Red White & Bloom Brands Inc.

Management Discussion and Analysis

For the years ended December 31, 2023 and restated 2022

Dated April 29, 2024

CSE: RWB

NOTICE TO READER

This notice accompanies the enclosed restated Management's Discussion and Analysis ("MD&A") which restates the Management Discussion and Analysis for Red White and Bloom Brands, Inc. for the year ended December 31, 2022, filed on May 15, 2023.

The amendments to the MD&A for the year ended December 31, 2022, consist of the following:

- Changes to the Company's foreign currency denominated non-monetary assets from translation to Canadian dollars at the current rate to translation to Canadian dollars at the historical rate. Non-monetary assets effected by such change include property, plant and equipment, intangible assets, right of use assets, and goodwill.

Other than the above referenced restatements, there are no other material changes to the MD&A for the year ended December 31, 2022, filed May 15, 2023.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

- the performance of the Company’s business and operations.
- the expected timing and projected cost of the Company’s business objectives and initiatives including its expansion plans; both organic and acquisitive.
- the business strategies of the Company.
- the impact of the introduction of new branded cannabis product offerings.
- the impact of ongoing and prospective cost savings initiatives.
- the impact of laws and regulations maintained by various levels of government (existing, proposed, and/or amended) including but not limited to those impacting operating licenses to conduct business activities in relevant jurisdictions within the cannabis industry.
- expectations regarding production quality and proven capacity including the Company’s performance at its cultivation and processing facilities.
- expectations regarding relevant cannabis market conditions in the United States, including regulatory, specific to federal and specific state jurisdictions in which the Company legally operates or intends to operate in.
- the competitive conditions of the cannabis industry in the United States.
- the state of banking regulations in the United States as it relates to the cannabis industry.
- The re-classification or descheduling of cannabis as a Schedule 1 (Controlled Substances Act) narcotic by the US Drug Enforcement Agency.
- the intention of the Company to complete any offering of securities (in any form) or debt (in any form) issued by the Company.

There can be no assurance that the aforementioned conditions as well as other factors will not affect the accuracy of forward-looking statements made by the Company regarding the anticipated performance of its business. Such factors include, but are not limited to, the Company's ability to obtain financing from external resources in whatever form, the general impact of financial market conditions that may impact the Company and its ultimate consumers, the yield from marijuana growing operations, product demand in channels to market that the Company currently services or intends to service in future periods as part of its business expansion initiatives, changes in prices of key manufacturing inputs such as raw materials and outsourced service providers, the impact of competition in legal states which the Company operates or is targeting to operate in, and federal, state and local government regulations including the those that garner the potential reclassification or de-scheduling of cannabis as a Schedule 1 narcotic under the US federal Controlled Substances Act.

Readers are encouraged to reference the Company's public filings, overseen by Canadian securities regulators, which can be accessed and viewed via the System for Electronic Data Analysis and Retrieval at www.sedarplus.ca (“SEDAR+”).

NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES

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

The Company calculates Adjusted EBITDA as net income or loss excluding current and deferred income tax expense, finance expense, interest income and amortization of discounts, depreciation and amortization, fair value changes in biological assets, realized fair value changes in inventory sold, share based compensation, termination costs, gains or losses on evaluation of financial instruments, impairments of intangible assets, impairment of goodwill, impairment of property, plant and equipment, accreted interest on leases and applicable short term and long term liabilities, gains or losses on asset disposals, gains or losses on settlement of debt, gains or losses on debt modification, foreign exchange, expected credit losses and bad debt expense, acquisition costs, business transaction costs, reversal of license liabilities, gain on extinguishment of payables, carrying costs associated with dormant investments, and non-recurring expenses such as penalties and late fees.

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Red White & Bloom Brands Inc. (the "Company" or "RWB") is intended to assist the reader in better understanding the operations and key financial results as of the date of this MD&A and should be read in conjunction with the Company's annual consolidated financial statements and notes thereto for the year ended December 31, 2023 ("2023-YTD" or "2023-YE"), and the comparative restated year December 31, 2022 ("restated 2022-YTD" or "restated 2022-YE"), collectively referred to as the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The information in this MD&A is current as of April 29, 2024.

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 *Changes to 2022 Financial Results* of the Company's recently filed audited consolidated financial statements for the year ended December 31, 2023, and restated 2022, which can be found on www.sedarplus.ca ("SEDAR+").. 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 (the "2022 Financial Statements"), previously filed on May 15, 2023. Only information directly relating to these restatements has been updated in this MD&A.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors on April 29, 2024.

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

COMPANY OVERVIEW AND STRATEGY

Company Overview

Red White & Bloom Brands Inc. was incorporated on March 12, 1980 pursuant to the Business Corporations Act, British Columbia. The shares of the Company are traded on the Canadian Stock Exchange under the trading symbol "RWB"[1]. The Company's head office and registered office is located at 1890 - 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

The Company's principal operations are (1) the distribution of branded and non-branded cannabis products, both adult-use and medical use, direct to legally licensed retailers, (2) retail operations selling branded and non-branded cannabis products, both adult-use and medical use, (3) captive cultivation, processing, packaging, and procurement operations that support the distribution, retail, and licensing operations, and (4) licensing of the Platinum and Platinum Vape brand to third party distributors. As of the date of the MD&A, the Company's operations are primarily conducted in the legal US states of Michigan, Florida, and California with active, asset-light licensing arrangements in the US states of Missouri, Arizona, and Ohio. With the recent acquisition of Aleafia (the "Aleafia Transaction"), the Company has further expanded the reach of its Platinum portfolio of brands into the Canadian market through Aleafia's established distribution and medical retail channels in which Aleafia's products are sold through. [2]

[1] Reader is referred to *Recent Developments* for detail on the status of the Company's listing on OTC Markets
[2] Reader is referred to *Recent Developments* section for detail on the Aleafia Transaction.

Company Strategy

The Company is committed to driving the domestic and international growth of its distribution and retail operations, through organic and acquisitive means, primarily leveraging its premium *Platinum* and *Platinum Vape* brands ("Platinum" or "PV") as well as its *House of Platinum, Cannabis* brand name and retail banners in the state of Florida. The Company has also expanded its footprint, leveraging brand equity through third party, asset-light licensing agreements into strategic markets throughout the United States and Canada. The family of Platinum brands is associated with the highest quality cannabis offerings in the legal jurisdictions currently represented by the Company in the United States and Canada. Platinum products are the choice of experienced cannabis consumers who can rely on best-in-class attributes, garnered through regimented procurement, production, and quality standards maintained by the Company.

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

DESCRIPTION OF THE BUSINESS

Distribution

On January 18, 2022, upon receiving state regulatory approval, the Company commenced manufacturing, processing, and distribution operations in Warren, Michigan that continue to be dedicated to the production, sale and distribution of both adult use and medical use cannabis product offerings to licensed retailers in the state of Michigan. The Company conducts its licensed operations in a facility located in Warren, Michigan with corporate functions conducted out of its head office in Southfield, Michigan. The Company's primary business in the state of Michigan is the distribution of Platinum and PV branded premium cannabis products for both adult use and/or medical use to licensed retailers in the state of Michigan. As of the date of this MD&A, the Company services over 300 adult use and medical retailers in the state of Michigan.

The Company also distributes a full line of Platinum and PV branded cannabis products, amongst others, in the state of California leveraging local, best-in-class, contract manufacturing, warehousing, and distribution capacity. The Company's primary business in California is the distribution of branded adult-use cannabis product offerings to legally licensed California adult-use cannabis retailers.

Licensing

In concert with the Company's continuing asset light growth initiative, the Company contracts with arm's length licensed distributors in targeted legal states through procurement and sale of Platinum or PV branded non-THC inputs (packaging, hardware, terpenes) and licensing arrangements which grants these distributors a right to manufacture, market, and distribute Platinum or PV branded products to licensed retailers within their defined territories. Platinum products currently represented by licensed distributors focus on PV branded vape cartridges and PV branded disposable vapes utilizing the Skybar™ hardware platform. These asset-light procurement and licensing arrangements support expansion of the Platinum brand footprint in states which the Company strategically chooses not to maintain more costly physical licensed operations, given the established presence of selected PV vertically integrated distributors, and also help the Company diversify its revenue and net income streams, while continuing to capitalize on the PV brand's well-established reputation.

Retail

As of December 31, 2023, the Company is licensed to operate a total of four medical cannabis retail stores (dispensaries) in the state of Florida, a processing and packaging facility located in Sanderson, Florida, and a cultivation facility in Apopka, Florida situated on 4.7 acres of land. The Sanderson facility includes fifteen acres of land which houses processing and extraction operations, and a 4,000 square foot freestanding building utilized for edibles manufacturing, ongoing product development and administration. All outputs produced by the Apopka facility are committed to the Sanderson facility for final processing. The Sanderson facility produces *House of Platinum, Cannabis* product offerings sold exclusively through the Company's captive retail locations situated throughout the state of Florida. As of the date of this report, the Company's processing facility located in Sanderson, Florida had also been formally licensed for both extraction operations and edibles manufacturing operations providing the Company an ability to profitably expand its current product offerings to include high demand SKUs that continue to drive growth in retail sales in the state of Florida. The Company leases a total of nine retail locations throughout the state, four of which are operating as of the date of this report. The retail locations operate under the OMMU approved "*House of Platinum, Cannabis"* retail banner.

As of December 31, 2023, the Company is licensed, within the state of Michigan, to operate a total of eight adult-use and/or medical use cannabis retail locations, and two indoor cultivation facilities located in Glendale, Michigan, and Marquette, Michigan. The Company also owns a municipally licensed ten-acre outdoor cultivation facility in Au Gres, Michigan which is currently dormant, and several other (dormant) real estate properties located throughout the state of Michigan which are available for potential cultivation and retail cannabis operations. The Company continues to assess options to monetize dormant Michigan retail and (former) cultivation assets including those held by the Company that are currently not licensed or in use. As a result of the Company's 2023-year end impairment analysis, management assessed the carrying value of all assets held by the Company. Several of the assets held within its subsidiary, Pharmaco, Inc. represented capital expenditures for dormant locations or locations determined to be unusable, including a cultivation facility, a grow and unoccupied buildings that were acquired during the Pharmaco Acquisition (see *Acquisitions* below). As a result of the analysis, $26.9 million in licenses relating to the Retail operations in Michigan were impaired along with $34 million of property, plant and equipment with the majority of the impairment being associated with operations within the Company's subsidiary, Pharmaco, Inc. The Company also impaired goodwill relating to Pharmaco, Inc. amounting to $24.3 million. Details of these impairments can be found in the Company's most recently filed Audited Financial Statements found on Sedar+.

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

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

As of the date of the MD&A, the Company has substantially completed construction on a profile retail location located in South Miami Beach, Florida and anticipates activating operations at this location during the third quarter of fiscal 2024 contingent on any remaining regulatory and fixturing timelines to be satisfied. Activation of leased retail locations in the communities of Orange Park, Hollywood, North Miami, and Brandon are also currently forecasted to be activated at different dates through 2025-Q1 contingent on regulatory and fixturing timelines for each location. The Company is also continuing to execute its plan to fixture and activate new, less costly "white-box" retail locations in strategic local markets within the state of Florida.

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

Subsidiary	Source Currency	Jurisdiction	% Ownership As at 31-Dec-23	% Ownership As at 31-Dec-22
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

OUTLOOK

The Company continues to focus on the expansion of its various lines of business including leveraging its asset light growth strategy in jurisdictions in which it does not maintain a physical footprint through its Licensing segment. Through fiscal 2023 and into fiscal 2024, these actions include but were not limited to the following:

- Expansion into Arizona, a key part of RWB's latest series of moves to scale entry into new strategic legal markets offering Platinum branded vape cartridges and disposable vape products licensed dispensaries across the state.
- The addition of a new retail location in Clearwater, Florida, expanding the Company's Florida operations to four active locations across the state, with five additional leased retail locations pending activation as noted above.
- Leveraging key supply chain competencies in the state of California to streamline costs and increase speed to market for its revamped distribution operations in the same state.
- Entry into the rapidly growing and recently appointed adult use Ohio cannabis market through the execution of a (non-THC supply and licensing arrangement with a first mover, vertically integrated Ohio distributor allowing the Company to leverage the distributor's existing retail network to introduce its Platinum Vape cartridges, and disposable vapes, as well as gummy coins across more than ninety licensed retail locations in the state.
- Continuing to expand the Company's asset-light, Licensing revenue streams in new markets through licensed producer partnerships.

