segment*** which includes subsidiaries that are (a) licensed to manufacture, process and distribute Company branded cannabis products and accessories directly to licensed retailers in states of Michigan and California where the sale of cannabis products is legal and (b) engaged in the sale of non-THC branded products used to manufacture licensed Company cannabis product offerings by licensed manufacturers and distributors in the states where the sale of cannabis products is legal.
(3) ***Licensing segment*** which includes sales of branded products and licensing fees from third party distributors.
(4) ***Retail segment*** which sells both Company branded and third-party cannabis products and accessories to the adult-use and medical markets in the states of Florida and Michigan where the sale of cannabis product offerings by licensed retailers is legal.

All other non-reporting segments are included in an 'Other' category. The CODMs assess the aforementioned segment performance based on their respective operating income or loss.

P. LOSS PER SHARE AND DILUTED LOSS PER SHARE

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

The inclusion of the Company's stock options, restricted stock units, warrants and convertible securities in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

Q. INCOME TAXES

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

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

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

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

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

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

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

R. FINANCIAL INSTRUMENTS

The Company recognizes a financial asset or liability when it becomes party to the contractual provisions of instrument. The Company classifies its financial assets and financial liabilities in accordance with IFRS 9, which establishes three primary measurement categories for financial assets:

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

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

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

Asset or Liability	Classification under IFRS 9	Measurement
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Notes receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other current assets	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Notes payable	Amortized cost	Amortized cost
Credit facility	Amortized cost	Amortized cost
Other current liabilities	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value

Recognition and subsequent measurement

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

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

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

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

Classification

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

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

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

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

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

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

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

Impairment of financial instruments

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

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

Derecognition of financial assets

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

Fair value hierarchy

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

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

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

Level 3 inputs include management's subjective estimates used to assess indicators of impairment.

S. CONVERTIBLE DEBENTURES

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

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

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

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

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

T. DERIVATIVE LIABILITIES

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

U. BUSINESS COMBINATIONS AND GOODWILL

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

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

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

V. PROVISIONS AND CONTINGENT LIABILITIES

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

W. RELATED PARTY TRANSACTIONS

An individual or close family member is considered a related party to the Company if that person:

- has control or joint control over the Company.
- has significant influence over the Company.
- is a member of key management personnel.

An entity is related to the Company if:

- the entity shares common members as the Company.
- the entity is an associate or joint venture with the Company.
- both entities are joint ventures of the same third party
- one entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- the entity is controlled or jointly controlled by a related party person.
- a related party person has significant influence over the entity or is a member of the key management personnel of the entity.
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Company.

(In Canadian Dollars)

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 1st, 2023. All Series II Preferred Shares issued in relation to the Pharmaco Acquisition were converted into common shares of the Company by April 24, 2022 (note 21).

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

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

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

(In Canadian Dollars)

8. CASH AND EQUIVALENTS

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Cash in bank	1,783,426	2,196,902
Cash on hand	407,093	369,780
Cash in transit	60,913	180,456
Total cash	**2,251,432**	**2,747,138**

Cash on hand is typically cash amounts at various retail locations and petty cash kept on hand to settle immediate needs of the day-to-day operations. Cash in bank includes cash held at various financial institutions contracted by the Company. Cash in transit represents cash deposits collected from the Company's retail locations on route to be deposited into the accounts maintained by the Company at various financial institutions. Cash-in-transit deposits typically have a twenty-four to forty-eight hour transit time before they are recognized by the respective financial institutions for the benefit of the Company.

9. ACCOUNTS RECEIVABLE

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

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Trade receivables	24,552,746	9,605,460
Sales tax receivable	418,236	450,848
Other receivables	164,219	-
Total receivables before expected credit losses	**25,135,201**	**10,056,308**
Provision for expected credit losses	(4,764,782)	(1,617,165)
Balance, year ended	**20,370,419**	**8,439,143**

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

(In Canadian Dollars)

The Company assessed the carrying amount of trade receivables at December 31, 2023, for expected credit loss ("ECL") and included an expected credit loss of $4,764,782 (restated 2022; $1,617,165) against receivables. In the year ended December 31, 2023, the Company expensed $3,418,621 to expected credit loss and bad debt expense on the consolidated statement of income (loss) and comprehensive income (loss) relating to expected credit losses (restated 2022; $879,296).

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2023 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	9,646,910	1,438,123	3,735,616	1,135,671	8,596,426	24,552,746
Expected Credit Losses	(15,284)	(81,965)	(268,010)	(168,096)	(4,231,427)	(4,764,782)
Net Trade Receivables	**9,631,626**	**1,356,158**	**3,467,606**	**967,575**	**4,364,999**	**19,787,964**
Sales tax recoverable	-	-	-	-	-	418,236
Other receivables	-	-	-	-	-	164,219
Balance, Dec. 31, 2023	**9,631,626**	**1,356,158**	**3,467,606**	**967,575**	**4,364,999**	**20,370,419**

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

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

Sales tax receivable represents input tax credits on purchased goods or services. The Company does not include sales tax recoverable within its ECL calculations as management deems this as fully collectible as of the date of these financial statements.

10. NOTES RECEIVABLE

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

Note	Date of Issue	Maturity date	Interest	As at **31-Dec-23**	As at **31-Dec-22** ***Restated*** *(note 33)*
			%	$	$
AH Note Receivable	2023-07-26	2023-11-23	Prime + 9%	16,777,457	-
AH DIP Note	2023-06-06	2023-12-24	12.50%	7,927,257	-
Total notes receivable				**24,704,714**	**-**

(In Canadian Dollars)

The Company's notes receivable for the year ended December 31, 2023, is as follows:

	$
Balance, December 31, 2022	-
Additions	24,811,000
Coupon Interest	2,068,174
Amortization of discount	970,820
Principal Payments	(3,145,280)
Balance, December 31, 2023	**24,704,714**
Short-term	24,704,714
Long-term	-

During the year ended December 31, 2023, the Company accrued interest amounting to $2,068,174 (restated 2022; $nil) to other income on the consolidated statement of profit and loss and other comprehensive profit and loss relating to interest income earned on its notes receivable.

AH Note Receivable

On June 6, 2023, the Company and Aleafia Health Inc. ("Aleafia") entered into a binding letter agreement ("the Aleafia Letter Agreement") whereby the Company agreed to acquire Aleafia and its subsidiaries in a business combination transaction. Concurrent with the execution of the Letter Agreement, the Company was assigned and acquired an arm's length senior secured debt owed by Aleafia to an arm's length lender (the "AH Note Receivable"). The Company acquired the AH Note Receivable at a discounted purchase price of $12,500,000 (note 34). An advance of $1,500,000 was made to Aleafia under the AH Note Receivable subsequent to the assignment and acquisition transaction. The Company and Aleafia mutually agreed to terminate the Letter Agreement on July 14, 2023 (note 34).

Royal Group Resources Ltd. ("RGR"), an existing creditor of both the Company and Aleafia, provided the Company with a $14,000,000 advance under the Company's existing CAD RGR Grid Note (note 20) to facilitate the purchase of the AH Note Receivable and the funding of the $1,500,000 advance under the AH Note Receivable.

The AH Note Receivable attracts a coupon interest of prime plus 9% per annum and matured on December 24, 2023, and extended to January 12, 2024. The discount on the purchase price, amounting to $1,029,858 will be recognized by the Company over its expected life using the effective interest method and included other income on the consolidated statement of profit and loss and other comprehensive profit and loss.

On July 24, 2023, the Company delivered a formal notice of default to Aleafia for failing to maintain the terms prescribed under the AH Note Receivable triggering an additional 5% per annum on the outstanding loan balance per the terms of agreement.

During the year ended December 31, 2023, the Company accrued interest amounting to $1,086,639, and amortized $970,818 of the discount received on the purchase price (restated 2022; $nil) to other income on the consolidated statement of profit and loss and other comprehensive profit and loss relating to interest income earned on the AH Note Receivable.

The reader is referred to note 34, Subsequent Events, "Aleafia Acquisition", for an update on the status of the AH Note Receivable as of January 12, 2024; being the Aleafia Acquisition closing date.

(In Canadian Dollars)

AH DIP Note

On July 25, 2023, Aleafia announced that it had received an order (the "Initial Order") from the Ontario Superior Court of Justice (Commercial List) (the "Court") under the Companies' Creditors Arrangement Act to facilitate the restructuring of its business and financial affairs ("the Aleafia CCAA Proceedings"). The Initial Order approved debtor-in-possession ("DIP") financing to be provided by the Company to fund the Aleafia CCAA Proceedings and other short-term working capital requirements of up to $6,600,000 (the "AH DIP Note"). Interest on the principal outstanding amount from the date each DIP Advance is made is 12.5% per annum, compounded and calculated weekly and added to the principal amount of on the first day of each month. On execution, a commitment fee of $198,000 was payable by Aleafia representing 3% of the maximum $6,600,000 available to be advanced under the terms of the AH DIP Note (the "AH Commitment Fee"). The AH Commitment Fee has been included in Other Income on the Statement of Financial Position. The continued availability of the AH DIP Note is conditional upon, among other things, certain conditions under the Aleafia CCAA Proceedings being satisfied. A copy of the AH DIP Note term sheet was filed on SEDAR+ on August 17, 2023. Concurrent with approval of the AH DIP Note, The Company secured a commitment from RGR to meet its financing commitment to Aleafia under the AH DIP Note.

On November 3, 2023, a principal repayment of $3,145,280 was made by Aleafia reducing the AH DIP Note outstanding principal to $4,254,720 as of that date. Funding for the principal repayment was secured by Aleafia through the sale of its greenhouse facility located in Grimsby, Ontario (Canada).

On October 31, 2023, the Court granted an ancillary relief order, as part of the Aleafia CCAA Proceedings, approving, among other matters, amendments to the AH DIP Note to increase the financing available to the Aleafia group of companies from $6,600,000 to $8,000,000.

During the year ended December 31, 2023, the Company advanced $10,811,000 under the AH DIP Note and received principal repayments of $3,145,480. The Company also recorded $261,537 in related interest income to other income on the consolidated statement of profit and loss and other comprehensive profit and loss (restated 2022; $nil).

The reader is also referred to note 34 *Subsequent Events*, "Aleafia Acquisition", for an update on the status of the AH DIP Note as of January 12, 2024, being the Aleafia Acquisition date.

11.PREPAID EXPENSES

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Prepaid license	479,651	-
Prepaid taxes	121,271	77,652
Prepaid dues and subscriptions	93,318	34,548
Other prepaid fees	199,796	967,224
Total prepaid expenses	**894,036**	**1,079,424**

(In Canadian Dollars)

12. DEPOSITS

As at December 31, 2023, and December 31, 2022, the Company had the following deposits:

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	$
Vendor deposits	6,271,363	1,272,039
Security deposits	255,797	2,959,736
Other deposits	801,936	-
Total deposits	**7,329,096**	**4,231,775**

On June 23, 2023, the Company advanced $3,972,000 to an arm's length vendor as security for a crop commitment for cannabis biomass to be harvested in late 2023 and delivered commencing early 2024. Under the agreed upon terms of the crop commitment, the vendor must maintain select product parameters for the harvest as defined by the Company.

During the fiscal year ended December 31, 2022, Red White & Bloom Florida, Inc., a wholly owned subsidiary of the Company, 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 2022 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 to Red White & Bloom Florida Inc. by the OMMU on March 21, 2023.

13. INVENTORY

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	$
Cannabis and CBD derivative finished goods	3,470,467	4,740,066
Raw materials	2,160,545	6,598,751
Cannabis and CBD derivative work in process	9,383,070	2,953,773
Consumables and non-cannabis merchandise	331,926	164,423
Inventory provisions	(98,553)	-
Total	**15,247,455**	**14,457,013**

During the year ended December 31, 2023, the total inventory included in cost of sales was $53,047,146 (restated 2022; $62,260,170), which includes an allocation for salaries and wages amounting to $3,567,706 (restated 2022; $4,671,039).