- Expanding the Company's regulated processing and manufacturing capabilities in the state of Florida to include both extraction and edibles manufacturing.
- Expanding the Company's physical footprint in the Canadian market through the Aleafia Transaction (refer to *Recent Developments*).

The Company is focused on prioritizing growth of its "*Platinum*", "*Platinum Vape*", and "*House of Platinum, Cannabis*" branded product portfolio and retail banners through its respective channels to market (Distribution or "direct to retailer", Licensing through third party distributors, Retail or "direct to customer") in U.S. states, , where it maintains a physical footprint or where it has extended, or plans to extend, its asset-light presence through procurement and licensing arrangements with distributors in strategically targeted legal U.S. states such as Arizona, Ohio, and Missouri. . In addition, the Company continues to pursue asset-light execution and exploitation of its Platinum brands and product offerings in international markets, such as Canada, through strategic partnerships with licensed producers and retailers including, but not limited to, those that were made available through the Aleafia Transaction (refer to *Recent Developments*).

The Company continues to extend the availability of the *Platinum, Platinum Vape*, and *House of Platinum, Cannabis* branded product lines in each jurisdiction in which it operates. The Company has expanded its focus on both Live Resin and Live Rosin vape offerings, premium edible offerings, including but not limited to, branded gummy coins, as well as disposable vape products under various hardware platforms including Skybar™. As of the date of the MD&A, by virtue of the Aleafia Transaction (refer to *Recent Developments*), the Company has also launched Platinum branded vape cartridges and disposable vape products utilizing the Skybar™ hardware platform as well as gummy coins, in the federally legal Canadian cannabis market. Products are made available to licensed retailers across Canada through well-established, provincially regulated distributors as well as direct to patients through an established subscription network.

RECENT DEVELOPMENTS

The Aleafia Transaction

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. at the date of the Aleafia Acquisition. 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.

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 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 which came to the attention in concert with their appointment. The Company notes that it does not currently actively trade on exchanges that require 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 only 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 OTC. As noted below, the Company's OTC listing had been suspended in March 2023 and remained as such while proceedings with the SEC were underway.

As of the date of this report, the Company is working collaboratively with its former and current auditors towards the completion and filing of a registration statement, with applicable consent, in order to be able to lift the Section 12(j) order and concurrently working with the OTC Markets Group to reactivate its listing on the OTC marketplace. It is worthwhile to note again that the Company's only matter of non-compliance is the deficient filings overseen by prior management. Once matters with the aforementioned 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. ***Other recent developments***

- Subsequent to 2023-YE, 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. See *Recent Developments* for details of the Aleafia Transaction and *Liquidity and Capital Resources* further details relating to the CAD RGR Grid Note, the AH Note Receivable and the AH DIP Note.

- Subsequent to the 2023-YE, 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. See *Liquidity and Capital Resources* for further details pertaining to the USD RGR Grid Note.

ACQUISITIONS

Acquisition of Pharmaco, Inc.

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

Consideration for the Pharmaco Acquisition included the issuance of 37 million units of RWB ("Units"), a previously held call/put option valued at $94 million on date of acquisition, and $38.1 million in debt assumed. Each Unit consists of one common share and one series II convertible preferred share (each, a "Series II Preferred Share" and collectively, the "Series II Preferred Shares") in the capital of RWB. Each Series II Preferred Share was convertible, in accordance with the formula as set out in the terms in RWB's articles, at any time or times before April 24, 2022. The Series II Preferred shares were subject to voluntary lock-up until January 1, 2023. The Units were issued at a deemed price of $1.00 per unit. All Series II Preferred Shares issued in relation to the Pharmaco Acquisition were converted into common shares of the Company by April 24, 2022 (refer to the "Summary of Outstanding Share Data" section).

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

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

During restated 2022-YE, the Company assessed the goodwill acquired with the Pharmaco Acquisition. Refer to the 2022 Financial Statements for details on the resulting goodwill impairment realized by the Company. As at 2023-YE, the Company reassessed the carrying value of the acquired Pharmaco net assets including but not limited to goodwill. Refer to the Financial Statements for details on the resulting impairments.

DISCONTINUED OPERATIONS

As a result of Management's assessment of discontinued operations under IFRS 5, as at 2023-YE, the Company had discontinued operations of its wholly owned subsidiaries; Mid-American Growers, Inc, Real World Business Integrations, LLC, Vista Prime Management, LLC, GC Ventures 2, LLC, Vista Prime 3, Inc, Royalty USA Corp, and RWB Illinois, Inc.

In accordance with the aforementioned classification, the results of operations for 2023-Q4 and 2023-YTD are set out below.

	2023-Q4	2022-Q4 restated	Variance	2023-YTD	2022-YTD restated	Variance
	$	$	$	$	$	$
Revenue	-	959,514	(959,514)	619,960	9,778,542	(9,158,582)
Cost of Sales	23,874	512,316	(488,442)	325,233	4,821,038	(4,495,806)
Gross loss	(23,874)	447,198	(471,072)	294,727	4,957,504	(4,662,776)
Total operating expenses	104,980	3,421,361	(3,316,381)	3,056,317	16,950,272	(13,893,954)
Loss from operations	(128,854)	(2,974,163)	2,845,309	(2,761,590)	(11,992,768)	9,231,178
Total other expense (income)	4,007,479	551,960	3,455,519	4,191,184	(2,174,117)	6,365,301
Net gain (loss) before taxes from discontinued operations	(4,136,333)	(3,526,123)	(610,210)	(6,952,774)	(9,818,651)	2,865,877
Current income tax (recovery) expense	-	(4,930,871)	4,930,871	-	(4,930,871)	4,930,871
Deferred income tax (recovery) expense	131,960	(5,545,173)	5,677,133	131,959	(5,545,173)	5,677,132
Net loss from discontinued operations	(4,268,293)	6,949,921	(11,218,214)	(7,084,733)	657,394	(7,742,126)
Net loss per share, basic and diluted on discontinued	(0.01)	0.02	(0.02)	(0.02)	0.00	(0.02)

FINANCIAL HIGHLIGHTS

2023-Q4 and 2023-YTD Consolidated Highlights

The following summarizes results from operations for 2023-Q4, and 2023-YTD with restated 2022-Q4 and restated 2022-YTD comparatives.

	2023-Q4	2022-Q4 restated	Variance	2023-YTD	2022-YTD restated	Variance
	$	$	$	$	$	$
Revenue	19,864,347	15,375,560	4,488,787	88,333,249	87,714,962	618,287
Cost of goods sold, before fair value adjustments	12,476,141	14,063,040	(1,586,899)	57,134,380	65,203,119	(8,068,739)
Gross profit before fair value adjustments	**7,388,206**	**1,312,520**	**6,075,686**	**31,198,869**	**22,511,843**	**8,687,026**
Gross profit before fair value adjustments (%)	37%	9%	28%	35%	26%	10%
Unrealized changes in fair value of biological assets	1,965,909	5,239,405	(3,273,496)	494,783	2,867,768	(2,372,985)
Realized fair value amounts included in inventory sold	(670,469)	(74,615)	(595,854)	(2,208,445)	(2,709,239)	500,794
Gross Profit after fair value adjustments	**8,683,646**	**6,477,310**	**2,206,336**	**29,485,207**	**22,670,372**	**6,814,835**
Gross profit (%)	44%	42%	2%	33%	26%	8%
General and administration	7,091,547	7,591,305	(499,758)	28,022,215	21,854,593	6,167,622
Marketing expenses	451,855	616,667	(164,812)	1,783,015	3,011,690	(1,228,675)
Share-based compensation	144,619	(721,020)	865,639	751,975	477,980	273,995
Depreciation and amortization	879,073	97,801	781,272	3,783,648	6,060,810	(2,277,162)
Bad debt expense	2,463,009	(225,918)	2,688,927	3,418,621	879,296	2,539,325
Total operating expenses	**11,030,103**	**7,358,835**	**3,671,268**	**37,759,474**	**32,284,369**	**5,475,105**
Loss from operations before other expenses or income	**(2,346,457)**	**(881,525)**	**(1,464,932)**	**(8,274,267)**	**(9,613,997)**	**1,339,730**
Total other expenses	91,927,300	213,519,542	(121,592,242)	108,238,633	229,693,711	(121,455,078)
Loss before income taxes	**(94,273,757)**	**(214,401,067)**	**120,127,310**	**(116,512,900)**	**(239,307,708)**	**122,794,808**
Current income tax expense	(6,700,026)	(8,766,556)	2,066,530	(8,814,581)	(13,617,128)	4,802,547
Deferred income tax recovery	(12,866,061)	10,139,713	(23,005,774)	(11,169,781)	10,139,713	(21,309,494)
Net loss from continuing operations	(113,839,844)	(213,027,910)	99,188,066	(136,497,262)	(242,785,123)	106,287,861
(Gain) loss from discontinued operations	(4,268,293)	6,949,921	(11,218,214)	(7,084,732)	657,394	(7,742,126)
Loss for the period	**(118,108,137)**	**(206,077,989)**	**87,969,852**	**(143,581,994)**	**(242,127,729)**	**98,545,735**
Adjusted EBITDA[(i)]	1,716,431	(3,266,204)	4,982,635	5,531,556	(1,705,334)	7,236,890

[(i)]*Refer to Non-IFRS measures and Supplementary or Operating Measures note*

- Revenues were $19.9 million for 2023-Q4, a $4.5 million increase from restated 2022-Q4 revenues of $15.4 million. Revenues for 2023-YTD were $88.3 million, a $0.6 million increase from restated 2022-YTD revenues of $87.7 million.
- Gross profit, before fair value adjustments, was $7.4 million for 2023-Q4, a $6.1 million increase from restated 2022-Q4 gross profit before fair value adjustments of $1.3 million. Gross profit, before fair value adjustments for 2023-YTD, was $31.2 million, a $8.7 million increase from restated 2022-YTD gross profit before fair value adjustments of $22.5 million.
- Operating expenses were $11.0 million for 2023-Q4, an increase of $3.6 million compared to restated 2022-Q4 operating expenses of $7.4 million. Operating expenses were $37.8 million for 2023-YTD, an increase of $5.5 million compared to restated 2022-YTD operating expenses of $32.3 million.
- Losses from operations before other expenses were $2.3 million for 2023-Q4, a $1.5 million increase from restated 2022-Q4 losses from operations before other expenses of $0.9 million. Losses from operations before other expenses were $8.3 million for 2023-YTD, a $1.3 million decrease from restated 2022-YTD losses from operations before other expenses of $9.6 million.
- Other expenses were $91.9 million for 2023-Q4, a decrease of $121.6 million compared to restated 2022-Q4 other expenses of $213.5 million. Other expenses were $108.2 million for 2023-YTD, a decrease of $121.5 million compared to restated 2022-YTD other expenses of $229.7 million.
- Adjusted EBITDA was $1.7 million for 2023-Q4, an increase of $5.0 million compared to restated 2022-Q4 adjusted EBITDA of negative $3.3 million. Adjusted EBITDA was $5.5 million for 2023-YTD, an increase of $7.2 million compared to restated 2022-YTD adjusted EBITDA of negative $1.7 million.

RESULTS OF OPERATIONS

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

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

(2) ***Distribution segment*** includes subsidiaries that are licensed to cultivate, manufacture, process and/or distribute Company branded cannabis products and accessories directly to licensed retailers in states of Michigan and California where the sale of cannabis products is legal.

(3) ***Licensing segment*** includes subsidiaries that own intellectual property associated with the Company's PV and Platinum trademarks and brands, that are engaged in the sale of non-THC branded products which are incorporated in licensed Company cannabis product offerings. The Company also contracts with distributors in legal states to license the use of its brands in the above noted branded, non-THC inputs as well as market branded product offerings within their territory.

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

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

Segmented revenues to gross profit, for 2023-Q4 and restated 2022-Q4 are as follows:

2023-Q4	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Revenue					
Sales revenue	-	13,904,480	655,814	5,304,053	19,864,347
Cost of goods sold before fair value adjustments	-	7,193,600	(31,839)	5,314,380	12,476,141
Gross profit before fair value adjustments	**-**	**6,710,880**	**687,653**	**(10,327)**	**7,388,206**
Unrealized gains (losses) in fair value of biological assets	-	-	-	1,965,909	1,965,909
Realized fair value gains (losses) included in inventory sold	-	-	-	(670,468)	(670,468)
Gross profit	**-**	**6,710,880**	**687,653**	**1,285,114**	**8,683,647**
% of consolidated revenue	0%	70%	3%	27%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	58%	0%	43%	100%
Gross profit before fair value adjustments (%)	0%	48%	105%	0%	37%
Gross profit (%)	0%	48%	105%	24%	44%
restated 2022-Q4	Corporate	Distribution	Licensing	Retail	Consolidated
Revenue					
Sales revenue	-	14,539,464	-	836,096	15,375,559
Cost of goods sold before fair value adjustments	-	11,182,272	-	2,880,768	14,063,039
Gross profit before fair value adjustments	**-**	**3,357,192**	**-**	**(2,044,672)**	**1,312,520**
Unrealized gains (losses) in fair value of biological assets	-	-	-	5,239,405	5,239,405
Realized fair value gains (losses) included in inventory sold	-	-	-	(74,615)	(74,615)
Gross profit	-	**3,357,192**	**-**	**3,120,118**	**6,477,310**
% of consolidated revenue	0%	95%	0%	5%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	80%	0%	20%	100%
Gross profit before fair value adjustments (%)	0%	23%	0%	-245%	9%
Gross profit (%)	0%	23%	0%	373%	42%
Variance	Corporate	Distribution	Licensing	Retail	Consolidated
Change in revenue	-	(634,984)	655,814	4,467,957	4,488,788
Change in cost of goods sold before fair value adjustment	-	(3,988,672)	(31,839)	2,433,612	(1,586,898)
Change in gross profit before fair value adjustment	-	3,353,688	687,653	2,034,345	6,075,686
Change in gross profit after fair market value adjustments	-	3,353,688	687,653	(1,835,004)	2,206,337

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

2023-YTD	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Revenue					
Sales revenue	-	62,451,844	3,351,053	22,530,352	88,333,249
Cost of goods sold before fair value adjustments	-	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 gains (losses) in fair value of biological assets	-	-	-	494,783	494,783
Realized fair value gains (losses) included in inventory sold	-	-	-	(2,208,445)	(2,208,445)
Gross profit after fair market value adjustments	**-**	**22,531,268**	**2,509,862**	**4,444,077**	**29,485,207**
% of consolidated revenue	0%	70%	4%	26%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	70%	1%	29%	100%
Gross profit before fair value adjustments (%)	0%	36%	75%	27%	35%
Gross profit (%)	0%	36%	75%	20%	33%
restated 2022-YTD	Distribution	Distribution	Licensing	Retail	Consolidated
Revenue					
Sales revenue	-	60,903,834	-	26,811,128	87,714,962
Cost of goods sold before fair value adjustments	-	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 gains (losses) in fair value of biological assets	-	-	-	2,867,768	2,867,768
Realized fair value gains (losses) included in inventory sold	-	-	-	(2,709,239)	(2,709,239)
Gross profit after fair market value adjustments	**-**	**19,530,122**	**-**	**3,140,250**	**22,670,372**
% of consolidated revenue	0%	69%	0%	31%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	63%	0%	37%	100%
Gross profit before fair value adjustments (%)	0%	32%	0%	11%	26%
Gross profit (%)	0%	32%	0%	12%	26%
Variance	Distribution	Distribution	Licensing	Retail	Consolidated
Change in revenue	-	1,548,010	3,351,053	(4,280,776)	618,287
Change in cost of goods sold before fair value adjustment	-	(1,453,136)	841,191	(7,456,794)	(8,068,739)
Change in gross profit before fair value adjustment	-	3,001,146	2,509,862	3,176,018	8,687,026
Change in gross profit after fair market value adjustments	-	3,001,146	2,509,862	1,303,827	6,814,835

Revenue

The Company's three main revenue streams are (1) Distribution, (2) Licensing and (3) Retail.

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

- **Licensing Revenue**: Revenue from sales to distributors of non-THC, branded inputs and through licensing of its brand to third party distributors.

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

Sales of products are in cash, in the case of retail revenues, or for otherwise agreed-upon credit terms, in the case of distribution and licensing revenues. The Company's payment terms for distribution customers vary by location and customer. The time between when distribution revenue is recognized and when payment is due is typically not greater than 30 days. The Company offers promotional discounts on its products at point of sale (Retail). The Company does not offer a warranty on its products in any channel.

Revenue for 2023-Q4

- ***Consolidated revenue for 2023-Q4*** amounted to $19.8 million, compared to $15.4 million for restated 2022-Q4. The overall increase of $4.4 million in revenue is primarily attributed to improved quarter-over-quarter revenues generated through Retail and Licensing. Further analysis of revenues reported for 2023-Q4 is provided in the discussion of the respective operating segments results below (Distribution, Licensing and Retail).

- ***Distribution revenue for 2023-Q4*** was $13.9 million, compared to $14.5 million for restated 2022-Q4, a decrease of $0.6 million. The decrease in revenues can be primarily attributed to continuing supply chain constraints that restricted the Company's ability to fulfill committed sales orders in addition to ongoing price compression attributed to competitive market conditions in both Michigan and California. As of the date of the MD&A, the Company has proactively engaged in solidifying its supply of raw materials (biomass) into fiscal 2024 for its key Michigan operations through a biomass procurement arrangement executed in second quarter of fiscal 2023 by way of a financial crop commitment of a $4 million deposit for the harvest (refer to *Deposits* in the Company's most recently filed Financial Statements on Sedar+). This program is projected to provide costs savings associated with raw material inputs used in the manufacture of in-market cannabis products in the state of Michigan given that the Company has contracted directly with the supplier of the raw materials rather than sourcing through intermediary procurement agents.

- ***Licensing revenue for 2023-Q4*** amounted to $0.7 million and has no comparable revenue in restated 2022-Q4 due to the revenue stream commencing in 2023-Q3. Revenues for the quarter ended were garnered from a licensing agreement with Aleafia Health Inc. (prior to its acquisition by the Company (refer to *Recent Developments*), a Canadian licensed producer and distributor, which facilitated the launch of Platinum branded cartridges and disposable vapes into its existing provincial distribution network.

- ***Retail revenue for 2023-Q4*** was $5.3 million compared to $0.8 million for restated 2022-Q4. The $4.5 million increase is primarily attributed to conclusion of discounting of discontinued HT Medical product offerings in early 2023-Q4 which were required to optimize shelf space for the newly launched "House of Platinum" branded cannabis product offerings introduced in 2023-Q3.

Revenue for 2023-YTD

- ***Consolidated revenue for 2023-YTD*** amounted to $88.3 million, compared to $87.7 million for restated 2022-YTD. The overall increase of $0.6 million in revenue is primarily attributed to higher revenues generated through the Distribution and Licensing channels in the period, offset by a decrease in Retail revenues. Further analysis of revenues reported for 2023-YTD is provided in the discussion of the respective operating segments results below (Distribution, Licensing and Retail).

- ***Distribution revenue for 2023-YTD*** was $62.4 million, an increase of $1.5 million compared to $60.9 million for restated 2022-YTD. The overall increase can be primarily attributed to continuing increased distribution of Platinum Vape branded products across active markets. The Company is continuing to proactively adapt the mix of its premium branded product offerings based on the maturing customer tastes within the legal markets it services, drive customer awareness of the quality of its product offerings and increase recurring sales capabilities through customer loyalty.

- ***Licensing revenue for 2023-YTD*** amounted to $3.4 million and has no comparable revenue in restated 2022-YTD due to the revenue stream commencing in 2023-Q3. During 2023-YTD, the Company executed licensing agreements in both the US and Canadian markets which facilitated the launch of its Platinum and Platinum Vape product offerings in these markets. The US launch was facilitated through a procurement and licensing arrangement between an Arizona and an Ohio distributor and the Company's licensing subsidiary. The Canadian launch was facilitated through a Licensing agreement with Aleafia Health Inc. and a newly incorporated Canadian subsidiary.

- ***Retail revenue for 2023-YTD*** was $22.5 million, a decrease of $4.3 million compared to $26.8 million for restated 2022-YTD. The decrease is primarily attributed to the impact of continuing competitive market conditions in the state of Michigan and Florida, the impact of aggressive, point of sale, promotional campaigns conducted in 2023-Q2 and 2023-Q3 within the Florida retail network tied to the sunset of HT Medical product offerings required to optimize shelf space for the newly launched "House of Platinum, Cannabis" branded cannabis product offerings introduced in 2023-Q2, as well as the mix of product revenues in restated 2022-YTD.

Despite competitive pricing pressures across all of its active markets, the Company continues to proactively adapt the mix of its premium branded product offerings based on the maturing customer tastes defined by licensed retailers and key consumers within these markets. This product focus is the basis for building ultimate consumer awareness and loyalty to the Company's Platinum branded product lines.

Cost of goods sold

Cost of goods sold for 2023-Q4

- ***Consolidated cost of goods sold before fair value adjustments for 2023-Q4*** was $12.5 million, a $1.6 million decrease, when compared to $14.1 million for restated 2022-Q4, mainly driven by decreases in Retail and Distribution channels as described below.

- ***Distribution cost of goods sold before fair value adjustments for 2023-Q4*** was $7.2 million, a decrease of $4.0 million, when compared to $11.2 million for restated 2022-Q4.

- ***Licensing cost of goods sold before fair value adjustments for 2023-Q4*** amounted to negative $0.1 million due to a reallocation of prior fiscal 2023 quarterly costs made in 2023-Q4 and has no comparable cost of goods sold in restated 2022-Q4 due to the Licensing channel only commencing in 2023.

- ***Retail cost of goods sold before fair value adjustments for 2023-Q4*** was $5.3 million, an increase of $2.4 million when compared to $2.9 million in restated 2022-Q4.

Cost of goods sold for 2023-YTD

- ***Consolidated cost of goods sold before fair value adjustments for 2023-YTD*** was $57.1 million, a $8.1 million decrease, when compared to $65.2 million for restated 2022-YTD.

- ***Distribution cost of goods sold before fair value adjustments for 2023-YTD*** was $39.9 million, a decrease of $1.5 million, when compared to $41.4 million for restated 2022-YTD.

- ***Licensing cost of goods sold before fair value adjustments for 2023-YTD*** amounted to $0.8 million and has no comparable cost of goods sold in restated 2022-YTD due to the Licensing channel only commencing in 2023.

- ***Retail cost of goods sold before fair value adjustments for 2023-YTD*** was $16.4 million, a decrease of $7.4 million when compared to $23.8 million in restated 2022-YTD. The decrease is in direct correlation with the decrease in gross revenues for 2023-YTD.

Gross profit before fair market value adjustments

Gross profit before fair market value adjustments for 2023-Q4

- ***Consolidated gross profit before fair value adjustments for 2023-Q4*** totaled $7.4 million, a $6.1 million increase when compared to a consolidated gross profit before fair value adjustments of $1.3 million for restated 2022-Q4. The consolidated decrease is due to changes in gross profit before fair market value adjustment in the Distribution, Licensing and Retail channels as described below.

- ***Distribution gross profit before fair value adjustments for 2023-Q4*** totaled $6.7 million, an increase of $3.3 million when compared to a gross profit before fair value adjustments of $3.4 million for restated 2022-Q4. The increase in gross profit margin before fair value adjustments is a direct reflection of the reduction in cost of goods sold mentioned above.

- ***Licensing gross profit before fair value adjustments for 2023-Q4*** amounted to $0.7 million and has no comparable gross profit in restated 2022-Q4 due to the inclusion of the segment to the financials in 2023-Q2 period.

- ***Retail gross loss before fair value adjustments for 2023-Q4*** was nominal, increasing $2.0 million when compared to a gross loss before fair value adjustments of $2.0 million for restated 2022-Q4.

Gross profit before fair market value adjustments for 2023-YTD

- ***Consolidated gross profit before fair value adjustments for 2023-YTD*** totaled $31.2 million, a $8.7 million increase when compared to a consolidated gross profit before fair value adjustments of $22.5 million for restated 2022-YTD. The consolidated decrease is due to changes in the Distribution, Licensing and Retail channels as described below.

- ***Distribution gross profit before fair value adjustments for 2023-YTD*** totaled $22.5 million, an increase of $3.0 million when compared to a gross profit before fair value adjustments of $19.5 million for restated 2022-YTD. The increase in gross profit margin before fair value adjustments is a direct reflection of the increase in revenues and reduction in cost of goods sold mentioned above.

- ***Licensing gross profit before fair value adjustments for 2023-YTD*** amounted to $2.5 million and has no comparable gross profit before fair value adjustments in restated 2022-YTD due to the inclusion of the segment to the financials in 2023-Q2 period.

- ***Retail gross profit before fair value adjustments for 2023-YTD*** totaled $6.2 million, an increase of $3.2 million compared to gross profit before fair value adjustments of $3.0 million for restated 2022-YTD reflecting the continuing growth amidst competitive market conditions in the Company's Michigan and Florida retail operations.