(In Canadian Dollars)

14.BIOLOGICAL ASSETS

The Company's biological assets consist of 9,433 plants growing as at December 31, 2023 (restated 2022; 9,183). The continuity of biological assets is as follows:

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Carrying amount, beginning of year	4,291,458	5,523,061
Acquired from Pharmaco Acquisition	-	579,964
Capitalized cost	6,799,000	13,546,176
Fair value adjustment over/(under) current period	3,383,756	3,301,379
Translation adjustment over/(under) prior period	(83,370)	-
Transferred to inventory	(10,236,302)	(19,075,384)
Effects of foreign exchange	60,124	416,262
Carrying value, end of period	**4,214,666**	**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 year ended 31-Dec-23			For the year ended 31-Dec-22 *Restated (note 33)*		
	Weighted average assumption	10% Change of inputs	Effect on Biological Asset balance	Weighted average assumption	10% Change of inputs	Effect on Biological Asset balance
Yield by plant (grams)	361	397	590,322	192	211	682,020
Attrition rate (%)	14.07%	15.48%	341,637	35.51%	39.06%	395,363
Post-harvest costs per gram	$2.20	$2.42	(248,684)	$2.47	$2.71	(286,735)

During the restated year ended December 31, 2022, within the Retail segment, the Company suffered a crop loss due to pest pressure resulting in the loss of 5,796 previously viable plants, resulting in a higher-than-expected attrition rate. During 2023, within the Retail segment, the cultivation facility at Apopka, Florida suffered a crop loss due to disease. A total of 4,232 plants were lost and destroyed due to the hop latent viroid virus. The cost of the loss event was nominal.

(In Canadian Dollars)

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2023, and restated 2022 (note 33) consists of the following:

	Land	Land Improvements	Building	Building Improvements	Leasehold Improvements	Vehicles	Furniture & Fixtures	Machinery & Equipment	Computer Hardware	Construction In Progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
Balance, December 31, 2021	**609,439**	**1,168,127**	**4,130,160**	**173,299**	**3,855,474**	**195,731**	**321,857**	**10,783,547**	**52,497**	**1,370,651**	**22,660,782**
Additions	-	-	45,550,472	273,041	1,985,807	2,664	154,756	868,672	9,527	2,652,761	51,497,700
Disposals	-	-	-	-	(17,424)	-	-	(54,878)	-	-	(72,302)
Balance, December 31, 2022, *restated*	**609,439**	**1,168,127**	**49,680,632**	**446,340**	**5,823,857**	**198,395**	**476,613**	**11,597,341**	**62,024**	**4,023,412**	**74,086,180**
Additions	-	-	-	25,137	261,202	-	7,684	626,294	-	1,043,628	1,963,945
Disposals	-	-	-	-	-	-	-	(8,754)	-	-	(8,754)
Disposals from discontinued entities	-	-	-	-	-	(106,627)	(10,543)	(197,232)	-	-	(314,402)
Impairments	-	(10,629)	(30,639,038)	(88,561)	-	-	-	-	-	(3,245,094)	(33,983,322)
Foreign currency movement	-	588	1,694,945	4,899	6,588	-	-	(8,754)	-	199,475	1,897,741
Balance, December 31, 2023	**609,439**	**1,158,086**	**20,736,539**	**387,815**	**6,091,647**	**91,768**	**473,754**	**12,008,895**	**62,024**	**2,021,421**	**43,641,388**
Accumulated depreciation											
Balance, December 31, 2021	**-**	**6,340**	**(234,037)**	**-**	**388,578**	**60,768**	**35,286**	**739,651**	**20,242**	**-**	**1,016,828**
Depreciation	-	5,294	1,413,699	105,444	964,391	28,447	90,170	1,911,820	14,473	-	4,533,738
Disposals	-	-	-	-	-	-	-	(9,740)	-	-	(9,740)
Balance, December 31, 2022, *restated*	**-**	**11,634**	**1,179,662**	**105,444**	**1,352,969**	**89,215**	**125,456**	**2,641,731**	**34,715**	**-**	**5,540,826**
Depreciation	-	10,187	1,162,164	129,593	1,049,908	3,655	92,000	2,122,872	14,468	-	4,584,847
Depreciation from discontinued entities	-	-	-	-	-	27,352	763	9,176	2,418	-	39,709
Disposals	-	-	-	-	-	(54,412)	(3,951)	(38,327)		-	(96,690)
Impairments	-	(579)	-	(60,527)	-	-	-	-	-	-	(61,106)
Foreign currency movement	-	1,522	63,802	60,484	8,335	858	16,708	153,345	(16)	-	305,038
Balance, December 31, 2023	**-**	**22,765**	**2,405,628**	**234,994**	**2,411,212**	**66,668**	**230,976**	**4,888,797**	**51,586**	**-**	**10,312,626**
Net book value											
Balance, December 31, 2022, *restated*	609,439	1,156,492	48,500,970	340,896	4,470,888	109,180	351,157	8,955,610	27,309	4,023,412	68,545,353
Balance, December 31, 2023	**609,439**	**1,135,321**	**18,330,911**	**152,821**	**3,680,435**	**25,100**	**242,778**	**7,120,098**	**10,438**	**2,021,421**	**33,328,762**
Depreciation expense capitalized to inventory in the period											
Capitalized, December 31, 2022 restated	-	(50,814)	(20,400)	(6,204)	(378,008)	(3,118)	-	(755,010)	-	-	(1,213,554)
Capitalized, December 31, 2023	-	-	(257,563)	(550,969)	(461,088)	(3,045)	-	(1,167,579)	-	-	(2,440,244)
Depreciation Expense, December 31, 2023	-	10,187	904,601	(421,376)	588,820	609	92,000	955,293	14,468	-	2,144,602

During the year ended December 31, 2023, the Company realized an impairment charge of totalling $33,983,322 (restated 2022; $nil) against the carrying value of fixed assets held by Pharmaco Inc., a wholly owned subsidiary of RWB, whose shares were acquired on February 7, 2022 (note 7). The charge stems from a re-assessment of the recoverable value of the acquired operations' property, plant and equipment as the Company continues to evaluate restructuring alternatives for the operations. The balance of carrying value of property, plant and equipment as of December 31, 2023, represents management's best estimate of the aforementioned assets' value in use as of December 31, 2023.

(In Canadian Dollars)

16. INTANGIBLE ASSETS

A continuity of the intangible assets for 2023 and restated 2022, is as follows:

	Brand	Licenses	Total
	$	$	
Costs			
Balance, December 31, 2021	**32,848,560**	**83,213,580**	**116,062,140**
Addition – Pharmaco Acquisition	-	29,242,034	29,242,034
Impairment	-	(29,539,510)	(29,539,510)
Foreign exchange movement	1,142,940	1,193,092	2,336,032
Balance, December 31, 2022 restated (note 33)	**33,991,500**	**84,109,196**	**118,100,696**
Additions	-	102,167	102,167
Impairments in continuing operations	-	(26,898,966)	(26,898,966)
Impairments in discontinued operations	-	(5,281,301)	(5,281,301)
Foreign exchange movement	-	1,228,915	1,228,915
Balance, December 31, 2023	**33,991,500**	**53,260,011**	**87,251,511**

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, 2023 as indefinite life intangible assets.

Intangible asset Impairments

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

During the year ended December 31, 2023, as part of its annual impairment review related to identifiable intangibles, the Company recognized an impairment charge against the previously recognized carrying value of cultivation licenses granted in the state of Massachusetts totalling $5,281,301. The charge stems from the Company's ongoing strategic review of select assets operations and their recoverable value as at December 31, 2023. The charge is included in Company's discontinued operations for the year ended December 31, 2023 (note 31).

(In Canadian Dollars)

During the year ended December 31, 2023, as part of its annual impairment review of previously recognized identifiable intangibles, the Company realized an impairment charge against the previously recognized carrying value of adult-use and medical retail licenses granted in the state of Michigan to Pharmaco Inc., a wholly owned subsidiary of RWB whose shares were acquired on February 7, 2022 (note 7), totalling $26,898,966. The charge stems from a re-evaluation of the acquired Pharmaco retail operations, operating as a part of the CGU within the Retail segment, of its tangible and intangible assets as well as goodwill, as the Company continues to evaluate restructuring alternatives for the operations. The balance of carrying value of the identifiable intangibles as of December 31, 2023, represents management's best estimate of the aforementioned assets' value in use as of December 31, 2023.

During the year ended December 31, 2022, the Company recognized 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 identifiable intangible assets during the Company's 2023 annual impairment review were the applicable discount rate (18%), or cost of capital and the revenue growth rate which varied based on select operating assumptions associated with the valuation methodology applicable to the CGU. Should any of these key assumptions materially change from the rates utilized by the Company for the 2023 fair value assessment, the estimated fair value may be impacted and could potentially result in additional impairment charges in future periods. The Company will continue to proactively monitor potential impairment conditions in future periods which may result in the Company having to perform a quantitative intangible assets impairment assessment at a time other than at the next fiscal year end of the Company.

17. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	$
Opening balance	18,988,224	18,393,156
Additions	84,860	2,349,537
Depreciation for the period	(1,638,950)	(1,722,904)
Effects of foreign exchange	129,800	(31,565)
Balance, December 31, 2023	**17,563,934**	**18,988,224**

(In Canadian Dollars)

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	$
Opening balance	22,887,695	19,274,492
Additions	78,850	3,177,419
Interest accretion	2,698,285	2,666,326
Interest payments	(2,698,285)	(2,666,326)
Principal payments	(305,512)	(505,244)
Ending balance	**22,661,033**	**21,946,667**
Effects of foreign exchange	(583,781)	941,028
Less: Short-term lease obligations	(654,581)	(602,418)
Long-term lease obligation	**21,422,671**	**22,285,277**

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

Future minimum lease payments (principal and interest):	31-Dec-23	31-Dec-22 *Restated (note 33)*
	$	**$**
2023	-	3,075,680
2024	3,714,973	3,087,462
2025	3,168,404	3,240,855
2026	3,236,014	3,309,317
2027	3,151,363	3,221,836
2028	3,064,464	-
Thereafter	31,184,273	34,921,078
Total minimum lease payments	**47,519,491**	**50,856,228**
Present value of minimum lease payments	16,299,744	19,022,342
Effect of discounting	9,142,495	8,946,191
Current portion lease obligations	654,581	602,418
Long-term lease obligations	**21,422,671**	**22,285,277**

18.GOODWILL

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Opening balance	**34,852,157**	**11,890,927**
Goodwill resulting from acquisitions	-	192,170,736
Goodwill adjustment - Red White and Bloom Florida, Inc.	-	511,403
Little "r" restatement - Red White and Bloom Florida, Inc.	-	10,358,614
Goodwill Impairment - Pharmaco, Inc.	-	(174,079,006)
Goodwill Impairment - RWB Platinum Vape, Inc.	-	(277,714)
Goodwill impairment - Red white and Bloom Florida, Inc.	-	(10,868,067)
Goodwill Impairment - Pharmaco, Inc.	(24,317,700)	-
Foreign exchange movement	1,345,250	5,145,264
Balance, end of year	**11,879,707**	**34,852,157**

(In Canadian Dollars)

Goodwill impairment

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

An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount. As at December 31, 2023 and restated 2022, the Company applied the VIU method to assess its goodwill.

During the year ended December 31, 2023, based on its aforementioned assessment, the Company recognized an impairment of goodwill associated with its Retail segment totalling $24,317,700 (restated 2022; $184,947,073). The charge stems from a re-evaluation of the Pharmaco retail operations, operating as a part of the CGU within the Retail segment, of its tangible and intangible assets as well as goodwill, as the Company continues to evaluate restructuring alternatives for the operations. The charge fully impairs all goodwill associated with the acquired Pharmaco operations.

During the year ended December 31, 2022, the Company fully impaired the value of goodwill associated with its Distribution operations totalling $277,714.

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

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

	Distribution Segment	Retail Segment	Total
	$	$	$
Balance, beginning of year	**270,565**	**11,620,363**	**11,890,928**
Allocation to Red White & Bloom, Florida Inc.	-	10,870,016	10,870,016
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)
Effects of foreign exchange	7,149	5,138,115	5,145,264
Balance, December 31, 2022	**-**	**34,852,157**	**34,852,157**
Goodwill impairment – Pharmaco, Inc.	-	(24,317,700)	(24,317,700)
Foreign exchange movement	-	1,345,250	1,345,250
Balance, December 31, 2023	**-**	**11,879,707**	**11,879,707**

The key assumptions utilized in deriving the fair value of the goodwill during the Company's 2023 annual impairment review were the applicable discount rate (18%), or cost of capital, and the revenue growth rate which varied based on select operating assumptions associated with the valuation methodology applicable to the CGU. Should any of these key assumptions materially change from the rates utilized by the Company for the 2023 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.