OPERATING EXPENSES

The Company incurs ongoing expenses, cash and non-cash, to operate its Distribution, Licensing and Retail operations, along with various costs related to its public company standing. Operating Expenses for 2023-Q4 and restated 2022-Q4 are as follows:

2023-Q4	Corporate	Distribution	Licensing	Retail	Consolidated
	$	**$**	**$**	**$**	**$**
General and administration	1,479,742	2,214,182	131,535	3,266,087	7,091,546
Marketing expenses	7,712	296,901	23,411	123,831	451,855
Share-based compensation	144,619	-	-	-	144,619
Depreciation and amortization	-	120,872	-	758,200	879,072
Expected credit loss and bad debt expense	-	933,303	1,529,706	-	2,463,009
Total operating Expenses	**1,632,073**	**3,565,258**	**1,684,652**	**4,148,118**	**11,030,101**
2022-Q4 restated	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
General and administration	2,430,824	1,015,018	-	4,145,462	7,591,304
Marketing expenses	8,112	34,445	-	574,111	616,668
Share-based compensation	(721,020)	-	-	-	(721,020)
Depreciation and amortization	5,183	126,397	-	(33,780)	97,800
Expected credit loss and bad debt expense	-	5,001	-	(230,919)	(225,918)
Total operating expenses	**1,723,099**	**1,180,861**	**-**	**4,454,874**	**7,358,834**
Variances	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Change in General and administration	(951,082)	1,199,163	131,535	(879,375)	(499,759)
Change in marketing expenses	(400)	262,456	23,411	(450,280)	(164,813)
Change in share-based compensation	865,639	-	-	-	865,639
Change in depreciation and amortization	(5,183)	(5,525)	-	791,980	781,272
Change in in expected credit loss and bad debt expense	-	928,302	1,529,707	230,919	2,688,927
Change in total operating expenses	**(91,026)**	**2,384,396**	**1,684,652**	**(306,755)**	**3,671,267**

Operating Expenses for 2023-YTD and restated 2022-YTD are as follows:

2023-YTD	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
General and administration	5,690,902	7,679,711	340,794	14,310,808	28,022,215
Marketing expenses	16,377	1,361,641	82,445	322,552	1,783,015
Share-based compensation	751,975	-	-	-	751,975
Depreciation and amortization	-	546,111	-	3,237,537	3,783,648
Bad debt expense	-	1,888,914	1,529,706	-	3,418,621
Total operating Expenses	**6,459,254**	**11,476,377**	**1,952,946**	**17,870,897**	**37,759,474**
2022-YTD restated	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
General and administration	6,864,080	3,928,223	-	11,062,290	21,854,593
Marketing expenses	290,509	1,358,064	-	1,363,117	3,011,690
Share-based compensation	477,980	-	-	-	477,980
Depreciation and amortization	5,183	453,684	-	5,601,943	6,060,810
Bad debt expense	-	879,296	-	-	879,296
Total operating expenses	**7,637,752**	**6,619,267**	**-**	**18,027,350**	**32,284,369**
Variances	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Change in General and administration	(1,173,178)	3,751,488	340,794	3,248,518	6,167,622
Change in marketing expenses	(274,132)	3,577	82,445	(1,040,565)	(1,228,675)
Change in share-based compensation	273,995	-	-	-	273,995
Change in depreciation and amortization	(5,183)	92,427	-	(2,364,406)	(2,277,162)
Change in in expected credit loss and bad debt expense	-	1,009,618	1,529,707	-	2,539,325
Change in total operating expenses	**(1,178,498)**	**4,857,110**	**1,952,946**	**(156,453)**	**5,475,105**

Consolidated operating expenses for 2023-Q4 and 2023-YTD totaled $11.0 million and $37.8 million, an increase of $3.7 million and $5.5 million, respectively, when compared to consolidated operating expenses of $7.4 million and $32.3 million for restated 2022-Q4 and restated 2022-YTD. The overall increase is due to changes in operating expenses as described below.

General and administrative expenses ("G&A")

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

The following table summarizes general and administrative expenses incurred by the Company for 2023-Q4, and 2023-YTD, and restated 2022-Q4 and restated 2022-YTD:

	2023-Q4	Restated 2022-Q4	Variance	2023-YTD	Restated 2022-YTD	Variance
	$	$	$	$	$	$
Salaries and wages	3,251,869	2,145,842	1,106,027	13,726,639	9,568,448	4,158,191
Facilities expense	134,660	424,849	(290,189)	2,726,607	1,054,493	1,672,114
Professional fees	1,758,134	2,358,850	(600,716)	5,263,472	6,527,883	(1,264,411)
Office and administrative fees	92,397	1,975,476	(1,883,079)	1,444,543	2,603,128	(1,158,585)
Travel expense	98,076	133,455	(35,379)	444,033	368,080	75,953
Licenses and permits	225,379	158,142	67,237	489,573	658,871	(169,298)
Insurance	220,650	291,949	(71,299)	1,439,297	929,704	509,593
Penalty and late fees	1,310,382	86,673	1,223,709	2,488,051	88,448	2,399,603
Tax expense	-	16,069	(16,069)	-	55,538	(55,538)
Total general and administrative expenses	**7,091,547**	**7,591,305**	**(499,758)**	**28,022,215**	**21,854,593**	**6,167,621**

General and Administrative for 2023-Q4

Total G&A expenses for 2023-Q4 were $7.1 million compared to $7.6 million for restated 2022-Q4. The decrease of $0.5 million is primarily attributable to decreases in office and administrative fees, facilities expenses and professional fees, offset by increases in salaries and wages and penalty and late fees.

- ***Salaries and wages*** in 2023-Q4***,*** totaled $3.3 million, an increase of $1.2 million when compared to salaries and wages of $2.1 million for restated 2022-Q4. The increase can be attributed to the addition of key management roles to the Company including but not limited the office of the President, Chief Financial Officer, and SVP, Finance.
- ***Facilities expenses*** in 2023-Q4 totaled $0.1 million, a decrease of $0.3 million when compared to facilities expenses of $0.4 million for restated 2022-Q4.
- ***Professional fees*** for 2023-Q4 totaled $1.8 million, a decrease of $0.6 million compared to $2.4 million in restated 2022-Q4 mainly due to reductions in consulting fees in the comparable quarter.
- ***Office and administrative fees*** *for* 2023-Q4 totaled $0.1 million, a decrease of $1.9 million compared to $2.0 million restated 2022-Q4.
- ***Licenses and permits*** costs incurred in 2023-Q4 were $0.2 million within the quarter, comparable to $0.2 million for restated 2022-Q4.
- ***Insurance*** in 2023-Q4 was $0.2 million within the quarter, a decrease of $0.1 million compared to $0.3 million for restated 2022-Q4.
- ***Penalty and late fees*** for 2023-Q4 were $1.3 million, an increase of $1.2 million compared to $0.1 million in restated 2022-Q4, mainly due to the reconciliation of charges from federal and state authorities.

General and Administrative for 2023-YTD

Total G&A expenses for 2023-YTD were $28.0 million compared to $21.9 million for restated 2022-YTD. The increase of $6.1 million is primarily attributable to increases in salaries and wages and penalty and late fees offset by reductions in professional fees and office and administrative fees.

- ***Salaries and wages in 2023-YTD,*** totaled $13.7 million, an increase of $4.1 million when compared to salaries and wages of $9.6 million for restated 2022-YTD. The increase is primarily attributed to the addition of key management and operational roles to the Company which were not yet in place in 2022-Q3.
- ***Facilities expenses in 2023-YTD*** totaled $2.7 million, an increase of $1.6 million compared to facilities expenses of $1.1 million for restated 2022-YTD. The increase can be partially attributed to facilities expenses in restated 2022-YTD only being incurred for a post the Pharmaco Acquisition on February 7, 2022, compared to a full year in 2023-YTD. The Company also incurred increases in security costs related to onsite security for its retail locations.
- ***Professional fees for 2023-YTD*** totaled $5.3 million, a decrease of $1.2 million compared to $6.5 million in restated 2022-YTD mainly due a fifty percent reduction in audit costs incurred year over year and can also be attributed to a reduction in accounting fees, bringing a majority of accounting services in-house subsequent to 2023-Q1.
- ***Office and administrative fees for 2023-YTD*** totaled $1.4 million, a decrease of $1.2 million when compared to $2.6 million for restated 2022-YTD. The decrease can be attributed to the closure of two underutilized office spaces at the tail end of restated 2022-YTD and within the first quarter of 2023, along with the onboarding of a cost-efficient IT partner at the end of restated 2022-YTD effecting full year costs reductions for 2023-YTD.
- ***Licenses and permits*** in 2023-YTD were $0.5 million, a decrease of $0.2 million compared to $0.7 million for restated 2022-YTD.
- ***Insurance*** in 2023-YTD was $1.4 million, an increase of $0.5 million compared to $0.9 million for restated 2022-YTD.
- ***Penalty and late fees*** for 2023-YTD were $2.5 million, an increase of $2.4 million when compared to expenses of $0.1 million for restated 2022-YTD due to arrears on various statutory balances, including but not limited to income taxes reflecting the detrimental 280e provisions enforced in the United States on cannabis market participants. The Company continues to proactively manage the arrears with select federal and state authorities and is confident that it can address acceptable resolutions in settlement of the associated balances.

Bad Debt Expense

Expected credit loss and bad debt expense *for 2023-Q4* was $2.4 million, a $2.6 million increase compared to a recovery of $0.2 million for restated 2022-Q4.

Expected credit loss and bad debt expense *for 2023-YTD* was $3.4 million, an increase of $2.5 million compared to $0.9 million for restated 2022-YTD. The Company provided for $4.8 million in expected credit losses during 2023-YTD, a $3.2 million increase from $1.6 million provided for during restated 2022-YTD. The reader is referred to the 2023 Financial Statements for future details on the application of the ECL methodology.

OTHER EXPENSES (INCOME)

Other expenses (income) for 2023-Q4 and restated 2022-Q4 are as follows:

2023-Q4	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(1,298,215)	-	-	-	-	(1,298,215)
Other income	(1,941,375)	841,652	1,819,196	(411,386)	-	308,087
Accreted interest, leases	(1,884,499)	177,423	(133,169)	2,520,862	-	680,617
Finance expense, net	12,272,210	(14,166,180)	(4,390)	10,522,795	-	8,624,435
Acquisition costs	-	-	492,220	-	-	492,220
Business transaction costs	67,799	(522,930)	531,217	41,567	-	117,653
Reversal of license liability	-	-	-	-	-	-
Loss on debt extinguishment	-	-	-	-	-	-
Gain loss on debt modification	(518,461)	-	-	-	-	(518,461)
Gain on valuation of financial instruments	(50,986)	1,295,934	-	(1,244,022)	-	926
Loss on disposal of assets	(1,396)	-	-	1,396	-	-
(Gain) or loss on settlement of debt	-	(129,821)	-	268,620	-	138,799
Impairment of PPE	-	-	-	33,983,322	-	33,983,322
Impairment of intangible assets	-	-	-	26,898,966	-	26,898,966
Impairment of goodwill	-	-	-	24,317,700	-	24,317,700
Foreign exchange	(5,237,699)	3,427,531	(7,111)	(1,471)	-	(1,818,750)
Total other expenses (income)	**1,407,378**	**(9,076,391)**	**2,697,963**	**96,898,349**	**-**	**91,927,299**
2022-Q4 restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Accreted interest, leases	-	152,019	-	(324,248)	-	(172,229)
Finance expense, net	4,061,020	-	-	2,300,672	-	6,361,692
Acquisition costs	-	-	-	-	-	-
Business transaction costs	-	-	-	-	-	-
Reversal of license liability	8,135,473	-	-	-	-	8,135,473
Loss on debt extinguishment	5,696,535	-	-	-	-	5,696,535
Gain on extinguishment of payables	-	-	-	-	-	-
(Gain) loss on evaluation of financial instruments	(907,374)	-	-	103,507	-	(803,867)
(Gain) loss on disposal of assets	-	-	-	-	21,437	21,437
(Gain) loss on settlement of debt	(8,135,473)	-	-	(7,903,108)	-	(16,038,581)
Impairment of PPE	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	29,539,510	29,539,510
Impairment of goodwill	-	-	-	184,925,635	299,151	185,224,786
Foreign exchange	(4,311,904)	-	-	(133,312)	-	(4,445,216)
Total other expenses (income)	**4,538,277**	**152,019**	**-**	**178,969,146**	**29,860,098**	**213,519,540**
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in interest earned on promissory notes	(1,298,215)	-	-	-	-	(1,298,215)
Change in other income	(1,941,376)	841,652	1,819,196	(411,386)	-	308,086
Change in accreted interest, leases	(1,884,499)	25,404	(133,169)	2,845,110	-	852,846
Change in finance expense, net	8,211,189	(14,166,180)	(4,390)	8,222,124	-	2,262,743
Change in acquisition costs	-	-	492,220	-	-	492,220
Change in business transaction costs	67,799	(522,930)	531,217	41,567	-	117,653
Change in reversal of license liability	(8,135,473)	-	-	-	-	(8,135,473)
Change in loss on debt extinguishment	(5,696,535)	-	-	-	-	(5,696,535)
Change in gain on extinguishment of payables	-	-	-	-	-	-
Change in (gain) loss on evaluation of financial instruments	388,914	-	-	(1,347,529)	-	(958,615)
Change in (gain) loss on disposal of assets	(50,986)	1,295,934	-	1,396	(21,437)	1,224,907
Change in (gain) loss on settlement of debt	8,134,076	-	-	8,171,728	-	16,305,804
Change in impairment of PPE	-	(129,821)	-	33,983,322	-	33,853,501
Change in impairment of intangible assets	-	-	-	26,898,966	(29,539,510)	(2,640,544)
Change in impairment of goodwill	-	-	-	(160,607,936)	(299,151)	(160,907,087)
Change in foreign exchange	(925,793)	3,427,531	(7,111)	131,841	-	2,626,468
Change in total other expenses (income)	**(3,130,899)**	**(9,228,410)**	**2,697,963**	**(82,070,797)**	**(29,860,098)**	**(121,592,241)**

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

2023-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(3,038,994)	-	-	-	-	(3,038,994)
Other income	(2,131,492)	836,500	1,819,196	(916,252)	-	(392,048)
Accreted interest, leases	-	177,423	-	2,520,862	-	2,698,285
Finance expense, net	20,273,191	4,780	-	10,522,795	-	30,800,766
Acquisition costs	-	-	492,220	-	-	492,220
Business transaction costs	67,799	-	531,217	41,567	-	640,583
Reversal of license liability	-	-	-	-	-	-
Loss on debt extinguishment	-	-	-	-	-	-
Gain loss on debt modification	(518,461)	-	-	-	-	(518,461)
Gain on valuation of financial instruments	(1,295,069)	-	-	(1,244,022)	-	(2,539,091)
Loss on disposal of assets	-	-	-	1,396	-	1,396
(Gain) or loss on settlement of debt	-	(129,821)	-	268,620	-	138,799
Impairment of PPE	-	-	-	33,983,322	-	33,983,322
Impairment of intangible assets	-	-	-	26,898,966	-	26,898,966
Impairment of goodwill	-	-	-	24,317,700	-	24,317,700
Foreign exchange	(5,237,699)	-	(7,111)	-	-	(5,244,810)
Total other expenses (income)	**8,119,275**	**888,882**	**2,835,522**	**96,394,954**	**-**	**108,238,633**
2022-YTD restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Accreted interest, leases	-	204,204	-	2,456,929	-	2,661,133
Finance expense, net	15,876,987	-	-	5,731,786	-	21,608,773
Acquisition costs	-	-	-	-	-	-
Business transaction costs	-	-	-	-	-	-
Reversal of license liability	-	-	-	-	-	-
Loss on debt extinguishment	4,296,428	-	-	-	-	4,296,428
Gain on extinguishment of payables	-	-	-	-	-	-
(Gain) loss on evaluation of financial instruments	(907,374)	-	-	103,507	-	(803,868)
(Gain) loss on disposal of assets	-	-	-	-	21,437	21,437
(Gain) loss on settlement of debt	(8,135,473)	-	-	(7,903,108)	-	(16,038,580)
Impairment of PPE	-	-	-	-	-	-
Impairment of intangible assets	-	-	-	-	29,539,510	29,539,510
Impairment of goodwill	-	-	-	184,925,636	299,151	185,224,787
Foreign exchange	3,119,420	-	-	64,671	-	3,184,091
Total other expenses (income)	**14,249,988**	**204,204**	**-**	**185,379,421**	**29,860,098**	**229,693,711**
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in interest earned on promissory notes	(3,038,994)	-	-	-	-	(3,038,994)
Change in other income	(2,131,491)	836,500	1,819,196	(916,252)	-	(392,047)
Change in accreted interest, leases	-	(26,781)	-	63,933	-	37,152
Change in finance expense, net	4,396,204	4,780	-	4,791,008	-	9,191,992
Change in acquisition costs	-	-	492,220	-	-	492,220
Change in business transaction costs	67,799	-	531,217	41,567	-	640,583
Change in reversal of license liability	-	-	-	-	-	-
Change in loss on debt extinguishment	(4,296,428)	-	-	-	-	(4,296,428)
Change in gain on extinguishment of payables	-	-	-	-	-	-
Change in (gain) loss on evaluation of financial instruments	388,914	-	-	(1,347,529)	-	(958,615)
Change in (gain) loss on disposal of assets	(1,295,069)	-	-	1,396	(21,437)	(1,315,110)
Change in (gain) loss on settlement of debt	8,135,473	-	-	8,171,728	-	16,307,201
Change in impairment of PPE	-	(129,821)	-	33,983,322	-	33,853,501
Change in impairment of intangible assets	-	-	-	26,898,966	(29,539,510)	(2,640,544)
Change in impairment of goodwill	-	-	-	(160,607,936)	(299,151)	(160,907,087)
Change in foreign exchange	(8,357,121)	-	(7,111)	(64,671)	-	(8,428,902)
Change in total other expenses (income)	**(6,130,713)**	**684,678**	**2,835,522**	**(88,984,468)**	**(29,860,098)**	**(121,455,078)**

Finance Expense

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

Net finance expense for 2023-Q4 totaled $8.7 million, a $2.3 million increase when compared to the net finance expense of $6.4 million for restated 2022-Q4.

Net finance expense for 2023-YTD totaled $30.8 million, a $9.2 million increase when compared to the net finance expense of $21.6 million for restated 2022-YTD for the reasons noted above.

The overall increase in Finance expense for both 2023-Q4 and 2023-YTD when compared to restated 2022-Q4 and restated 2022-YTD is largely attributed to an overall increase in the Company's interest-bearing debt, proceeds of which have been primarily utilized for working capital, investments, including the Aleafia Acquisition (see *Acquisitions*), debt service, including a balloon interest payment of $1.2 million on the USD$20,112,015 Convertible M&V Note (the "Additional Interest", refer to Financial Statements) and general corporate purposes.

Revaluation of financial instruments

Revaluation of financial instruments for 2023-Q4 and 2023-YTD resulted in a nominal loss for 2023-Q4 and gain of $2.5 million for 2023-YTD, compared to a gain of $0.8 million for each of restated 2022-Q4 and restated 2022-YTD. The gain on revaluation is largely attributed to the actualization of a balloon interest payment on the USD$20,112,015 Convertible M&V Note having an embedded derivative liability. As at 2023-YTD, this lability had been settled. The valuation inputs of convertible debentures containing embedded derivatives can be found in the "*Liquidity and Capital Resources*" section.

ADJUSTED EBITDA

Below is a reconciliation net loss and Adjusted EBITDA for 2023-Q4 and 2023-YTD, with restated 2022-Q4 and restated 2022-YTD:

	2023-Q4	2022-Q4 restated	Variance	2023-YTD	2022-YTD restated	Variance
Net Income (Loss) for the Period	**(118,108,135)**	**(206,077,989)**	**87,969,854**	**(143,581,994)**	**(242,127,730)**	**98,545,736**
Depreciation and amortization	879,073	3,187,371	(2,308,298)	3,783,648	6,060,810	(2,277,162)
Bad debt expense	2,463,009	(225,918)	2,688,927	3,418,621	879,296	2,539,325
Accreted interest, leases	680,617	(172,229)	852,846	2,698,285	2,661,133	37,152
Finance expense, net	8,624,435	6,361,692	2,262,743	30,800,766	21,608,773	9,191,993
Interest income	(1,298,215)	-	(1,298,215)	(3,038,994)	-	(3,038,994)
Acquisition costs	492,220	-	492,220	492,220	-	492,220
Business transaction costs	117,653	-	117,653	640,583	-	640,583
(Gain) loss on evaluation of financial instruments	925	(803,868)	804,793	(2,539,091)	(803,868)	(1,735,223)
Loss on disposal of assets	-	21,437	(21,437)	1,396	21,437	(20,041)
Foreign exchange	(1,818,750)	(4,445,215)	2,626,465	(5,244,810)	3,184,091	(8,428,901)
Termination costs	353,361	453,005	(99,644)	507,737	560,658	(52,921)
Current income tax expense/(recovery)	6,700,026	8,766,556	(2,066,530)	8,814,581	13,617,128	(4,802,547)
Deferred income tax expense/(recovery)	12,866,062	(10,139,713)	23,005,775	11,169,781	(10,139,713)	21,309,494
Fair value changes in biological assets	(1,965,909)	(5,239,405)	3,273,496	(494,783)	(2,867,768)	2,372,985
Reversal of license liability	-	8,135,473	(8,135,473)	-	-	-
Gain on extinguishment of payables	-	5,696,535	(5,696,535)	-	4,296,428	(4,296,428)
Gain loss on debt modification	(518,461)	-	(518,461)	(518,461)	-	(518,461)
Impairment of PPE	33,983,322	-	33,983,322	33,983,322	-	33,983,322
Impairment of intangible assets	26,898,966	29,539,510	(2,640,544)	26,898,966	29,539,510	(2,640,544)
Impairment of goodwill	24,317,700	185,224,787	(160,907,087)	24,317,700	185,224,787	(160,907,087)
Realized fair value changes in inventory sold	670,468	74,615	595,853	2,208,445	2,709,239	(500,794)
Share based compensation	144,619	(721,020)	865,639	751,975	477,980	273,995
(Gain) or loss on settlement of debt	138,799	(16,038,580)	16,177,379	138,799	(16,038,580)	16,177,379
Non-recurring expenses[(ii)]	1,826,353	86,673	1,739,680	3,238,132	88,448	3,149,684
(Gain) loss on discontinued operations	4,268,293	(6,949,921)	11,218,214	7,084,732	(657,394)	7,742,126
Adjusted EBITDA[(i)]	**1,716,431**	**(3,266,204)**	**4,982,635**	**5,531,556**	**(1,705,334)**	**7,236,890**

[(i)] Refer to Non-IFRS Measures / [(ii)] Non-recurring expenses include expenses are those that the Company does not expect to recur in the future, such as penalties and late fees

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

STATEMENT OF FINANCIAL POSITION

Assets

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

As at	2023-YE	2022-YE restated	Variance
	$	$	$
Assets			
Current assets			
Cash and cash equivalents	2,251,432	2,747,138	(495,706)
Accounts receivable	20,370,419	8,439,143	11,931,276
Notes receivable	24,704,714	-	24,704,714
Prepaid expenses	894,036	1,079,424	(185,388)
Deposits	7,329,096	4,231,775	3,097,321
Inventory	15,247,455	14,457,013	790,442
Biological assets	4,214,666	4,291,458	(76,792)
Other assets	869,369	-	869,369
Total current assets	**75,881,187**	**35,245,951**	**40,635,236**
Non-current assets			
Property, plant and equipment, net	33,328,762	68,545,353	(35,216,591)
Intangible assets, net	87,251,511	118,100,696	(30,849,185)
Right-of-use assets, net	17,563,934	18,988,224	(1,424,290)
Goodwill	11,879,707	34,852,157	(22,972,450)
Total non-current assets	150,023,914	240,486,430	(90,462,516)
Total assets	225,905,101	275,732,381	(49,827,280)

As at 2023-YE, the Company had total assets of $225.9 million, a decrease of $49.8 million compared to $275.7 million at restated 2022-YE.

- ***Cash and equivalents as at 2023-YE*** was $2.3 million, a decrease of $0.5 million when compared to $2.7 million as at restated 2022-YE.

- ***Accounts receivable as at 2023-YE*** were $20.4 million, an increase of $11.9 million compared to $8.5 million as at restated 2022-YE. The increase in receivables is a result of the Company proactively managing its credit terms for select and strategic Distribution customers in the Company's Michigan operations. The Company extends credit to certain distributors at its sole discretion. The increase in accounts receivable can also be attributed to the addition of Licensing revenues, on credit terms, commencing in 2023-Q2. The Company has offset its accounts receivable balance with a provision for expected credit losses totaling $4.8 million (restated 2022-YE; $1.6 million) to account for expected credit losses in accordance with the prescribed IFRS 9 methodology utilized by the Company (refer to Financial Statements).