(In Canadian Dollars)

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Trade payables	18,505,987	19,896,024
Accrued liabilities and other	10,024,959	10,799,471
Sales and excise tax payable	13,563,933	6,596,761
Customer deposits	31,040	28,021
Total	**42,125,919**	**37,320,277**

During the year December 31, 2023, the Company had one significant supplier representing 17% of its trade payables. (2022: two significant suppliers representing 17% and 13%)

20. DEBT

A. NOTES PAYABLE

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

	Purpose of Issuance	Date of Issue	Maturity date	Interest[ii]	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
				%	**$**	**$**
USD$828,200 - City of San Diego	Payment plan	2021-10-25	On Demand	7.00%	683,739	686,267
Due to Oakshire	Operations	various	On Demand	0.00%	1,122,887	1,149,885
$16,218 - Ford loan	Operations	2020-11-01	2023-01-12	5.90%	-	325
$26,872 - Ram loan	Operations	2020-09-01	2023-08-15	7.39%	-	4,739
USD$25,885,000 RGR Note[i]	Debt restructure	2022-09-15	2024-09-12	15.00%	41,454,099	36,677,932
USD$2,887,000 TAII Note	Debt restructure	2022-09-15	2024-09-12	15.00%	4,303,312	3,939,834
USD$6,349,000 SDIL Note[i]	Debt restructure	2022-09-15	2024-09-12	15.00%	9,366,259	8,664,359
USD$269,000 SIL Note	Debt restructure	2022-09-15	2024-09-12	15.00%	412,004	367,099
USD$18,300,000 VRT Note	Florida acquisition	2022-09-13	2024-02-12	12.90%+PIK	-	24,849,083
USD$18,300,000 RGR Note[i][ii]	Florida acquisition	2022-09-13	2024-02-12	12.90%+PIK	30,293,342	-
USD RGR Grid Note[i][ii]	Working capital	2022-11-01	2024-09-12	12.00%	25,137,501	10,765,408
CAD$2,210,000 BJMD Note[i]	Debt restructure	2022-09-15	2024-09-12	12.50%+PIK	-	2,226,776
CAD$2,710,000 BJMDSD Note[i]	Debt restructure	2023-02-01	2024-09-12	15.00%	3,028,835	-
CAD RGR Grid Note[i]	Aleafia acquisition and corporate cost	2023-03-27	2024-09-12	12.00%	31,097,879	-
Total notes payable					**146,899,857**	**89,331,707**
Short-term notes payable					146,899,857	1,974,584
Long-term notes payable					-	87,357,123

[i]Held by a related party (note 27) / [ii]See below for details on PIK interest

USD$18,000,000 VRT Note

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 amendment resulted in the extinguishment the Acreage acquisition 2 Note and a resulting loss of $950,400.

USD$18,300,000 VRT Note

The 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.

Interest expense relating to the USD$18,300,000 VRT Note for the year ended December 31, 2023, and 2022, was $3,604,832, and $2,649,177, respectively.

On December 29, 2023, VRT and RGR entered into a assignment agreement (the "VRT Note Transaction") in relation to the USD$18,300,000 VRT Note. The VRT Note Transaction resulted in the assignment, from VRT to RGR, of 100% of VRT's interest in the rights and obligations as set out in the USD$18,300,000 VRT Note.

September 2022 Debt Restructuring

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) The USD$25,885,000 RGR Note

On February 4, 2022, the Company entered into a debenture amending agreement with Royal Group Resources Ltd. ("RGR") in the amount of USD$16,750,000 (the "USD$16,750,000 RGR Note"). The secured USD$16,750,000 RGR Note consolidated the USD$11,500,000 RGR Note, along with USD$224,784 in related interest, owing to RGR, and established new funding of USD$4,987,816. The note bears an interest rate of 12%. Blended payments of

USD$250,000 are payable monthly, first to interest with the residual to principal. The note matures on January 31, 2023. The amendment resulted in the extinguishment the USD$11,500,000 RGR Note and a resulting loss of $64,076. On September 15, 2022, the USD$16,750,000 RGR Note was consolidated into the USD$25,885,000 RGR Note as noted below.

On September 15, 2022, 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, paid-in-kind ("PIK") interest, 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.

On December 31, 2023, the Company and RGR agreed to amend the USD$25,885,000 RGR Note. Under the terms of the amendment, the Company agreed to pay RGR the unpaid principal amount, until the full and final payment of the principal amount becomes due, with USD $1,195,576 in accrued PIK interest added to principal effective January 1, 2023. Interest is to calculate on a compounded monthly basis at 15% per annum, and payable on the original maturity date in arrears and on the date of any prepayment or repayment. All other terms and conditions under the USD$25,885,000 RGR Note remain unchanged. The amendment was subjected to review under IFRS 9 and as a result, the Company recognized $265,309 gain on debt modification.

Interest expense relating to the USD$25,885,000 RGR Note, and the notes consolidated within for the year ended December 31, 2023, and 2022, was $6,025,012, and $5,478,122, respectively.

b) The CAD$2,210,000 BJDM Note

On September 15, 2022, new secured debt was issued totaling CAD$2,210,000 (the "CAD$2,210,000 BJDM Note") bearing 12.5% interest, payable monthly, plus 2.5% PIK interest, compounded monthly. Principal and PIK interest due September 12, 2024.

On February 1, 2023, the Company amended the secured CAD$2,210,000 BJDM Note to update the principal from $2,210,000 to $2,710,000, with all other terms and conditions remaining the same. The amendment was subjected to review under IFRS 9 and as a result, the CAD$2,210,000 BJDM Note was extinguished resulting in $nil gain or loss on extinguishment. $500,000 in additional funding was received by the Company on amendment and the loan was renamed from the "CAD$2,210,000 BJDM Note" to the "CAD$2,710,000 BJDMSD Note" (see details of the CAD$2,710,000 BJDMSD Note below).

Interest expense relating to the CAD$2,210,000 BJDM Note for the year ended December 31, 2023, and 2022, was $27,835, and $100,653, respectively.

c) The USD$5,850,000 OIL Note

On September 15, 2022, the USD$5,000,000 Oakengate Investments Note plus USD$850,000 in related interest was amended to extend 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 amendment of the USD$5,000,000 Oakengate Note was subjected to review under IFRS 9 and as a consequence triggered an extinguishment resulting in a $21,633 loss.

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 upon execution of the OIL Note Purchase Agreement, establishing the secured USD$5,850,000 RGR Note (details below). The Company assessed the modification under IFRS 9 and recorded a debt modification gain of $67,489.

Interest expense relating to the USD$5,850,000 OIL Note for the year ended December 31, 2023, and 2022, was $nil, and $85,981, respectively.

d) The USD$2,887,000 TAII Note, the USD$6,349,000 SDIL Note and the USD$269,000 SIL Note

On September 15, 2022, 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.

On December 31, 2023, the Company amended the USD$2,887,000 TAII Note, the USD$6,349,000 SDIL Note and the USD$269,000 SIL Note. Under the terms of the amendments, the Company agreed to pay the appropriate lenders unpaid principal amount, until the full and final payment of the principal amount becomes due, with USD $21,915, USD $48,194 and USD $2,042, respectively, in accrued PIK interest added to principal effective January 1, 2023. Interest is to calculate on a compounded monthly basis at 15% per annum, and payable on the original maturity date in arrears and on the date of any prepayment or repayment with other terms and conditions remaining unchanged. The amendments were subjected to review under IFRS 9 and as a result, the Company recognized debt modification gains of $68,319, $150,246 and 2,655, respectively.

Interest expense relating to the USD$2,887,000 TAII Note, for the year ended December 31, 2023, and 2022, was $664,441, and $178,707, respectively. Interest expense relating to the USD$6,349,000 SDIL Note, for the year ended December 31, 2023, and 2022, was $1,443,538, and $339,007, respectively, and interest expense relating to the USD$269,000 SIL Note, for the year ended December 31, 2023, and 2022, was $64,023, and $16,651, respectively.

e) USD$5,400,000 DICL Note

On September 15, 2022, 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 along with a related derivative liability component (note 20).

f) USD$5,400,000 SDIL Note

On September 15, 2022, 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 along with a related derivative liability component (note 20).

The CAD$2,710,000 BJDMSD Note

On February 1, 2023, the Company received $500,000 in additional funding on amendment of the CAD$2,210,000 BJDM Note triggering extinguishment under IFRS 9, and the loan was renamed to the "CAD$2,710,000 BJDMSD Note" (see details of the CAD$2,210,000 BJDM Note above).

On December 31, 2023, the of the CAD$2,710,000 BJMDSD Note was amended. Under the terms of the amendment, the Company agreed to pay the lenders the unpaid principal amount, until the full and final payment of the principal amount becomes due, with $21,415 in accrued PIK interest added to principal effective February 1, 2023. Interest is to calculate on a compounded monthly basis at 15% per annum, and payable on the original maturity date in arrears and on the date of any prepayment or repayment. All other terms and conditions under the CAD$2,710,000 BJMDSD Note remain unchanged. The amendment was subjected to review under IFRS 9 and as a result, the Company recognized $20,233 gain on debt modification.

Interest expense relating to the CAD$2,710,000 BJDMSD Note for the year ended December 31, 2023, and 2022, was $408,187, and $nil, respectively.

[1]USD RGR Grid Note

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.

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, with future advances to be documented as part of the USD RGR Grid 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.

During the year ended December 31, 2023, the Company was advanced an additional $18,757,063 (USD$13,950,000) in relation to the USD RGR Grid Note and has made principal repayments of $1,293,125 (USD$950,000). Interest incurred for the year ended December 31, 2023, was $2,638,440. Interest incurred on the USD$5,850,000 RGR Note and USD$7,850,000 RGR Note for the year ended December 31, 2023, was $259,653 (restated 2022; $nil).

Proceeds from the advances made under the USD RGR Grid Note were used by the Company for working capital and debt service purposes.

CAD RGR Grid 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 due on the last day of each month.

During the year ended December 31, 2023, the Company was advanced $32,705,225, in relation to the CAD RGR Grid Note and has made principal repayments of $3,145,280. Interest incurred for the year ended December 31, 2023, was $1,537,934. Of the amount advanced, $14,000,000 was utilized to fund the acquisition of the AH Note Receivable, $10,811,000 was used to fund the AH DIP Note (note 10) and $7,894,225 was used for working capital purposes. Accrued interest for the year ended December 31, 2023, amounted to $1,537,934 (2022; $nil).

USD$18,300,000 RGR Note

On December 29, 2023, as a result of the VRT Note Transaction noted above RGR was assigned of 100% of VRT's interest in the rights and obligations as set out in the USD$18,300,000 VRT Note resulting in the USD$18,300,000 RGR Note. All

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[1] Referred as the USD$5,850,000 RGR Note or USD $7,850,000 RGR Note during the year ended December 31, 2022.

(In Canadian Dollars)

terms and conditions of the USD$18,300,000 RGR note remain the same as initially set out in the USD $18,3000 VRT Note. The USD$18,300,000 RGR Note remains to be secured by select assets of the Florida operations. Interest continues to be 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 change in lenders was insignificant and did not initiate debt modification analysis under IFRS 9.

Interest expense relating to the USD$18,300,000 RGR Note for the year ended December 31, 2023, and 2022, was $340,393, and $nil, respectively.

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

A continuity of the Company's notes payable for the year ended December 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	51,962,317
Coupon Interest	15,822,953
Interest Accretion	302,366
Interest paid-in-kind	677,410
Principal Payments	(4,475,746)
Interest Payments	(3,594,809)
Transaction costs	(31,452)
Debt Modification	26,370,807
(Gain)/Loss on Debt Modification	(506,763)
Extinguishment	(26,370,807)
Effects of foreign exchange	(2,588,126)
Balance, December 31, 2023	**146,899,857**
Short-term	146,899,857
Long-term	-

Off Balance Sheet arrangements: The Company did not enter any off-balance sheet arrangements during period ending December 31, 2023 (restated 2022; nil).

(In Canadian Dollars)

B. CONVERTIBLE DEBENTURES

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at December 31, 2023, and restated 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, December 31, 2023								
Stock price	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	n/a
Term (years)	0.31	0.31	0.31	0.31	0.43	0.7	0.7	2
Volatility	184.40%	184.40%	184.40%	184.40%	173.40%	154.40%	154.40%	n/a
Implied spread	977	977	977	977	977	977	977	n/a
Risk-free rate	5.40%	5.40%	5.40%	5.40%	5.30%	5.10%	5.10%	n/a
Discount/market yield	15.10%	15.10%	15.10%	15.10%	15.10%	14.80%	14.80%	15.07%
Derivative liability valuation inputs, December 31, 2022 restated								
Stock price	$0.070	$0.070	$0.070	$0.070	$0.070	$0.070	$0.070	n/a
Term (years)	1.31	1.31	1.31	1.31	1.43	1.7	1.7	2
Volatility	96.60%	96.60%	96.60%	96.60%	96.60%	96.60%	96.60%	n/a
Implied spread	1120	1120	1120	1120	1120	1120	1120	n/a
Risk-free rate	4.60%	4.60%	4.60%	4.60%	4.60%	4.50%	4.50%	n/a
Discount/market yield	15.80%	15.80%	15.80%	15.80%	15.80%	15.70%	15.70%	15.07%

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

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

(In Canadian Dollars)

A continuity of convertible debentures held by the Company for the years ended December 31, 2023, and restated 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 restated	**64,897,343**
Short-term, December 31, 2022 restated	-
Long-term, December 31, 2022 restated	64,897,343

	Total
Carrying Value, December 31, 2022 restated	**64,897,343**
Additional interest	1,246,874
Additional interest cash payment	(1,246,874)
Interest accrued	5,638,197
Interest Accretion	4,491,949
Effects of foreign exchange	(1,303,527)
Carrying value, December 31, 2023	**73,723,962**
Short-term, December 31, 2023	73,723,962
Long-term, December 31, 2023	-

Convertible debenture activity during the period ended December 31, 2023

Interest expense accrued on convertible debentures for the year ended December 31, 2023, was $11,377,020 and $7,111,984, respectively.

Pursuant to the terms of the USD$20,112,015 Convertible M&V Note, 4% additional interest on the principal balance, amounting to $1,246,874, became due on June 4, 2023; the second anniversary date of the debt instrument (the "Additional Interest"). The Additional Interest was available to be paid by way of the issuance of common shares of the Company to the lender, with the option of the lender to have the Additional Interest settled by way of a cash equivalent. On August 17, 2023, the Company settled the Additional Interest owing to the Lender by way of a cash payment.

During the period ended December 31, 2023, the Company substantially satisfied all material financial covenants in relation to its convertible debentures. 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.

(In Canadian Dollars)

Convertible debenture activity during the year ended December 31, 2022 restated

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 27). 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 20). 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 20), 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 along with a related derivative liability component (note 20). 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 21), valued at $1,104,873 to the holder of USD$20,112,015 M&V Convertible Note 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 December 31, 2023, and restated December 31, 2022, and the corresponding fair market value of the Company's derivative liabilities were as follows:

	12 months ended 31-Dec-23	12 months ended 31-Dec-22 *Restated (note 33)*
	$	**$**
Opening balance, derivative liability, net	**(3,230,322)**	(1,107,719)
Additions	-	(3,119,904)
Gain (loss) on FMV adjustments of derivative liability	1,296,412	(361,691)
Gain (loss) interest liability classified as a derivative liability	1,242,679	1,165,559
Effects of Foreign exchange	17,826	193,433
Ending balance, derivative liability, net	**(673,405)**	**(3,230,322)**
Short-term	(673,405)	-
Long-term	-	(3,230,322)

For the year ended December 31, 2023, the Company recorded a gain of $2,539,091(2022; $803,868) on the revaluation of derivative liabilities on the condensed interim consolidated statements of loss and comprehensive loss.

(In Canadian Dollars)

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, PriceWaterhouseCoopers ("PWC"), agreed in principle to an amended maturity subject to the completion of the sale of the MAG assets (note 31). 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 a revised maturity date of October 31, 2022, while maintaining all other terms and conditions.

On January 30, 2023, the Company and the Lender agreed to a further revised maturity date of July 31, 2023, while maintaining all other terms and conditions. The January 30, 2023 extension was subject to an amendment fee of $136,000.

As at the date of these Financial Statements, the Company and PWC, on behalf of Bridging Finance, Inc., are collaboratively engaged in negotiations to settle the Credit Facility with the instrument having matured on July 31, 2023. No definitive agreements have been finalized in this regard.

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

	$
Balance, 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)
Balance, December 31, 2022 restated	**17,551,668**
Amendment Fee	136,000
Finance charge	756
Accrued interest	2,187,017
Interest payments	(354,155)
Amendment fee payment	(91,059)
Balance, December 31, 2023	**19,430,227**

The total interest recorded during the year ended December 31, 2023, in relation to the credit facility was $2,187,017 (restated 2022; $3,830,665).

E. DEBT SETTLEMENTS

On October 30, 2023, in accordance with the policies of the Canadian Securities Exchange, the Company announced that its board of directors has approved the issuance of 700,000 common shares, at a deemed price of $0.06 per share, as final consideration for an asset purchase completed by Pharmaco Inc., a wholly owned subsidiary of the Company (the "Asset Purchase"). All securities issued pursuant to the Asset Purchase are subject to a statutory hold period which will expire on the date that is four months and one day from the date of issuance. None of the securities issued in connection with the Asset Purchase will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and none of them will be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act.

Debt settled during the year ended December 31, 2022 restated

In April 2022, the Company's settled debt owing on its credit facility in the amount of $53,394,324 (note 20). Proceeds from the sale of its assets relating to the Granville Transaction (note 15) were sent directly to the credit facility on closing of the sale for the payment of $5,004,036 in outstanding interest and $48,390,288 in principle. The Company also settled an additional $1,045,331 in monthly interest over the year ended December 31, 2022.

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

21. SHARE CAPITAL AND RESERVES

A. AUTHORIZED

As at December 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 common shares by the holder, and voting. 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.

(In Canadian Dollars)

B. ISSUED AND OUTSTANDING

Changes for the year ended December 31, 2023, and restated 2022, and the balances 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 (note 20)	6,004,594	1,104,873
Exercise of restricted share units (note 21)	910,000	406,850
Exercise of stock options (note 21)	100	105
Shares issued for settlement of debt (note 20)	22,440,467	2,244,047
Conversion of series I preferred shares conversion (note 21)	3,181,250	5,637,175
Conversion of series II preferred shares conversion (note 21)	139,125,139	83,682,864
Balance, December 31, 2022 restated	**469,521,901**	**$342,068,972**
Issuance of shares for settlement agreement	700,000	42,000
Balance, December 31, 2023	**470,221,901**	**$ 342,110,972**

Series I Preferred Shares

As at December 31, 2023, and restated December 31, 2022, the Company did not have any outstanding Series I Preferred Shares.

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 21)	(3,181,250)	(5,637,175)
Balance, December 31, 2022 restated	-	-
Balance, December 31, 2023	-	-

Series II Preferred Shares

As at December 31, 2023, and restated December 31, 2022, the Company did not have any outstanding Series II Preferred Shares.

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 21)	(129,985,275)	(83,682,864)
Balance, December 31, 2022 restated	-	-
Balance, December 31, 2023	-	-

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

Share Capital transactions the year ended December 31, 2023:

On November 7, 2023, in connection with a settlement agreement and mutual release, the Company issued 700,000 common shares, at a deemed price of $0.06 per share, as final consideration for an asset purchase completed by Pharmaco Inc., a wholly owned subsidiary of the Company.

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

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 20), 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 20) by issuing 22,440,467 common shares valued on date of issuance at $2,244,047.

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 Canadian Dollars)

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 December 31, 2023, and restated 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
2020-04-01	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 the rate prescribed for Canada government bonds as of the date of the Financial Statements with a remaining term equal to the expected life of the options.

(In Canadian Dollars)

The number of stock options and weighted average exercise prices as at December 31, 2023 and restated 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 restated	**17,783,456**	**0.95**
Issued	[(i)]1,250,000	0.10
Expired	(2,009,192)	2.07
Forfeited	(63,333)	0.68
Balance Outstanding, December 31, 2023	**16,960,931**	**0.80**
Exercisable		
Exercisable as at December 31, 2023	11,967,182	1.07
Exercisable as at December 31, 2022	10,319,292	1.51

[(i)] *Includes amounts issued to an officer of the Company (see note 27)*

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 year ended December 31, 2023, the Company had share-based compensation expenses relating to stock options amounting to $751,975 (restated 2022; $477,980).

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

Outstanding				Exercisable	
Expiry date	**Exercise price**	**Options**	**Remaining contractual life**	**Options**	**Remaining contractual life**
	$	**#**	**(years)**	**#**	**(years)**
2024-01-15	1.00	500,000	0.04	500,000	0.04
2024-02-04	1.00	400,000	0.10	400,000	0.10
2024-04-01	1.00	400,000	0.25	350,000	0.25
2024-04-26	5.44	1,234,502	0.32	1,234,502	0.32
2024-04-29	1.00	500,000	0.33	500,000	0.33
2024-05-13	1.00	30,000	0.37	30,000	0.37
2025-01-11	1.00	371,429	1.03	371,429	1.03
2025-04-01	1.00	125,000	1.25	125,000	1.25
2025-07-06	1.10	115,000	1.52	115,000	1.52
2025-09-10	0.66	15,000	1.70	15,000	1.70
2025-10-01	0.65	3,400,000	1.75	3,400,000	1.75
2025-10-12	0.65	50,000	1.78	50,000	1.78
2025-11-18	0.67	150,000	1.88	165,000	1.88
2025-12-03	0.75	800,000	1.93	800,000	1.93
2026-11-12	0.63	445,000	2.87	286,251	2.87
2026-11-26	0.63	75,000	2.91	75,000	2.91
2027-10-07	0.50	7,100,000	3.77	3,550,000	3.77
2033-03-15	0.10	1,250,000	9.21	-	-
		16,960,931	**2.90**	**11,967,182**	**1.99**

(In Canadian Dollars)

C. 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 period ended December 31, 2023.

During the year ended December 31, 2022 restated, 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%	300,000	294,000

RSU transactions and the number of RSU's outstanding for the fiscal year ended December 31, 2023, and the fiscal year ended December 31, 2022 restated 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, December 31, 2023	-	-

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

(In Canadian Dollars)

D. WARRANTS

As of December 31, 2023, and restated 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	(5,222,713)	1.16
Balance outstanding, December 31, 2023	-	-

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

22.EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the year ended December 31, 2023, and restated 2022 is as follows:

	Year ended 31-Dec-23	Year Ended 31-Dec-22 *Restated (note 33)*
	$	$
Outstanding common shares	470,221,901	469,521,901
Earnings (loss) from continuing operations attributable to RWB shares ($)	(131,813,650)	(236,428,852)
Weighted average number of shares outstanding, basic and dilutive	469,627,380	392,443,765
Earnings/loss per share, basic and diluted ($)	**(0.28)**	**(0.60)**

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

23.REVENUES

The Company generates revenue through three distinct sales channels: Retail, Distribution and Licensing. Revenues by channel for the period ended December 31, 2023, and restated 2022 is as follows:

	Year ended 31-Dec-23	Year Ended 31-Dec-22 *Restated (note 33)*
	$	$
Distribution	62,451,844	60,903,834
Licensing	3,351,053	-
Retail	22,530,352	26,811,128
Total revenue	**88,333,249**	**87,714,962**

(In Canadian Dollars)

Revenue as a percentage of total sales for period ended December 31, 2023, and restated 2022 is as follows:

	Year ended 31-Dec-23	Year Ended 31-Dec-22 *Restated (note 33)*
	%	%
Distribution	70%	69%
Licensing	4%	0%
Retail	26%	31%
Total	**100%**	**100%**

As of December 31, 2023, and restated 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.