- ***Notes receivable as at 2023-YE*** was $24.7 million, and $nil at restated 2022-YE. During 2023-Q3, the Company acquired a $15.0 million note receivable owed by Aleafia from a third-party lender (the "AH Note Receivable"). The Company acquired the AH Note Receivable at a discounted purchase price of $12.5 million. An additional advance of $1.5 million was made to Aleafia under the AH Note Receivable subsequent to the loan assignment and acquisition transaction. During 2023-Q3, after Aleafia announced that it had received an order (the "Initial Order") from the Ontario Superior Court of Justice (Commercial List) under the Companies' Creditors Arrangement Act, the Company also agreed to facilitate the restructuring of Aleafia's business and financial affairs ("the Aleafia CCAA Proceedings"). The Initial Order approved debtor-in-possession financing to be provided by the Company to fund the Aleafia CCAA Proceedings and other short-term working capital requirements of up to $6.6 million (the "AH DIP Note"). On October 31, 2023, the Court also granted an ancillary relief order approving, among other things, amendments to the DIP term sheet to increase the DIP financing available to the Aleafia Group from $6.6 million to $8 million. As at 2023-Q4, the amount owing to the Company for the AH DIP Note was $7.9 million, and $16.8 million on the AH Note Receivable. (Refer to the *Liquidity and Capital Resources* section for detailed information on the AH Note Receivable and the

AH DIP Note). Subsequent to 2023-YE, the AH Note Receivable and AH DIP Note were used for consideration for the Aleafia Acquisition (refer to *Recent Developments*).

- ***Prepaids expenses at 2023-YE*** were $0.9 million, a marginal decrease of $0.1 million compared to $1.0 million at restated 2022-YE.
- ***Deposits at 2023-YE*** were $7.3 million, an increase of $3.1 million compared to $4.2 million at restated 2022-YE. The increase is largely due to a $4.0 million advance provided by the Company to an arm's length vendor as security for a crop commitment for qualified biomass (refer to Financial Statements). The increase is off-set by a USD $2.0 million refund received in 2023-Q1 relating to a cash bond posted by the Company's Florida (Retail) operations which was included in deposits at restated 2022-YE. During 2023-YE, the Company successfully negotiated a bonding agreement with a third-party insurer and, as a result, the cash commitment associated with the previously issued bond was no longer required.
- ***Inventory as at 2023-YE*** was $15.2 million, an increase of $0.7 million when compared to $14.5 million as at restated 2022-YE. The increase is primarily related to an increase in work-in-process inventories of $6.4 million offset by a reduction in finished goods of $1.3 million and a decrease in raw materials of $4.4 million. The Company projects that its investment in inventory, primarily biomass included in work-in-process inventories, will benefit subsequent quarters by mitigating risks associated with order fill rates within both its Distribution and its Retail segments (at point of sale) as well as facilitating new product introductions into select retail markets. In addition, the Company has taken proactive measures to mitigate risk associated with further volatility in the cost of manufacturing inputs through the aforementioned procurement arrangement for biomass.
- ***Biological assets as at 2023-YE*** was $4.2 million, a decrease of $0.1 million when compared to $4.3 million as at restated 2022-YE. Additional details on the assumptions utilized to account for biological assets for 2023-YE can be found in note 14 of the Company's most recently filed Financial Statements published at SEDAR+.
- ***Other current assets as at 2023-YE*** was $0.9 million, compared to $nil as at restated 2022-YE. The increase is attributable to the addition of assets associated with the Company's insurance policies.

Liabilities

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

As at	2023-YE	restated 2022-YE	Variance
	$	$	$
Current liabilities			
Accounts payable and accrued liabilities	42,125,919	37,320,277	4,805,642
Short-term notes payable	146,899,857	1,974,584	144,925,273
Short-term credit facility	19,430,227	17,551,668	1,878,559
Short-term convertible notes	73,723,962	-	73,723,962
Short-term Derivative liabilities	673,405	-	673,405
Short-term lease obligations	654,581	602,418	52,163
Income taxes payable	21,007,534	12,633,699	8,373,835
Other current liabilities	3,645,248	672,064	2,973,184
Total current liabilities	**308,160,733**	**70,754,710**	**237,406,023**
Non-current liabilities			
Long-term notes payable	-	87,357,123	(87,357,123)
Long-term convertible notes	-	64,897,343	(64,897,343)
Long-term lease obligations	21,422,671	22,285,277	(862,606)
Long-term Derivative liabilities	-	3,230,322	(3,230,322)
Deferred tax liability (note 26)	26,707,910	15,941,348	10,766,562
Total non-current liabilities	**48,130,581**	**193,711,413**	**(145,580,832)**
Total liabilities	**356,291,314**	**264,466,123**	**91,825,191**

As at 2023-YE, the Company had total liabilities of $356.3 million, an increase of $91.8 million as compared to $264.5 million as at restated 2022-YE. The net increase in total liabilities was primarily due to (1) a net increase in accounts payable, accrued liabilities, and income taxes payable, (2) an increase in notes payable due to the issuance of new notes, primarily the USD RGR Grid Note and the CAD RGR Grid Note, (3) an increase in convertible debenture liabilities due to accrued interest, and an increase in deferred income tax liability. Details of these changes are described below.

Current Liabilities

Total current liabilities as at 2023-YE totaled $308.2 million, a $237.4 million increase as compared to $70.8 million as at restated 2022-YE. The decrease is the result of changes in the current liabilities categories described below.

- ***Accounts payable and accrued liabilities as at 2023-YE*** was $42.1 million, a $4.8 million increase when compared to $37.3 million as at restated 2022-YE. This increase is a direct result of purchasing and payments activity associated with the Company's ongoing operations including jurisdictional excise taxes imposed by state governments.

- ***Short-term notes payable as at 2023-YE*** totaled $146.9 million, a $144.9 million increase as compared to $2.0 million as at restated 2022-YE. This large increase is a direct result of all note payables classified at restated 2022-YE as long-term, becoming due within the next 12 months, and due to new debt acquired through the issuance of the CAD and USD RGR Grid Notes. The reader is referred to the *Liquidity and Capital Resources section* of this MD&A for further details on short-term notes payable.

- ***Short-term credit facility as at 2023-YE*** was $19.4 million, a $1.8 million increase when compared to $17.6 million as at restated 2022-YE. This increase is the result of accrued interest on the credit facility. The total interest recorded for 2023-YE was $2.2 million (restated 2022-YE; $3.8 million), offset by $0.4 million in interest payments (restated 2022-YE; $6.0 million). The reader is referred to the *Liquidity and Capital Resources section* of this MD&A for a full continuity and for the status of the Company's credit facility.

- ***Short-term convertible debentures as at 2023-YE*** was $73.7 million, a 100% increase when compared to restated 2022-YE. This increase is the result of the outstanding convertible debentures, classified at restated 2022-YE as long-term, becoming due within the next 12 months. The reader is referred to the *Liquidity and Capital Resources* section for a the continuity and further details on the Company's convertible debentures.

- ***Other current liabilities as at 2023-YE*** was $3.6 million, a $2.9 million increase when compared to $0.7 million restated 2022-YE. This increase is attributed to liabilities associated with inventory received, pending vendor invoicing, and insurance liabilities for financing the Company's insurance assets mentioned above in other assets. The increase is also the result of a reclassification of $0.7 million in amounts due to third parties from accounts payable and accrued liabilities to other liabilities during 2023-YE for enhanced presentation of the financial results. The reader is referred to note 32, *Reclassifications*, of the Company's most recently filed Financial Statements for details of this reclassification and other reclassifications conducted by the Company to further enhance and align the presentation of the financial results.

Long-term liabilities

Total long-term liabilities for 2023-YE totaled $48.1 million, a $145.6 million decrease from $193.7 million for restated 2022-YE. The decrease is the result of changes in the long-term liability categories described in the following.

- ***Long-term notes payable as at 2023-YE*** totaled $nil, a $87.4 million decrease when compared to the $87.4 million for restated 2022-YE. This increase is primarily the result of all note payables classified at restated 2022-YE as long-term, becoming due within the next 12 months. The reader is referred to the *Liquidity and Capital Resources* section for further details on long-term notes payable.

- ***Long-term convertible debentures as at 2023-YE*** totaled $nil, a $64.9 million decrease when compared to the $64.9 million long-term convertible debentures for restated 2022-YE. As mentioned above in short-term convertible debentures, the decrease is due to eight outstanding convertible debentures classified at restated 2022-YE as long-term, becoming due within the next 12 months. The reader is referred to the *Liquidity and Capital Resources* section for further details on the Company's convertible debentures.

- ***Long-term derivative liabilities as at 2023-YE*** totaled $nil, a $3.2 million decrease when compared to the $3.2 million in long-term derivatives for restated 2022-YE. As at 2023-Q4, after revaluation, certain notes attracting derivative liability components resulted in a $nil derivative liability as at 2023-Q4. In addition, those notes attracting long-term derivative liability amounts, were recategorized to short- term derivative liabilities as at 2023-Q3 due to the corresponding note becoming due within the next 12 months. Details of inputs used in the valuation methodology of the Company's embedded derivative liabilities can be found in Note 20 of the Company's most recently filed Financial Statements on SEDAR+.

Shareholders' Equity

As at 2023-YE, total shareholders' equity was in a deficit of $130.7 million, a decrease of $141.9 million compared to $11.2 million as at restated 2022-YE. The decrease in shareholders' equity was primarily due to an increase in the accumulated deficit of $138.9 million including non-cash impairments of $85.2 million for 2023-YE (restated 2022-YE; $214.8 million), off-set by a of $4.7 million reduction relating to non-controlling interests. The Decrease in shareholders' equity was offset by a $0.8 million increase in contributed surplus stemming from reserves related to share based compensation, and a $0.9 million increase in cumulative translation adjustments due to foreign currency translation into the Company's functional currency.

SUMMARY OF QUARTERLY RESULTS

The net income and/or losses realized by the Company for the last eight quarters (as set out below)include impacts from the changes in fair value of biological assets (realized and unrealized), changes in the fair value of convertible debentures and their associated derivative liabilities, changes in share based compensation derived from the change in the fair value of stock-based incentives issued by the Company derived from the underlying trading shares market price and their associated volatility, and impairments to the fair value of tangible assets, indefinite life intangibles and goodwill recorded the course of the relevant periods set out in the exhibit. Background on these specific changes is set out in section "Results from Operations" in the Company's most recently filed Financial Statements on Sedar+.

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

A summary of the quarterly results for the past eight quarters is as follows:

Quarter	Revenue	Cost of Goods Sold	Gross profit Gross profit before FMV adjustments	Gross profit after FMV adjustments	Net loss	Earnings per share
	$	$	$	$	$	$
31-Dec-23	19,864,347	12,476,141	7,388,206	8,683,647	(118,108,135)	(0.25)
30-Sep-23 restated	20,127,145	12,273,972	7,853,173	6,571,821	(11,190,987)	(0.02)
30-Jun-23 restated	21,726,509	14,121,971	7,604,538	15,287,017	(9,468,463)	(0.02)
31-Mar-23 restated	26,453,112	18,100,160	8,352,952	1,057,279	(7,697,803)	(0.02)
31-Dec-22 restated	15,375,560	8,898,252	6,477,308	6,318,780	(207,497,688)	(0.53)
30-Sep-22 restated	22,882,939	16,909,908	5,973,031	10,979,292	(11,706,792)	(0.03)
30-Jun-22 restated	25,562,614	22,527,919	3,034,695	6,577,315	(11,118,137)	(0.03)
31-Mar-22 restated	23,893,848	16,708,511	7,185,337	9,358,414	(6,932,284)	(0.03)

SUMMARY OF OUTSTANDING SHARE DATA

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

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

As at 2023-YE, the Company had the following securities outstanding.

Securities Outstanding as at 2023-YE	Number of Securities	Weighted Average Exercise/ Conversion Price
Common Shares	470,221,901	N/A
Stock Options	**16,960,931**	0.80

As at the date of this MD&A, the Company had 470,221,901 Common Shares issued and outstanding.