24.GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses for the year ended December 31, 2023, and restated 2022 were as follows:

	Year ended 31-Dec-23	Year Ended 31-Dec-22 *Restated (note 33)*
	$	$
Salaries and wages	13,726,639	9,568,448
Facilities expense	2,726,607	1,054,493
Professional fees	5,263,472	6,527,883
Office and administrative fees	1,444,542	2,603,128
Travel expense	444,033	368,080
Licenses and permits	489,573	658,872
Insurance	1,439,298	929,703
Penalty and late fees	2,488,051	88,448
Tax expense	-	55,538
Total general and administrative expenses	**28,022,215**	**21,854,593**

(In Canadian Dollars)

25. INCOME TAXES

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

A reconciliation of the amounts of income taxes reflected above compared to the expected income tax rates calculated at the combined Canadian federal and provincial enacted statutory rate of 26.5% for each of two years ended December 31, 2023, and restated December 31, 2022, is as follows:

	2023	**2022 Restated** *(note 33)*
	$	$
Income Tax expense (recovery)		
Current Tax- continuing operations	8,814,581	13,617,128
Current Tax- discontinued operations	-	(4,930,871)
Deferred tax - continuing operations	11,169,781	(10,139,713)
Deferred tax - discontinued operations	131,959	(5,545,173)
Total income tax expense (recovery)	**20,116,321**	**(6,998,629)**

Income tax recovery differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2022 - 26.5%) to income before income taxes. The reconciliation of the differences are as follows:

	2023	2022 *Restated* *(note 33)*
	$	$
Income (loss) before income taxes	(123,464,935)	(249,126,360)
Statutory income tax rate	26.50%	26.50%
Expected income tax expense (recovery)	(32,718,208)	(66,018,485)
Effect of change in tax rates	762,258	(923,307)
Non-deductible recoveries and other	12,591	344,270
Stock based compensation	-	126,665
Foreign exchange	-	865,177
Fair value adjustments	-	29,495
280E expenses	12,046,291	8,358,514
Amortization of intangible assets	-	(4,250,224)
(Gain) loss on settlement of debt	-	886,698
(Gain) loss on debt extinguishment	-	(24,057,517)
Loss on shares – Mid American Growers, Inc.	-	24,057,517
Valuation allowance – Loss on shares, Mid American Growers, Inc.	16,566,667	49,084,569
Impairment of goodwill	-	1,401,784
Accreted interest	-	844,820
Assumed on acquisition of Pharmaco, Inc.	-	1,552,172
Interest and penalties	19,654,004	-
Other	-	699,223
Changes in temporary differences	3,792,718	-
Income tax expense (recovery)	**20,116,321**	**(6,998,629)**

(In Canadian Dollars)

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

	$
Balance, December 31, 2021	**(7,504,953)**
Future income tax recovery (expense)	11,797,935
Assumed via acquisition (note 7)	(20,234,330)
Balance, December 31, 2022 restated	**(15,941,348)**
Future income tax recovery (expense)	(11,169,781)
Future income tax recovery (expense) relating to discontinued operations	(131,959)
Other	535,178
Balance, December 31, 2023	**(26,707,910)**

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

	2023	2022 *Restated (note 33)*
	$	$
Deferred tax assets		
Non-Capital Loss Carryforward	2,690,219	1,587,182
Lease Obligations	5,643,420	5,602,847
Other	14,243	-
Deferred tax asset	8,347,882	7,190,029
Deferred tax liabilities		
Inventory and biological assets	(70,479)	(811,911)
Intangibles	(24,435,045)	(17,038,926)
Property, plant and equipment	(5,764,653)	-
Right of Use Assets	(4,785,617)	(5,209,620)
Other	2	(70,920)
Deferred tax liabilities	(35,055,792)	(23,131,377)
Net deferred tax liabilities	**(26,707,910)**	**(15,941,348)**

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

(In Canadian Dollars)

The unrecognized temporary differences of the Company are comprised of:

	2023	2022 *Restated* *(note 33)*
	$	$
Property, plant and equipment	-	193,000
Accrued Liabilities	742,000	-
Discounted Promissory Note	(971,000)	-
Compound Interest	185,000	-
Derivatives	(1,295,000)	-
Capital Loss	-	1,853,000
Unamortized Share Issuance Cost	-	622,000
Non-Capital Loss Carry forward	109,546,177	87,550,000
	108,207,177	**90,218,000**

As at December 31, 2023, the Company has the following tax attributes available to reduce future year's taxable income, which operating losses carried forward expire as follows:

	$
Expiring between 15 and 20 years	114,648,465
Indefinite	9,073,327
Total	**123,721,792**

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

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

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

(In Canadian Dollars)

26.NON-CONTROLLING INTERESTS

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

RWB Florida, LLC is a member-managed limited liability company who is the sole shareholder of RWB Florida Inc.; the entity responsible for all management, operational and day to day commercial activities undertaken by the Company in the state of Florida. RWB Florida, LLC has two classes of issued and outstanding membership interests; Class A and Class B. RWB is the sole Class A Member and also retains a 54% interest in the issued and outstanding Class B membership interests. RWB Florida, LLC has several other Class B Members, who, in aggregate, own 23% of the issued and outstanding Class B membership interests. This group of Class B members represent the non-controlling interest in RWB Florida LLC and RWB Florida Inc. by virtue of RWB Florida LLC's sole ownership interest. None of the non-controlling Class B Members own in excess of 4.99% of the issued and outstanding.

RWB Florida, LLC became the sole shareholder of Red White & Bloom Florida Inc. ("RWB Florida") after finalizing the Florida Acquisition[(1)] on April 27, 2021. RWB Florida is the holder of a Medical Marijuana Treatment Centre ("MMTC") license from the Florida Department of Health, Office of Medical Marijuana Use ("OMMU") and operates pursuant to the MMTC license throughout the State of Florida.

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

	As at 31-Dec-23	**As at** 31-Dec-22 *Restated* ***(note 33)***
	$	$
Assets		
Current	16,654,983	14,372,784
Non-current	95,737,271	107,753,717
Total assets	**112,392,254**	**122,126,501**
Liabilities		
Current	62,733,229	4,969,840
Non-current	31,938,236	65,307,061
Total liabilities	**94,671,465**	**70,276,901**
Net Assets	**17,720,789**	**51,849,600**

	For the year ended 31-Dec-23	For the year ended 31-Dec-22 *Restated*
	$	$
Net Income (loss)	(20,506,182)	(27,829,562)
Interests		
Controlling interests – 77%	(15,822,570)	(21,473,290)
Non-controlling interests – 23%	**(4,683,612)**	**(6,356,272)**

(1) Refer to Note 7 in 2022 consolidated audited financial statements

(In Canadian Dollars)

27.RELATED PARTY TRANSACTIONS

A. KEY MANAGEMENT

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

	Year ended 31-Dec-23	Year Ended 31-Dec-22 *Restated (note 33)*
	$	**$**
Management salaries, bonuses, and other benefits	1,198,654	475,189
Consulting fees by a company controlled by a director of the company	307,980	359,655
Share-based payments – officers	56,702	(21,634)
Share-based payments – directors	219,487	(15,495)
Total	**1,782,823**	**797,715**

In the year ended December 31, 2023, the Company recovered $nil (restated 2022; $37,130) in stock-based compensation due to forfeitures of stock options held by past directors and officers. These forfeitures have been adjusted in contributed surplus as a recovery from stock-based compensation expense.

B. AMOUNTS DUE TO/FROM RELATED PARTIES

- $718,548 of the $1,198,654 in management salaries, bonuses, and other benefits during the year ended December 31, 2023 were accrued balances to be paid out in future periods (restated 2022; $281,933).
- $238,070 of the $307,980 in consulting fees are owed to a company controlled by a director of the Company (restated 2022; $359,655).
- Included in accounts payable and accrued liabilities is $1,230,228 (restated 2022; $1,212,929) payable to officers and directors of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.
- The CAD$17,000,000 Convertible CPIL Note (note 20) 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 two-year loan term at an effective interest rate of 16.43%. Additional terms of the note can be found in note 20.

- The USD$1,093,750 Convertible VMOS Note (note 20) is due to an entity related to a Director of the Company. The term of the USD$1,093,750 Convertible VMOS Note is three years at an interest rate of 8% per annum. The Company valued the USD$1,093,750 Convertible VMOS Note using the Binomial lattice method based on the Cox-Ross-Rubinstein market model which resulted in a $1,001,684 allocation to long-term convertible debt liability and $92,066 derivative liability on initial valuation. The liability portion of the USD$1,093,750 Convertible VMOS Note will amortize over the three-year term at an effective interest rate of 10.14%. Additional terms of the note can be found in note 20.
- In fiscal 2022, the Company identified other close family members of key management personnel that currently represent lenders to the Company (note 21) during its review of related party disclosures in accordance with IFRS and Securities and Exchange Commission. The list of family members in is non exhaustive and does not preclude other family members from being considered as close family members. The list of family members is non exhaustive and does not preclude other family members from being considered as close family members. The reader is referred to section D and E below for a continuity schedule of notes payable and convertible debentures payable to the individuals or entities identified.

C. RELATED PARTY TRANSACTIONS

2023 Transactions

- On June 6, 2023, the Company appointed a new member to its Board of Directors following the resignation of a member of the board.
- During the year ended December 31, 2023, 1,034,375 stock options stock options held by Directors of the Company expired.
- Officers and Directors of the Company hold an aggregate of 37,219,510 common shares and 6,471,875 stock options. As at December 31, 2023, 3,621,875 of these stock options were fully vested.
- During the year ended December 31, 2023, the Company expensed $276,189 in stock-based compensation related to stock options held by directors and officers.
- Refer to sections D and E below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

Restated 2022 Transactions

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

(In Canadian Dollars)

D. RELATED PARTY NOTES PAYABLE CONTINUITY SCHEDULE

A notes payable continuity schedule for related party notes for the year ended December 31, 2023, and restated 2022 is as follows:

For the 12 months ended 31-Dec-23	2022-09-15 USD$25,885,000 RGR Note	2022-09-15 USD$6,349,000 SDIL Note	(i) 2022-11-01 USD$ RGR RGR Note	2022-09-15 CAD$2,210,000 BJMD Note	2023-02-01 CAD$2,710,000 BJMDSD Note	2023-12-29 USD$18,300,000 RGR Note	2023-03-27 CAD$ RGR Grid Note	Total
Original Note Value	25,885,0000	6,349,000	7,850,000	2,210,000	2,710,000	18,300,000		
Date of Note	2022-09-15	2022-09-15	2022-11-01	2022-09-15	2023-02-01	2023-12-29	2023-03-27	
Maturity Date	2024-09-12	2024-09-12	2024-09-12	2024-09-12	2024-09-12	2024-02-12	2024-09-12	
Interest Rate	15.0%	15.0%	12.0%	15.0%	15.0%	12.9%+PIK	12.0%	
Purpose	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Purchased Debt	Aleafia Transaction & Corporate operations	
Balance, January 1, 2022	36,677,932	8,664,359	10,765,408	2,226,775	-	-	-	58,334,474
Additions	-	-	18,757,092	-	500,000	-	32,705,225	51,962,317
Coupon Interest	5,870,498	1,356,361	2,498,841	23,195	394,805	276,168	1,494,517	11,914,385
Interest Accretion	154,513	87,177	-	-	13,382	-	-	255,072
PIK Interest	-	-	-	4,640	-	672,770	-	677,410
Interest on outstanding Interest		-	139,600	1,745	-	-	43,417	184,762
Principal Payments	-	-	(1,293,125)	-		-	(3,145,280)	(4,438,405)
Interest Payments	-	(360,167)	-	(24,940)	(85,535)	-	-	(470,642)
Debt modification	-	-	-	-	2,231,415	24,139,392	-	26,370,807
(Gain)/Loss on Debt Modification	(265,309)	(150,246)	-	-	(20,233)	-	-	(435,788)
Transaction costs	(6,613)	(6,613)		-	(5,000)			(18,226)
Extinguishment	-	-	-	(2,231,415)	-	-	-	(2,231,415)
Effects of FX - (gain)/Loss	(976,921)	(224,612)	(574,474)	-	-	49,171	-	(1,726,836)
Ending, December 31, 2023	41,454,100	9,366,259	30,293,342	-	3,028,834	25,137,501	31,097,879	140,377,915
Short-Term	41,454,100	9,366,259	30,293,342	-	3,028,834	25,137,501	31,097,879	140,377,915
Long-term	-	-	-	-	-	-	-	-

(i) The USD RGR Grid Note was referred to as the 2022-11-01 USD $7,850,000 RGR Note during the 12 months ended December 31, 2022 restated.

For the 12 months ended 31-Dec-22, *Restated*	2022-11-29 USD$11,500,000 RGR Note	2021-01-11 USD$11,550,000 RGR Note	2022-02-04 USD$16,750,000 RGR Note	2021-09-01 USD$19,370,020 RGR Note	2021-11-25 USD$5,400,000 Note DICL	2021-11-25 USD$5,400,000 SDIL Note	2022-09-15 USD$25,885,000 RGR Note	2022-09-15 USD$6,349,000 SDIL Note	2022-09-15 USD$5,850,000 RGR Note	2022-11-01 USD$7,850,000 RGR Note	2022-09-15 CAD$2,210,000 BJMD Note	Total
Original Note Value	11,500,000	11,550,000	16,750,000	19,370,020	5,400,000	5,400,000	25,885,0000	6,349,000	5,850,000	7,850,000	2,210,000	
Date of Note	2021-11-29	2021-01-11	2022-02-04	2021-09-01	2021-11-25	2021-11-25	2022-09-15	2022-09-15	2022-09-15	2022-11-01	2022-09-15	
Maturity Date	2022-05-30	2021-05-11	2023-01-31	2023-01-31	2023-09-14	2023-09-14	2024-09-12	2024-09-12	2024-09-12	2024-09-12	2024-09-12	
Interest Rate	10.0%	12.0%	12.0%	10.0%	8.0%	8.0%	15.0%	15.0%	12.0%	12.0%	15.0%	
Purpose	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	Debt restructure	
Balance, January 1, 2022	14,713,347	3,377,268	-	25,022,136	6,533,344	6,533,344	-	-	-	-	-	56,179,439
Additions	-	-	21,369,650	-	-	-	33,598,730	8,241,002	8,054,891	10,876,960	2,210,000	84,351,233
Coupon interest	-	297,619	1,567,691	1,848,390	390,767	390,767	-	327,506	46,704	212,949	83,878	5,166,271
PIK interest	139,558	-	-	-	-	-	1,624,864	65,501	-	-	16,776	1,846,699
Principal payments	-	-	(30,064)	(17,000,000)	-	-	-	-	-	-	-	(17,030,064)
Interest payments	-	-	(606,911)	-	-	-	-	(326,330)	(42,367)	(79,888)	(83,878)	(1,139,374)
Extinguishment	(14,942,118)	(3,837,127)	(22,713,427)	(10,993,595)	(7,336,626)	(7,336,626)	-	-	(7,956,316)		-	(75,115,835)
(Gain)/Loss on extinguishment	(64,076)	(4,298)	(11,117)	119,409	(1,683,573)	(1,683,573)	-	-	(64,656)		-	(3,391,884)
Establishment of derivative	-		-		1,559,952	1,559,952	-	-	-	-	-	3,119,904
Effects of FX - (gain)/loss	153,289	166,538	424,178	1,003,660	536,136	536,136	1,454,338	356,680	(38,256)	(244,613)	(1)	4,348,085
Ending, December 31, 2022	**-**	**-**	**-**	**-**	**-**	**-**	**36,677,932**	**8,664,359**	**-**	**10,765,408**	**2,226,775**	**58,334,474**
Short-Term							-	-	-	133,368	-	133,368
Long-term							36,677,932	8,664,359	-	10,632,040	2,226,775	58,201,106

(In Canadian Dollars)

E. RELATED PARTY CONVERTIBLE DEBENTURE CONTINUITY SCHEDULE

A continuity schedule for related party convertible debentures for the year ended December 31, 2023, and restated 2022 is as follows:

	2021-04-22 - USD$1,093,750 Convertible Note - VMOS	2022-09-15 - USD$5,400,000 Convertible Note - DICL	2022-09-15 - USD$5,400,000 Convertible Note - SDIL	2022-09-15 - CAD$17,000,000 Convertible Note - CPIL	Total
Carrying value, December 31, 2021	1,355,399	-	-	-	1,355,399
Issuance of convertible debentures	-	-	-	17,019,681	17,019,681
Less: debt issuance costs	-	-	-	(19,681)	(19,681)
Net proceeds from issuance of convertible debentures	-	-	-	17,000,000	17,000,000
Reclassification of convertible debenture	-	8,905,045	8,905,045	-	17,810,090
Reclassification of debt issuance costs	-	(7,916)	(7,916)	-	(15,832)
Amounts classified as an embedded derivative liability	-	(1,559,952)	(1,559,952)	-	(3,119,904)
Amounts classified as equity, net of transaction costs	-	-	-	(2,106,983)	(2,106,983)
Convertible debentures at amortized cost	1,355,399	7,337,177	7,337,177	14,893,017	30,922,770
Interest accrued	114,183	576,671	576,671	408,000	1,675,525
Reclassification of interest accretion	-	193,113	193,113	-	386,226
Accretion of interest	34,894	140,462	140,462	316,047	631,865
Effects of foreign exchange	103,897	(491,249)	(491,249)		(878,601)
Carrying Value, December 31, 2022 restated	**1,608,373**	**7,756,174**	**7,756,174**	**15,617,064**	**32,737,785**
Interest accrued	117,985	644,071	644,071	1,360,000	2,766,127
Interest Accretion	52,285	176,407	176,407	1,053,492	1,458,591
Effects of foreign exchange	(39,781)	(197,803)	(197,803)	-	(435,387)
Carrying Value, December 31, 2023	**1,738,862**	**8,378,849**	**8,378,849**	**18,030,556**	**36,527,116**

A continuity schedule for derivative liabilities associated with related party convertible debentures for the year ended December 31, 2023, and restated 2022 is as follows:

	2021-04-22 - USD$1,093,750 Convertible Note - VMOS	2022-09-15 - USD$5,400,000 Convertible Note - DICL	2022-09-15 - USD$5,400,000 Convertible Note - SDIL	Total
Balance, December 31, 2021	**(11,067)**	-	-	**(11,067)**
Additions	-	(1,559,952)	(1,559,952)	(3,119,904)
Gain/loss on FMV adjustments of derivative liability	11,801	444,349	444,349	900,499
Gain/loss on interest liability classified as a derivative liability				-
Effects of foreign exchange	(756)	134,549	134,549	268,342
Balance, December 31, 2022 restated	**(22)**	**(981,054)**	**(981,054)**	**(1,962,130)**
Gain/loss on FMV adjustments of derivative liability	24	647,480	647,480	1,294,984
Gain/loss on Interest liability classified as a derivative liability	-	-	-	-
Effects of foreign exchange	(2)	(3,079)	(3,079)	(6,160)
Balance, December 31, 2023	**-**	**(336,653)**	**(336,653)**	**(673,306)**

See note 20 for corresponding terms and conditions of each of the debt related notes, and valuation methods used for embedded derivatives, along with inputs used in the annual valuations.

28.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.

In determining the fair value of investments, Level 3 inputs include 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 notes receivable. Accounts receivable balances are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a good credit standing and continue good payment history with the Company. Notes receivable are amounts due from third party debtors (note 10).

As at December 31, 2023, the Company held an accounts receivable balance of $20,370,419 (restated 2022; $8,439,143). Included in this balance is a provision for expected credit losses ("ECL") in the amount of $4,764,782 (restated 2022; $1,617,165). The reader is referred to note 9 for details relating to the Company's accounts receivable and ECL provision for the period ended December 31, 2023, and restated December 31, 2022.

As at December 31, 2023, the Company held a notes receivable balance of $24,704,714 (restated 2022: $nil) (note 10).

The Company limits its exposure to credit loss on cash and cash equivalents by placing its cash with reputable financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at December 31, 2023, the Company had a cash balance of $2,251,432 (restated 2022; $2,747,138) available to apply against short-term business requirements and current liabilities of $308,160,733 (restated 2022; $70,754,710), including short-term lease obligations (note 17), short term notes and a credit facility (note 20), and taxes payable (note 25).

(In Canadian Dollars)

The Company continues to pursue available financing options including but not limited to restructuring existing debt to extend maturities (amongst other attributes), raising capital through debt and equity markets, and executing opportunities to monetize captive assets; both tangible and intangible, should they present themselves. The Company also continues to proactively explore and implement ways to improve its cash flow by prioritizing operating initiatives with greater expected returns and also continue to aggressively target reductions in operating and administrative costs by streamlining its operations and support functions.

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 the interest rate risk for cash to be significant.

As at December 31, 2023 and restated, 2022, the interest rate on notes payable, credit facilities, and convertible debentures are fixed based on the contracts in place, with the exception of the USD$18,300,000 RGR Note or USD$18,300,000 VRT Note in 2022 (note 20) 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 December 31, 2023, and restated, 2022, the Company was exposed to the following currency risk:

	As at 31-Dec-23	As at 31-Dec-22 *Restated (note 33)*
	$	**$**
Financial assets denominated in foreign currencies (USD)	29,181,188	15,481,078
Financial liabilities denominated in foreign currencies (USD)	(166,752,438)	(201,022,660)
Net exposure	**(137,571,250)**	**(185,541,582)**

A three (3) percent increase in the US dollar exchange rate relative to the Canadian dollar would change the Company’s net loss for the year ended December 31, 2023, by $4,127,137 (restated 2022; $5,566,247) respectively.

F. CAPITAL RISK MANAGEMENT

The Company monitors its capital structure and adjusts according to market conditions in an effort to continue to meet its financial and strategic objectives. The Company may manage its capital structure by restructuring existing debt, issued new debt or shares, or repurchasing outstanding shares. The capital structure is reviewed by management and the board of directors on an ongoing basis.

The Company's equity is comprised of share capital, contributed surplus, options, convertible debenture reserves, and accumulated deficit. As at December 31, 2023, the Company has shareholders' equity deficit of $130,386,213 (restated 2022; equity of $11,266,258). Included in the consolidated statements of financial position as of December 31, 2023, is an accumulated deficit of $491,547,402 (restated 2022; $352,649,020). The Company manages capital through its financial and operational forecasting processes.

The Company's capital management objectives, policies and processes have remained unchanged during the period ended December 31, 2023. The Company is not subject to any external capital requirements.

29.CONTINGENCIES AND COMMITMENTS

A. CLAIMS AND LITIGATION

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 “Greenlane 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 Greenlane Lawsuit is stayed pending the outcome of the Arbitration. An Arbitration hearing had been set for July 19-20, 2023; however, the hearing was continued to a later date pending resolution of a motion by Greenlane to join additional parties in the Arbitration. On November 11, 2023, the Greenlane Lawsuit was formally dismissed by the Superior Court of California, County of Orange, on the request of Greenlane Holdings, LLC, without recourse to the RWB Entities, in consideration for a monetary settlement paid by the Company to Greenlane Holdings, LLC in the amount of US$600,000. The Company had not previously accrued for the settlement and has recognized the associated expense in the current year’s net loss.

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 audited consolidated financial statements. Management believes that the resolutions of these proceedings will not have a material unfavorable effect on the Company's audited 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 presiding municipal and state regulations as of December 31, 2023, 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.

30.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 following exhibits summarize the consolidated financial information of the Company's reportable segments for the years ended December 31, 2023 and restated 2022.

(In Canadian Dollars)

Year ended December 31, 2023	Corporate	Distribution	Licensing	Retail	Other	Consolidated
Sales revenue	-	62,451,844	3,351,053	22,530,352	-	88,333,249
Cost of goods sold	-	39,920,576	841,191	16,372,613	-	57,134,380
Gross profit before fair value adjustments	**-**	**22,531,268**	**2,509,862**	**6,157,739**	**-**	**31,198,869**
Unrealized changes in fair value of biological assets	-	-	-	494,783	-	494,783
Realized fair value amounts included in inventory sold	-	-	-	(2,208,445)	-	(2,208,445)
Total Gross Profit (loss)	**-**	**22,531,268**	**2,509,862**	**4,444,077**	**-**	**29,485,207**
Total gross Profit (%)	0%	36%	75%	20%	0%	33%
Total operating expenses	6,459,254	11,476,376	1,952,945	17,870,899	-	37,759,474
Total other expenses (income)	8,119,275	888,882	1,705,425	97,525,051	-	108,238,633
Profit (loss) before Income Taxes	(14,578,529)	10,166,010	(1,148,508)	(110,951,873)	-	(116,512,900)
Income tax	-	(6,198,541)	(367,159)	3,078,167	(16,496,829)	(19,984,362)
Net profit (loss) from continuing operations	**(14,578,529)**	**3,967,469**	**(1,515,667)**	**(107,873,706)**	**(16,496,829)**	**(136,497,262)**
Loss from discontinued operations	-	-		-	(7,084,732)	(7,084,732)
Net loss for the year	**(14,578,529)**	**3,967,469**	**(1,515,667)**	**(107,873,706)**	**(23,581,561)**	**(143,581,994)**
Attributed to:						
Red White and Bloom	(14,578,529)	3,967,469	(1,515,667)	(103,190,094)	(23,581,561)	(138,898,382)
Non-controlling interests				(4,683,612)		(4,683,612)
As at December 31, 2023						
Intercompany Balances	283,723,603	(174,135,625)	(2,405,014)	(64,391,143)	(42,791,821)	-
Total Assets	475,605,737	51,885,808	(360,281)	68,558,164	(369,784,327)	225,905,101
Total non-current assets	-	2,715,080	-	113,317,334	33,991,500	150,023,914
Total liabilities	191,128,712	31,265,997	390,832	117,144,811	16,360,962	356,291,314
Total non-current liabilities	-	1,210,623	-	37,922,106	8,997,852	48,130,581
% of sales revenue	0%	70%	4%	26%	0%	100%
% of loss for the period	10%	0%	1%	73%	16%	100%
% of income for the period	0%	100%	0%	0%	0%	100%