Common Shares

Common Shares	Common Shares	Share Capital
	#	$
Balance, December 31, 2021	**260,860,351**	**229,792,308**
Shares issued for the Pharmaco Acquisition	37,000,000	19,200,750
Shares issued to settle interest due	6,004,594	1,104,873
Exercise of restricted share units	910,000	406,850
Exercise of stock options	100	105
Shares issued for settlement of debt	22,440,467	2,244,047
Conversion of series I preferred shares conversion	3,181,250	5,637,175
Conversion of series II preferred shares conversion	139,125,139	83,682,864
Balance, December 31, 2022 restated	**469,521,901**	**$342,068,972**
Issuance of shares for debt settlement	700,000	42,000
Balance, December 31, 2023	**470,221,901**	**$ 342,110,972**

Series I Preferred Shares

As at 2023-YE and restated 2022-YE, 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	(3,181,250)	(5,637,175)
Balance, December 31, 2022, restated	-	-
Balance, December 31, 2023	-	-

During 2022-YE, 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.

Series II Preferred Shares

As at 2023-YE and 2022-YE, 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	37,000,000	36,946,187
Series II preferred shares conversion	(129,985,275)	(83,682,864)
Balance, December 31, 2022, restated	-	-
Balance, December 31, 2023	-	-

Stock Options

The number of stock options and weighted average exercise prices as at 2023-YE and restated 2022-YE are as follows:

	Options	Weighted average exercise price
	#	$
Balance, December 31, 2021	**15,269,289**	**1.26**
Issued	7,100,000	0.15
Exercised	(100)	0.65
Expired	(1,355,625)	0.89
Cancelled	(500,000)	0.93
Forfeited	(2,730,108)	0.58
Balance Outstanding, December 31, 2022	**17,783,456**	**0.95**
Issued	(i)1,250,000	0.10
Expired	(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) Issued to an officer of the Company (see Related Party section)

The following reflects remaining contractual life for outstanding and exercisable options as at 2023-YTD:

	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**

Restricted Share Units ("RSU"s)

RSU transactions and the number of RSU's outstanding for 2023-YTD and restated 2022-YTD 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	-	-

Warrants

As of 2023-YTD and restated 2022-YE, 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	-	-

RELATED PARTY TRANSACTIONS

Key management compensation

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

	2023-YTD	restated 2022-YTD
	$	$
Management salaries, bonuses, and other benefits	1,198,654	475,189
Consulting fees by a company controlled by a director	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**

Due to/from Related Parties

- $0.7 million of the $1.2 million in management salaries, bonuses, and other benefits during 2023-YTD, were accrued balances to be paid out in future periods (restated 2022-YTD; $0.3 million).
- $0.2 million of the $0.3 million in consulting fees are owed to a company controlled by a director of the Company (restated 2022-YTD; $0.4 million).
- Included in accounts payable and accrued liabilities is $1.2 million (restated 2022-YTD; $1.2 million) 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 (see *Liquidity and Capital Resources*) 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 $2.1 million 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 be amortized 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 of the most recently filed Financial Statements.
- The USD$1,093,750 Convertible VMOS Note (see *Liquidity and Capital Resources*) 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$1.1 million Convertible VMOS Note using the Binomial lattice method based on the Cox-Ross-Rubinstein market model which resulted in a $1 million allocation to long-term convertible debt liability and $0.09 million 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 of the most recently filed Financial Statements.
- The Company has identified other close family members of key management personnel that currently represent lenders to the Company during its review of related party disclosures in accordance with IFRS and the Securities and Exchange Commission. The list of family members in each of these standards is non exhaustive and does not preclude other family members from being considered as close family members. The reader is referred to *Liquidity and Capital Resources* section of this MD&A, and/or Note 20 *Notes Payable* in the Company's most recently filed Financial Statements for details on terms and conditions of notes payable and convertible debentures due to related parties. Refer to the following Related Party Notes Payable Continuity Schedule for a listing of promissory notes and convertible debentures owing by the Company to individuals or entities identified.

Related Party Transactions

2023-YTD Transactions

- On December 29, 2023, VRT and RGR entered into an 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. Refer to the *Liquidity and Capital Resources* section for additional details on the USD$18,300,000 VRT Note and the USD$18,300,000 RGR Note.
- On June 6, 2023, the Company appointed a new member to its Board of Directors.
- During 2023-YTD, 1 million stock options stock options held by Directors of the Company expired.
- Officers and Directors of the Company hold an aggregate of 37.2 million common shares and 6.5 million stock options. As at 2023-YE, 3.6 million of these stock options were fully vested.
- During the 2023-YTD, the Company expensed $0.3 million in stock-based compensation related to stock options held by directors and officers.

Restated 2022-YE Transactions

- On September 15, 2022, the Company issued the CAD$17,000,000 Convertible CPIL Note an entity related to the President and Director of the Company.
- On September 19, 2022, the Company appointed a new President and Director.
- On October 7, 2022, the Company granted 3.2 million stock options to existing Directors of the Company at an exercise price of $0.135 to purchase common shares in the capital of RWB.
- Officers and Directors of the Company held an aggregate of 23.6 million common shares and 6.7 million stock options.
- During restated 2022-YE, 0.9 million stock options were forfeited by past Officers and Directors of the Company.

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Related Party Notes Payable Continuity Schedule

A notes payable continuity schedule for related party notes for the year ended December 31, 2023, and 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, 2023	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.

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

Related Party Convertible Debenture Continuity Schedule

A continuity schedule for related party convertible debentures for the year ended December 31, 2023, and 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	**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 2023-YE, and restated 2022-YE 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
Effects of foreign exchange	(756)	134,549	134,549	268,342
Balance, December 31, 2022	**(22)**	**(981,054)**	**(981,054)**	**(1,962,130)**
Gain/loss on FMV adjustments of derivative liability	24	647,480	647,480	1,294,984
Effects of foreign exchange	(2)	(3,079)	(3,079)	(6,160)
Balance, December 31, 2023	**-**	**(336,653)**	**(336,653)**	**(673,306)**

See Liquidity and Capital Resources 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.

Commitments and Contingencies

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$0.6 million. 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 condensed interim consolidated financial statements. Management believes that the resolutions of these proceedings will not have a material unfavorable effect on the Company's condensed interim consolidated financial statements.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of licenses and permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with presiding municipal and state regulations as of December 31, 2023, cannabis and other regulations continue to evolve and are subject to differing interpretations given the lack of federal oversight. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future which, if applicable, will be contested by the Company to the fullest extent possible prior to the final imposition of these categories of expense.

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.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

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

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

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

The objective when managing the Company's liquidity and capital structure is to maintain sufficient cash to fund working capital needs. As at 2023-YE, cash and cash equivalents were $2.3 million (restated 2022-YE; $2.7 million) and the Company had a working capital deficit (current assets less current liabilities) of $232.3 million (restated 2022-YE; $35.5 million) due to several long-term debt becoming due within the next 12-months. The Company continues to pursue available financing options including but not limited to restructuring existing debt to extend maturities and address other attributes for the benefit of both the applicable lender and the Company, raising capital through debt and equity markets, and executing opportunities to monetize 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. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following 2023-YE. The Company will remain primarily reliant on debt financing and equity markets, in the short term, for prospective funding required to meet its ongoing obligations.

The Company believes that the current capital resources are not sufficient to service its ongoing cash requirements for the next twelve months and, as a result, has secured and/or reaffirm capital resources to ensure that it can continue to drive growth in its respective Distribution, Licensing, and Retail operations, fund corporate overheads, service debt and capitalize on select growth opportunities; both organic and acquisitive such as the Aleafia Transaction (refer to Recent Developments). The Company also activated incremental revenue generation in the second quarter of 2023 through its Licensing segment which is driving the advancement of the Company's lower cost, asset light growth initiative.

The Company continues to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

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

Cash flow Highlights

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

	2023-YTD	2022-YTD restated	Variance
	$	$	$
Cash used in operating activities before changes in non-cash working capital	(21,533,136)	(6,271,849)	(15,261,287)
Net change in non-cash working capital items	12,865,834	(16,848,533)	29,714,367
Net cash provided by (used in) operating activities	**(8,667,302)**	**(23,120,382)**	**14,453,080**
Net cash used in investing activities	**(2,215,947)**	**(3,416,924)**	**1,200,977**
Net cash provided by (used in) financing activities	**17,609,008**	**4,993,901**	**12,615,107**

Net cash used in operating activities for 2023-YTD, including the change in non-cash working capital, was $8.7 million, a decrease of $14.4 million compared to $23.1 million of net cash used in operating activities for restated 2022-YTD. Cash used in operating activities before non-cash working capital was $21.6 million, a $15.3 million decrease from $6.3 million for restated 2022-YTD. Operating activities were affected by the net change in non-cash working capital of $12.9 million, a $29.7 million increase from $16.8 million provided by non-cash working capital items for restated 2022-YTD used by working capital items for 2023-YTD due to the following activities:

- Cash used by accounts receivable during 2023-YTD was $12.1 million, a $11.8 million increase when compared to $0.3 million used during restated 2022-YTD. The increase is the result of 95% of the Company's revenues being generated by the Distribution and Licensing sales channel which allows for credit terms, compared to 69% of revenues through sales channels allowing credit terms during restated 2022-YTD.
- Cash provided by prepaid expenses for 2023-YTD was nominal, increasing $0.4 million when compared to $0.4 million used for prepaid expenses for restated 2022-YTD. The increase is due to the expiry of subscriptions not renewed in the 2023 fiscal year, along with the expensing one-time prepayment for services not required in 2023.
- Cash used on deposits for 2023-YTD was $3.1 million, a 100% increase from that used for restated 2022-YTD. The increase is largely due to a $4.0 million deposit paid to arm's length vendor for a purchase commitment for qualified biomass to be harvested in late 2023 for delivery in 2024, and $1.8 million in other vendor deposits. The increase is offset by a refund during 2023-YTD for a $2.7 million deposit held at restated 2022-YE from the Florida Office of Medical Marijuana Use ("OMMU") and the realization of other deposits during 2023-YTD.
- Cash provided by inventory for 2023-YTD was $1.1 million, a $6 million decrease from $4.9 million used for restated 2022-YTD. This decrease can be primarily attributed to acquisition activities in the prior year (see *Acquisitions*).
- Cash used for biological assets was $0.5 million, a $5.6 million increase from cash provided by biological assets of $5.1 million for restated 2022-YTD.
- Cash provided by accounts payable and accrued liabilities for 2023-YTD was $4.9 million, a $13.5 million increase from $8.6 million in cash used for accounts payable and accrued liabilities during the restated 2022-YTD. The increase is primarily related to the Company proactively managing vendor outflows as it continues to strategically manage terms with key customers in addition to timing differences associated with accruals for select G&A expenses.
- Cash of $0.9 million used for other assets increased 100% for 2023-YTD when compared to restated 2022-YTD. The increase is the result of the investment in the Company's various insurance policies maturing through fiscal 2024.
- Cash of $3.6 million provided by other liabilities increased by $3.3 million during 2023-YTD when compared to $0.3 million during restated 2022-YTD. The increase is the result of the investment in the Company's various insurance policies by way of financing.

Net cash used in investing activities for 2023-YTD was $2.2 million, a $1.2 million decrease when compared to $3.4 million in cash used by investing activities for restated 2022-YTD. The decrease is largely the result of decreased acquisition of property, plant and equipment during 2023-YTD.

Net cash provided by financing activities for 2023-YTD was $17.7 million, a $12.7 million decrease in net cash received from financing activities when compared to $5.0 million provided for restated 2022-YTD. The increase is primarily due to the issuance of the CAD and USD RGR Grid Notes (refer to *Notes Payable* section below).

Notes Receivable

As at 2023-YTD, and restated 2022-YE the Company had the following outstanding notes receivable:

Note	Date of Issue	Maturity date	Interest	As at 2023-YE	As at Restated 2022-YE
			%	$	$
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**	**-**

A continuity of the Company's notes receivable for 2023-YTD, is as follows:

	$
Balance, December 31, 2022	-
Additions	24,811,000
Coupon Interest	2,068,175
Amortization of discount	970,818
Principal Payments	(3,145,280)
Balance, December 31, 2023	**24,704,714**
Short-term	24,704,714
Long-term	-

During 2023-YTD, the Company accrued interest amounting to $2.1 million (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 account of its notes receivable.

AH Note Receivable

On June 6, 2023, the Company and 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 $12.5 million (see Aleafia Transaction). An advance of $1.5 million 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.

RGR, an existing creditor of both the Company and Aleafia, provided the Company with a $14 million advance under the Company's existing CAD RGR Grid Note to facilitate the purchase of the AH Note Receivable and the funding of the $1.5 million advance under the AH Note Receivable subsequent to the purchase of the AH Note Receivable.

The AH Note Receivable attracts a coupon interest of prime plus 9% per annum and matures on December 24, 2023. The discount on the purchase price, amounting to $1 million, will be recognized by the Company over its expected life using the effective interest method and included other income on the Consolidated Interim Statement of Loss and Comprehensive 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 2023-YTD, the Company accrued interest amounting to $1.1 million, and amortized $1 million of the discount received on the purchase price (restated 2022-YTD; $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 *Recent Developments* for events subsequent to 2023-YE, relating to the Company, the AH Note Receivable, and the Aleafia Transaction.