Year ended December 31, 2022, restated (note 33)	**Corporate**	**Distribution**	**Licensing**	**Retail**	**Other**	**Consolidated**
Sales revenue	-	60,903,834	-	26,811,128	-	87,714,962
Cost of goods sold	-	41,373,712	-	23,829,407	-	65,203,119
Gross profit before fair value adjustments	**-**	**19,530,122**	**-**	**2,981,721**	**-**	**22,511,843**
Unrealized changes in fair value of biological assets	-	-	-	2,867,768	-	2,867,768
Realized fair value amounts included in inventory sold	-	-	-	(2,709,239)	-	(2,709,239)
Total Gross Profit	**-**	**19,530,122**	**-**	**3,140,250**	**-**	**22,670,372**
Total Gross Profit (%)	0%	32%	0%	12%	0%	26%
Total Operating Expenses	7,637,752	6,619,267	-	18,027,350	-	32,284,369
Total other expenses	14,249,987	204,204	-	185,422,297	29,817,223	229,693,711
Profit (loss) before Income Taxes	(21,887,739)	12,706,651	-	(200,309,397)	(29,817,223)	(239,307,708)
Income tax	-	(4,975,741)	-	(1,390,689)	2,889,015	**(3,477,415)**
Net profit (loss) from continuing operations	**(21,887,739)**	**7,730,910**	**-**	**(201,700,085)**	**(26,928,210)**	**(242,785,124)**
Loss from discontinued operations	-	-	-	-	657,394	657,394
Net loss for the year	**(21,887,739)**	**7,730,910**	**-**	**(201,700,085)**	**(26,270,815)**	**(242,127,729)**
Attributed to:						
Red White and Bloom	(21,887,739)	7,730,910	-	(195,343,812)	(26,270,817)	(235,771,458)
Non-controlling interests	-	-	-	(6,356,272)	-	(6,356,272)
As at December 31, 2022 restated (note 33)						
Intercompany Balances	44,365,495	11,899,094	-	(4,651,926)	(51,612,663)	-
Total Assets	1,043,197	18,915,772	-	215,471,175	40,302,237	275,732,381
Total non-current assets	-	3,133,175	-	197,084,003	40,269,252	240,486,430
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 sales revenue	0%	60%	0%	40%	0%	100%
% of loss for the period	9%	0%	0%	80%	11%	100%
% of income for the period	0%	100%	0%	0%	0%	100%

(In Canadian Dollars)

Revenues, assets and liabilities by geographic region for the year ended December 31, 2023, and restated 2022 are as follows:

	As at December 31, 2023		As at December 31, 2022	
	Canada	USA	Canada	USA
	$	$	$	$
Total revenues	856,778	87,476,471	-	87,714,962
Total assets	191,882,134	34,022,967	1,016,401	274,715,979
Total liabilities	189,538,777	166,752,537	150,996,019	113,470,104

31.DISCONTINUED OPERATIONS

During the year ended December 31, 2021, the Company discontinued operations of its wholly owned subsidiary, Mid American Growers, Inc and during the year ended December 31, 2023, the Company discontinued operations of its wholly owned subsidiaries; Real World Business Integration, LLC, Vista Prime Management, LLC, GC Ventures 2, LLC, Vista Prime 3, Inc, Royalty USA Corp, RWB Illinois, Inc.

Components of residual loss from discontinued operations for the period ended December 31, 2023, and restated 2022 are as follows:

	Year ended 31-Dec-23	Year ended 31-Dec-22 Restated (note 33)
	$	$
Revenue	619,960	9,778,542
Cost of sales, before fair value adjustments	325,233	4,821,038
Gross profit (loss)	**294,727**	**4,957,504**
General and administration	2,218,198	14,698,002
Sales and marketing	106,037	1,040,717
Depreciation and amortization	39,708	235,100
Bad debt expense	692,374	976,453
Loss from operations before other expenses (income)	**(2,761,590)**	**(11,992,768)**
Other expense (income)	(2,259)	(1,578,658)
Finance expense	54,466	(551,270)
(Gain) loss on disposal - capital assets	144,359	(44,190)
Gain on extinguishment of payables	(1,338,505)	-
Inventory write downs	51,821	-
Intangibles impairment - Licenses	5,281,301	-
Net gain (loss) before taxes from discontinued operations	**(6,952,773)**	**(9,818,650)**
Current income tax (recovery) expense	-	(4,930,871)
Deferred income tax (recovery) expense	131,959	(5,545,173)
Net gain (loss) from discontinued operations	**(7,084,732)**	**657,394**
Net loss per share, basic and diluted on discontinued	**(0.02)**	**0.00**
Weighted average number of outstanding common shares, basic and diluted	**469,940,379**	**392,443,765**

32.RECLASSIFICATIONS

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

- For enhanced disclosure, $1,272,039 in vendor deposits, and $2,959,736 in security deposits reported in prepaid expenses for the year ended December 31, 2022 restated, has been reclassified to deposits on the comparative figures in the audited consolidated statement of financial position.
- For the comparative period December 31, 2022 restated, $672,064 in amounts due to third parties was reclassified from Accounts payable and accrued liabilities to other current liabilities on the consolidated statement of financial position.
- In the financial reporting period for the year ended December 31, 2022 restated, $626,522 originally recorded in general and administrative expenses has been reclassified in these Financial Statements to Bad debt expense on the consolidated statement of loss and comprehensive loss.
- The Company's CDOM's reassessed the classification of operating segments to better reflect how the Company services its customers and respective legal markets in the United States. For the year ending December 31, 2023, and onward, the Company has segregated it operations into four main operating segments (i) Retail, (ii) Distribution, (iii) Licensing and (iv) Corporate, with all other non-reporting operations to a fifth segment; Other.
- 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 previously filed on May 15, 2022, and the residual balance of the goodwill previously understated ($10,868,067) was impaired as of December 31, 2022, as determined during the Company's 2022 annual impairment review. The error was not considered material to total assets or long-term liabilities reported for the fiscal year ended December 31, 2021.

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

33.RESTATEMENT OF 2022 FINANCIAL RESULTS

In conjunction with the audit of the consolidated financial statements for the year ended December 31, 2023, by the Company's new auditor, Williams & Partners Chartered Professional Accountants, LLP, the Company has restated its audited consolidated financial statements for the year ended December 31, 2022, previously filed on May 15, 2023. The restatements relate to the accounting treatment of foreign currency translation on select non-monetary assets held by the Company (notably property, plant and equipment, intangible assets, right-of-use assets and goodwill). The restated consolidated financial statements for the year ended December 31, 2022, should be considered to replace the audited consolidated financial statements previously filed on May 15, 2023.

(In Canadian Dollars)

The following tables summarize the impacts of discontinued operations, reclassifications and prior period adjustments resulting in restatement on the Company's audited consolidated financial statements for the year-ended December 31, 2022.

A. Changes in Consolidated Statement of Financial Position

	As at 31-Dec-22			
	As previously reported	Reclassifications	Adjustments	As restated
	$	$	$	$
Assets				
Current assets				
Cash and cash equivalents (note 8)	2,747,138	-	-	2,747,138
Accounts receivable (note 9)	8,439,143	-	-	8,439,143
Notes receivable (note 10)	-	-	-	-
Prepaid expenses (note 11)	5,311,199	4,231,775		1,079,424
Deposits (note 12)	-	(4,231,775)		4,231,775
Inventory (note 13)	14,457,013	-	-	14,457,013
Biological assets (note 14)	4,291,458	-	-	4,291,458
Other current assets	-	-	-	-
Total current assets	**35,245,951**	**-**	**-**	**35,245,951**
Non-current assets				
Property, plant and equipment, net (note 15)	73,873,258	-	5,327,905	68,545,353
Intangible assets, net (note 16)	125,348,600	-	7,247,904	118,100,696
Right-of-use assets, net (note 17)	20,703,498	-	1,715,274	18,988,224
Goodwill (note 18)	37,494,861	-	2,642,704	34,852,157
Total non-current assets	**257,420,217**	**-**	**16,933,787**	**240,486,430**
Total assets	**292,666,168**	**-**	**16,933,787**	**275,732,381**
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (note 19)	37,992,341	672,064	-	37,320,277
Short-term notes payable (note 20)	1,974,584	-	-	1,974,584
Short-term credit facility (note 20)	17,551,668	-	-	17,551,668
Short-term convertible notes (note 20)	-	-	-	-
Short-term Derivative liabilities (note 20)	-	-	-	-
Short-term lease obligations (note 17)	602,418	-	-	602,418
Income taxes payable	12,633,699	-	-	12,633,699
Other current liabilities	-	(672,064)	-	672,064
Total current liabilities	**70,754,710**	**-**	**-**	**70,754,710**
Non-current liabilities				
Long-term notes payable (note 20)	87,357,123	-	-	87,357,123
Long-term convertible notes (note 20)	64,897,343	-	-	64,897,343
Long-term lease obligations (note 17)	22,285,277	-	-	22,285,277
Long-term Derivative liabilities (note 20)	3,230,322	-	-	3,230,322
Deferred tax liability	15,941,348	-	-	15,941,348
Total non-current liabilities	**193,711,413**	**-**	**-**	**193,711,413**
Total liabilities	**264,466,123**	**-**	**-**	**264,466,123**
Shareholders' equity				
Share capital (note 21)	342,068,972	-	-	342,068,972
Contributed surplus	16,368,382	-	-	16,368,382
Cumulative translation adjustment	10,705,725	-	16,933,787	(6,228,062)
Accumulated deficit	(352,649,020)	-		(352,649,020)
Non-controlling interest (note 25)	11,705,986	-	-	11,705,986
Total shareholders' equity (deficit)	**28,200,045**	**-**	**16,933,787**	**11,266,258**
Total liabilities and shareholders' equity	**292,666,168**	**-**	**16,933,787**	**275,732,381**

(In Canadian Dollars)

B. Changes in Consolidated Statements of Profit and Loss and Comprehensive Profit and Profit and Loss

	Year ended 31-Dec-22				
	As previously reported	Discontinued Operations	Reclassifications	CTA Adjustments	As restated
	$	$	$	$	$
Revenue					
Sales revenue (note 23)	97,493,504	9,778,542	-	-	87,714,962
Cost of goods sold, before fair value adjustments	70,024,158	4,821,039	-	-	65,203,119
Gross Profit before fair market value adjustments	27,469,347	4,957,504	-	-	22,511,843
Unrealized changes in fair value of biological assets	2,867,768	-	-	-	2,867,768
Realized fair value amounts included in inventory sold	(2,709,239)	-	-	-	(2,709,239)
Gross profit after fair market value adjustments	**27,627,876**	**4,957,504**	**-**	**-**	**22,670,372**
Operating Expenses					
General and administration (note 24)	33,012,076	10,530,961	(626,522)	-	21,854,593
Marketing expenses	3,871,878	860,188	-	-	3,011,690
Share-based compensation (note 21)	477,980	-	-	-	477,980
Depreciation and amortization (note 15, 16)	6,295,910	235,100	-	-	6,060,810
Bad debt expense (note 9)	1,229,227	976,453	626,522	-	879,296
Total Operating Expenses	**44,887,071**	**12,602,702**	**-**	**-**	**32,284,369**
Loss from operations before other expenses (income)	**(17,259,195)**	**(7,645,198)**	**-**	**-**	**(9,613,997)**
Other expense (income)					
Interest earned on promissory notes (note 10)	-	-	-	-	-
Other income	-	-	-	-	-
Accreted interest, leases (note 18)	2,666,326	5,193	-	-	2,661,133
Finance expense, net (note 20)	21,830,728	221,955	-	-	21,608,773
Acquisition costs (note 33)	-	-	-	-	-
Business transaction costs	-	-	-	-	-
Loss on debt extinguishment (note 20)	4,296,428	-	-	-	4,296,428
Gain loss on debt modification (note 20)	-	-	-	-	-
Gain on valuation of financial instruments (note 20)	(803,868)	-	-	-	(803,868)
Loss on disposal of assets (note 15)	72,302	50,865	-	-	21,437
(Gain) or loss on settlement of debt (note 20)	(16,038,580)	-	-	-	(16,038,580)
Impairment of property, plant and equipment (note 15)	-	-	-	-	-
Impairment of intangible assets (note 16)	29,539,510	-	-	-	29,539,510
Impairment of goodwill (note 18)	185,224,787	-	-	-	185,224,787
Foreign exchange	3,184,091	-	-	-	3,184,091
Total other expenses (income)	**229,971,724**	**278,013**	**-**	**-**	**229,693,711**
Loss before income taxes	**(247,230,919)**	**(7,923,211)**	**-**	**-**	**(239,307,708)**
Current income tax (expense)/recovery	(8,686,256)	4,930,872	-	-	(13,617,128)
Deferred income tax recovery	10,354,737	215,024	-	-	10,139,713
Net loss from continuing operations	**(245,562,438)**	**(2,777,315)**	**-**	**-**	**(242,785,123)**
Gain (loss) from discontinued operations (note 31)	3,434,708	(2,752,908)	-	5,530,222	657,394
Net loss for the period	**(242,127,730)**	**(5,530,223)**		**5,530,222**	**(242,127,729)**
Translation adjustment	(11,398,574)	(2,436,363)	-	1,877,113	(10,839,324)
Net loss and Comprehensive loss	**(253,526,304)**	**(7,966,586)**	**-**	**7,407,335**	**(252,967,053)**
Net loss attributable to:					
Shareholders	(235,771,458)				(235,771,458)
Non-controlling interests (note 26)	(6,356,272)				(6,356,272)
Net loss and comprehensive loss attributable to:					
Shareholders	(247,170,032)				(246,610,782)
Non-controlling interests (note 26)	(6,356,272)				(6,356,272)
Net loss per share, basic and diluted (note 22)	(0.60)				(0.60)
Weighted average number of outstanding common shares, basic and diluted (note 22)	392,443,765				392,443,765

(In Canadian Dollars)

C. Change in Consolidated Statements of Changes in Shareholders Equity

		As at 31-Dec-22		
		As previously reported	Adjustments	As restated
Series I Preferred Shares	#	-	-	-
Series I Preferred Shares	$	-	-	-
Series II Preferred Shares	#	-	-	-
Series II Preferred Shares	$	-	-	-
Common Shares	#	469,521,901	-	469,521,901
Common Shares	$	342,068,972	-	342,068,972
Non-controlling interest	$	11,705,986	-	11,705,986
Contributed Surplus	$	16,368,382	-	16,368,382
Cumulative Translation Adjustment	$	10,705,725	(16,933,787)	(6,228,062)
Accumulated Deficit	$	(352,649,020)	-	(352,649,020)
Total	**$**	**28,200,045**	**(16,933,787)**	**11,266,258**

D. Changes in Consolidated Statement of Changes in Statement Cashflow

	As at 31-Dec-22			
	As previously reported	Adjustments	Reclasses	As restated
	$	$	$	$
Cash flow from operating activities:				
Net loss for the period	(242,127,730)			(242,127,730)
Items not involving cash:				
Accreted interest on leases	2,666,326	(5,193)	-	2,661,133
Adjustments to lease obligations	-	-	-	-
Depreciation of right-of-use assets	1,721,906	-	-	1,721,906
Depreciation of property, plant and equipment	4,507,059	(240,457)	-	4,266,602
Disposal of property, plant and equipment	-	21,439	-	21,439
Addition of right-of-use assets	67,323	-	(67,323)	-
(Gain) loss on extinguishment of debt	4,296,428	-	-	4,296,428
Accrued interest on short-term notes	3,704,025	-	6,851,751	10,555,776
Accrued interest on long-term notes	6,851,751	-	(6,851,751)	-
Accreted interest on short-term notes	-	-	-	-
Accrued interest on convertible debentures	9,030,278	-	-	9,030,278
Accreted interest on convertible debentures	-	-	-	-
Accrued interest on credit facility	3,830,665	-	-	3,830,665
Amendment fees on credit facility	-	-	-	-
Finance Fees	1,127	-	-	1,127
Revaluation of financial instruments	(803,868)	-	-	(803,868)
Accrued interest on interest receivable	-	-	-	-
Amortized discount on note receivable	-	-	-	-
Gain/(Loss) on Debt Modification	(16,038,580)	-	-	(16,038,580)
Stock based compensation	5,230	-	-	5,230
Write off of deposit and bad debts	1,229,227	-	-	1,229,227
Issuance of restricted share units	472,750	-	-	472,750
Realized (gain) loss in cost of sales	2,709,239	-	-	2,709,239
Fair value adjustment on biological assets	(2,867,768)	-	-	(2,867,768)
Impairment of goodwill	185,224,787	-	-	185,224,787
Impairment of intangible assets	29,539,510	-	-	29,539,510
Impairment of property, plant and equipment				-

Changes in non-cash working capital items:				
Accounts receivable	(253,179)	-	-	(253,179)
Prepaid expenses	(391,078)	-	-	(391,078)
Deposits	-	-	-	-
Inventory	(4,923,884)	-	-	(4,923,884)
Biological Assets	5,095,728	-	-	5,095,728
Accounts payable and accrued liabilities	(8,644,124)	-	-	(8,644,124)
Current Income tax payable	8,292,238	-	-	8,292,238
Deferred income taxes	(10,790,526)	(5,530,223)	-	(16,320,749)
Other assets	-	-	-	-
Other liabilities	296,515	-	-	296,515
Net cash provided by (used in) operating activities	**(17,298,625)**	**(5,754,434)**	**(67,323)**	**(23,120,382)**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,232,711)	-	-	(4,232,711)
Acquisition of Intangible assets	-	-	-	-
Acquisition of right-of-use assets	-	-	67,323	67,323
Acquisition of Pharmaco, Inc.	748,464	-	-	748,464
Net cash provided by (used in) investing activities	**(3,484,247)**	**-**	**67,323**	**(3,416,924)**
Cash flow from financing activities:				
Exercise of stock options	65	-	-	65
Issuance of short-term note	2,847,281	-	-	2,847,281
Amendment of short-term notes payable	17,062,376	(10,698,920)	-	6,363,456
Principal payments on short-term notes	(894,275)	894,275	-	-
Interest payments on short-term notes	(5,993,161)	5,993,161	-	-
Interest payment on convertible debt	-	-	-	-
Interest payments on credit facility	(1,045,331)	-	-	(1,045,331)
Amendment fee payments on credit facility	-	-	-	-
Addition to loans payable	-	-	-	-
Principal payments on lease obligations	(505,244)	-	-	(505,244)
Interest payments on lease obligations	(2,666,326)	-	-	(2,666,326)
Net cash provided by (used in) financing activities	**8,805,385**	**(3,811,484)**	**-**	**4,993,901**
Foreign exchange affecting cash equivalents	14,130,084	(7,592,081)	-	6,538,003
Effect of cumulative translation adjustment due to restatement	-	16,933,787	-	16,933,787
Change in cash during the year	1,928,385	-	-	1,928,385
Cash, beginning of year	818,753	-	-	818,753
Cash, end of year	**2,747,138**	**-**	**-**	**2,747,138**

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(In Canadian Dollars)

34. SUBSEQUENT EVENTS

A. Aleafia Acquisition

On *January 12, 2024*, in conjunction with the proceedings of Aleafia Health Inc. and certain of its subsidiaries (collectively, the "Aleafia Group") under the Companies' Creditors Arrangement Act (the "CCAA Proceedings"), the Company, through its subsidiary, RWB (PV) Canada, Inc. successfully acquired 100% of a new class of common shares of each of Emblem Cannabis Corporation ("ECC"), Canabo Medical Corporation ("CMC"), and Aleafia Retail Inc. ("ARI"), (collectively, the "Purchased Entities"), (the "Aleafia Acquisition"). As a result of the Aleafia Acquisition, the Company became the sole shareholder of the Purchased Entities and their respective subsidiaries.

Total consideration for the Transaction was $32,244,082, consisting of (1) a release of all amounts outstanding and obligations payable by the Aleafia Group under the Aleafia Senior Secured Loan Agreement and the debtor-in-possession financing ($25,873,875) and (2) cash consideration of $6,370,207, funded through a combination of cash on hand held by the Aleafia Purchase Entities and a drawdown under RWB's CAD Grid Note, to be utilized by Aleafia Health to extinguish outstanding obligations under an existing credit agreement and to fund closing costs and expenses of the Monitor and its legal counsel after the closing date.

The preliminary purchase price allocation for the Aleafia Acquisition is as follows:

	$
AH DIP Note allocated to purchase of shares	8,920,030
AH Note Receivable allocated to purchase of shares	16,953,845
Cash consideration	6,370,207
Total consideration	**32,244,082**
Identifiable assets (liabilities) acquired	
Cash and equivalents	1,008,791
Receivables	2,229,879
Prepaids	1,721,867
Inventory	13,111,056
Biological assets	1,135,825
Land	11,700,000
Property, plant and equipment	9,686,420
Right of use assets	36,211
Intangible assets	6,360,000
Investments	2,391,000
Payables	(2,360,230)
Taxes payable	(71,705)
Accrued liabilities	(842,904)
Other payables	(565,324)
Lease obligations	(40,659)
Excess consideration over net identifiable assets	**(13,256,145)**
Total consideration	**32,244,082**

The recognition of identified assets and liabilities reflects all information obtained about facts and circumstances that were in existence on January 12, 2024; the date of the Aleafia Acquisition, and as a result, the purchase equation should be considered preliminary. Fair values of inventory, biological assets, investments, property, plant and equipment, intangible and goodwill have been valuated by a third-party valuation specialist; however, may be subject to change. In accordance with IFRS 3.45, the allowable measurement period cannot exceed one year from the acquisition date and no adjustments are permitted after one year except to correct an error, should one occur, in accordance with IAS 8. [IFRS 3.50]. Any subsequent adjustments made by Management relating to the purchase price allocation for the Aleafia Acquisition must comply with IRFS 3.45.

B. Status as an US Exchange Act Registrant and US Trading in our Common Stock

In September 2023, the U.S. Securities and Exchange Commission (the "SEC" or "Commission") commenced administrative proceedings to de-register the Company's common stock under Section 12(j) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The stated purpose of the proceeding was for the Commission to determine whether it is necessary and appropriate for the protection of investors to suspend for a period not exceeding twelve (12) months or revoke the registration of each class of securities registered pursuant to Section 12 of the Exchange Act.

Issuers of securities registered pursuant to Section 12 of the Exchange Act are required under the Exchange Act and the rules promulgated thereunder to file current and accurate information in periodic reports with the Commission. Prior management of the Company had been delinquent in its periodic filings with the Commission for fiscal periods prior to fiscal 2023. Current RWB management has been aggressively engaged with counsel and its advisors in resolving these deficiencies having come to their attention with their appointment. The Company notes that it does not currently actively trade on exchanges that require an SEC registration, nor does it intend to seek a filing on any of these exchanges in the near term. The Company's SEC registration was associated with the pre-RTO entity, Tidal Royalty Inc., which had registered with the SEC for the purpose of filing on an SEC sponsored exchange but never followed through.

The Commission's standard position has been that once de-registration proceedings are commenced for failure to comply with Exchange Act (due to deficient filings in the case of the Company) it will not then grant a right to cure or comply. Thus, when the Commission commenced administrative proceedings under Section 12(j), the Company's only options were to defend the matter in litigation or to settle it and agree with the Commission's order for de-registration of securities registered under Section 12(j) of the Exchange Act. Once the Company consented to the revocation of its registration via the aforementioned settlement, the Company would then need to file a registration statement with the Commission and cause that registration statement to become effective in order to reinstate the registration of the Company's securities. Therefore, given: (a) the protracted nature of litigation in general, and (b) the high expense associated with defending an adversary proceeding with the Commission and (c) the low probability of a successful outcome, compared with the fact that a settlement with the SEC would allow the Company to re-file a registration statement as soon as it was drafted, the Company determined that it was in the best interest of its shareholders to settle and consent to the de-registration of its securities and to file a registration statement on Form 20-F as soon as reasonably practical.

On **November 7, 2023**, the SEC order suspending trading went into effect. As a result of the SEC order, pursuant to Section 12(j) of the Exchange Act, US resident shareholders of the Company were unable to trade the Company's securities on the OTCQX. As noted below, the Company's OTCQX listing had been suspended in March 2023 while proceedings with the SEC were underway. The Company is working aggressively toward the filing of a registration statement in order to lift the Section 12(j) order and also working collaboratively with the OTC Markets Group to reactivate its listing on the OTC marketplace. It is worthwhile to note that the Company's only matter of non-compliance is the deficient filings overseen by prior management. Once matters with the SEC and the OTC are resolved and prescribed registration periods have expired, the Company intends to seek approval to deregister its SEC membership in accordance with guidelines and timelines set by the applicable governing bodies avoiding the need to maintain both the cost and administration of the SEC registration and its requisite filings.

On March 18, 2024, the Company and its former auditors finalized a settlement addressing key matters preventing the Company from resolving the aforementioned filing deficiencies. As of the date of the financials, both parties continue to collaborate as per the terms of the mediated settlement, however, the Company has not been able to determine a final date as to when its former auditors would be able to abide by their agreed upon deliverables under the mediated settlement.

C. Financing Activities

CAD RGR Grid Note Advances

Subsequent to the year-ended December 31, 2023, RGR provided the Company with additional advances under the CAD RGR Grid Note amounting to $10.8 million, a portion of which ($7.3 million) were used to fund the continuing commitment under the AH DIP Note , and the balance ($3.5 million) was used for working capital and general corporate purposes, including costs associated with the Company's new subsidiaries post the Aleafia Acquisition.

USD RGR Grid Note Advances

Subsequent to the year-ended December 31, 2023, RGR provided the Company with additional advances under the USD RGR Grid Note amounting to USD$4.3 million. Proceeds from advances from the USD RGR Grid note were primarily used to fund its expansion plans within its Florida operations and for working capital purposes.