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 DIP financing to be provided by the Company to fund the Aleafia CCAA Proceedings and other short-term working capital requirements of up to $6.6 million (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 $0.5 million was payable by Aleafia representing 3% of the maximum $6.6 million available to be advanced under the terms of the AH DIP Note (the "AH Commitment Fee"). 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 $3.1 million was made by Aleafia reducing the AH DIP Note outstanding principal to $4.3 million 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 $6.6 million to $8 million.

During 2023-YTD, the Company advanced $10.8 million under the AH DIP Note. The Company also recorded $0.3 million in related interest income (restated 2022-YTD; $nil).

The reader is referred to *Recent Developments* for events subsequent to 2023-YE, relating to the Company, the AH DIP Note, and the Aleafia Transaction.

Debt

Notes Payable

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$2.7 million comprising of US$2.2 million in interest accrued to the date of settlement and US$0.4 million in principle on the USD$18,000,000 VRT (Acreage acquisition 2) Note, and the remaining US$17.6 million in principle was settled on execution of the US$18,300,000 VRT Note.

USD$18,300,000 VRT Note

The loan USD$18,300,000 VRT Note included an administrative fee of US$0.2 million and a non-refundable origination discount of US$0.5 million. The USD$18,300,000 VRT Note is secured by select assets of the Florida operations. Interest is calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. Base interest is payable monthly, with principal and interest above base due on February 12, 2024. The amendment resulted in the extinguishment of the Acreage acquisition 2 Note and a resulting loss of $1 million.

Interest expense relating to the USD$18,300,000 VRT Note for the year ended December 31, 2023, and 2022, was $3.6 million, and $2.6 million, respectively.

On December 29, 2023, VRT and RGR entered into an 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 RGR in the amount of USD$16.7 million (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$0.2 million in related interest, owing to RGR, and established new funding of USD$5 million. The note bears an interest rate of 12%. Blended payments of USD$0.3 million are payable monthly, first to interest with the residual to principal. The note matures on January 31, 2023. The amendment resulted in the extinguishment of the USD$11,500,000 RGR Note and a resulting nominal loss. On September 15, 2022, the USD$16,750,000 RGR Note was consolidated into the USD$25,885,000 RGR Note as noted below.

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$19.4 million principal and USD$2 million in related interest thereon
- USD$16,750,000 RGR Note: USD$16.8 million principal and USD$0.7 million in related interest thereon
- Less: USD$13 million payment made to RGR
- Plus: Administrative fee USD $nominal

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 $0.1 million.

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 $1.2 million 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 a $0.3 million 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 million, and $5.5 million, respectively.

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

On September 15, 2022, new secured debt was issued totaling CAD$2.2 million (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 $2.2 million to $2.7 million, 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. $0.5 million 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 $0.02 million, and $0.1, million respectively.

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

On September 15, 2022, the USD$5,000,000 Oakengate Investments Note plus USD$0.9 million in related interest was amended to extend into a new secured USD$5.9 million loan (the "USD$5,850,000 OIL Note") at 12% interest rate. Blended monthly payments of USD$0.3 million 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 $0.02 million 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 0.07 million debt modification gain.

Interest expense relating to the USD$5,850,000 OIL Note for the year ended December 31, 2023, and 2022, was $nil, and $0.09 million, 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$6.6 million (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$3 million outstanding balance owing to RGR on an existing total USD$11.6 million 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 $0.02 million, USD $0.05 million and USD $nominal, 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 $0.07 million, $0.2 million and nominal gain, respectively.

Interest expense relating to the USD$2,887,000 TAII Note, for the year ended December 31, 2023, and 2022, was $0.7 million, and $0.2 million, respectively. Interest expense relating to the USD$6,349,000 SDIL Note, for the year ended December 31, 2023, and 2022, was $1.5 million, and $0.3 million, respectively, and interest expense relating to the USD$269,000 SIL Note, for the year ended December 31, 2023, and 2022, was $0.06 million, and $0.01 million, 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 $1.7 million 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.

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 $1.7 million 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.

The CAD$2,710,000 BJDMSD Note

On February 1, 2023, the Company received $0.5 million 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 $0.02 million 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 a $0.02 million 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 $0.4 million, and $nil, respectively.

[3]USD RGR Grid Note

On November 1, 2022, RGR advanced an additional USD$2 million 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 $0.06 million 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 Company referred to the USD$5,850,000 RGR Note and the additional $2 million in funding as the USD$7,850,000 RGR Note.

During the year ended December 31, 2023, the Company was advanced an additional $18.8 million (USD$14 million) in relation to the USD RGR Grid Note and has made principal repayments of $1.3 million (USD$950,000). Interest incurred for the year ended December 31, 2023, was $2.6 million. 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 $0.3 million (restated 2022-YE; $nil). Proceeds from the advances made under the USD RGR Grid Note were used by the Company for working capital 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 $ 32.7 million, in relation to the CAD RGR Grid Note and has made principal repayments of $3.1 million Interest incurred for the year ended December 31, 2023, was $1.5 million Of the amount advanced, $14 million was utilized to fund the acquisition of the AH Note Receivable, $10.8 million was used to fund the AH DIP Note (see *Notes Receivable and Recent Developments* sections) and $7.9 million was used for working capital purposes. Accrued interest for the year ended December 31, 2023, amounted to $1.5 million (restated 2022-YE; $nil).

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

USD$18,300,000 RGR Note

On December 29, 2023, as a result of the VRT Note Transaction noted above RGR was assigned 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 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 restated 2022, was $0.3 million, and $nil, respectively.

During the 2023-YE, 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. For additional details on terms and conditions of the Company's Notes Payable, refer to the Company's most recently filed Financial Statements on Sedar+.

As at 2023-YE, and restated 2022-YE, the Company had the following note payable:

	Purpose of Issuance	Date of Issue	Maturity date	Interest[ii]	As at 2023-YE	As at 2022-YE *Restated*
				%	$	$
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 (See *Related Party Transactions*)
(ii)See below for details on PIK interest

A continuity of the Company's notes payable for 2023-YE, and restated 2022-YE, 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
Accreted interest on promissory notes	15,822,953
Interest on promissory notes	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
Gains 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 2023-YE (restated 2022-YE; nil).

Convertible debentures

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

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

	Total
Carrying Value, December 31, 2022	**64,897,343**
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	-

The Company did not issue any new convertible debentures during 2023-YTD.

During 2023-YE, the Company satisfied all material financial covenants associated with 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. For more in-depth details on the convertible debentures, refer to the Company's most recently filed Financial Statements.

Credit Facility

A continuity of the Company's 2023-YE, and restated 2022-YE 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	**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 for 2023-YTD in relation to the credit facility was $2.2 million (restated 2022-YTD; $3.8 million).

2023-YTD amendments

On January 30, 2023, the Company further extended the maturity date of the Credit Facility to July 31, 2023, with no other changes to existing terms. The January 30, 2023, extension was subject to an amendment fee of $0.1 million.

As at the date of these Financial Statements, the Company and PWC, a receiver engaged on behalf of Bridging, are collaboratively engaged in negotiations to settle the Credit Facility with the instrument having matured on July 31, 2023. As of the date of the MD&A, no definitive agreements have been finalized in this regard. PWC, on behalf of Bridging, has not enforced its rights under the Credit Facility as it remains satisfied, based on its interactions with the Company to date, that a final settlement of the Credit Facility can be concluded. The Company remains confident that it can complete the transaction on terms agreeable to both parties.

Restated 2022-YE amendments

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

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 input includes subjective estimates in assessing for indicators of impairment.

CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that are subject to such risk include cash, accounts receivable and notes receivable. Accounts receivable balances are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a good credit standing and continued good payment history with the Company. Notes receivable are amounts due from third party debtors (refer to *Notes Payable* above).

As at 2023-YE, the Company held an accounts receivable balance of $ 20.4 million (restated 2022-YE; $8.4 million). Included in this balance is a provision for expected credit losses ("ECL") in the amount of $4.8 million (restated 2022-YE; $1.6 million). Refer to note 9 of the Financial Statements for additional information relating to the Company's accounts receivable and ECL provision for 2023-YE and restated 2022-YE.

As at 2023-YE, the Company held a notes receivable balance of $24.7 million (restated 2022-YE: $nil).

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.

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 2023-YE, the Company had a cash balance of $2.3 million (restated 2022-YE; $2.7) available to apply against short-term business requirements and current liabilities of $308.2 million (restated 2022-YE; $70.8 million), including short-term lease obligations, short term notes and a credit facility, and taxes payable.

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.

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 2023-YE and restated 2022-YE, 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, 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.

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 2023-YE	As at Restated 2022-YE
	$	**$**
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 2023-YTD, by $4.1 million (restated 2022-YTD; $5.6 million).

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 2023-YE, the Company has shareholders' equity deficit of $130.7 million (restated 2022-YE; equity of $11.2 million). Included in the consolidated statements of financial position as 2023-YE, is an accumulated deficit of $491.5 million (restated 2022-YE; $352.6 million). 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 2023-YE. The Company is not subject to any external capital requirements.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are consistent with those disclosed in the 2022 Annual Financial Statements. In addition to significant estimates and judgments used in preparation of 2022 Audited Consolidated Financial Statements, during the period ended September 30, 2023, significant estimates and judgments were used to assess discounts that arise on acquisition of note receivable. Discounts or premiums that arise on acquisition of notes receivable are recognized over its expected life using the effective interest method and are amortized over the expected life of the note receivables. Actual results may differ from these estimates.

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

NEW ACCOUNTING PRONOUNCEMENTS

New 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.

OTHER RISKS AND UNCERTAINTIES

Regulatory and Legal Risks Inherent in the Company's U.S Operations

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

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

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

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

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

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

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

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected.

Changes to or the imposition of new federal and/or state government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings, and could make future financing unviable.

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

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

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

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, federal law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting criminal activities. The federal aiding and abetting statute provide that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal[4]." Such an action would have a material adverse impact on our business and operations.

The Company is subject to anti-money laundering rules and regulations in the United States that could have a significant effect on our ability to operate our business.

The Company is subject to a variety of laws and regulations in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title Ill of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

The Company may have difficulty opening bank accounts and transacting with certain financial institutions in the United States

Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business note, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

[4] 18 U.S.C. §2(a).

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

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

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

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

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

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

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

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

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

Regulatory and Legal Risks Inherent in the Company's Canadian Operations

The Company is subject to compliance with Canadian cannabis laws.

The adult-use and medical cannabis industries and markets are subject to a variety of laws in Canada and Internationally.

The business and activities of the Company are heavily regulated. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of cannabis, and also including laws and regulations relating to health and safety, healthcare practitioner services, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

The legislative framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories resulting in an asymmetric regulatory and market environment, different competitive pressures and significant additional compliance and other costs and/or limitations on the Company's ability to participate in such markets.

To the knowledge of management, the Company is currently in compliance under the *Cannabis Act* and applicable provincial and territorial regulation. Failure by the Company to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on its cannabis licences, issued in accordance with the *Cannabis Act* and *Cannabis Regulations* (the "**Canadian Licences**") to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way it may have a material adverse effect on the Company's business, financial condition and results of operations. Any amendment to or replacement of the *Cannabis Act* or other applicable rules and regulations governing the Company's activities may cause adverse effects on the Company's business, financial condition and results of operations.

There is also a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to the associated regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of governmental authorities, securities regulators and exchanges, and the Company's operations may not be in compliance with such laws, regulations and guidelines.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, the Company is subject to ongoing inspections by Health Canada to monitor compliance with licensing requirements. The Company's existing Canadian Licences and any new licences that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that the Company is found not to be in compliance. Should the Company fail to comply with the applicable regulatory requirements or with conditions set out under the Canadian Licences or should any of the Canadian Licences be revoked, the Company may not be able to continue producing or distributing cannabis in Canada.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. The Company may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company relies on its Canadian licenses and permits to conduct cannabis and cannabis-related activities in Canada and any changes to such licenses and permits could affect the Company's results from operations.

The Company's ability to grow, store and sell cannabis and other products in Canada is dependent on its Canadian Licences from Health Canada. Failure to comply with the requirements of the Canadian Licences or any failure to maintain its Canadian Licences would have a material adverse effect on the business, financial condition and operating results of the Company.

Although management believes it does and will continue to meet the requirements of the *Cannabis Act* for the extension of the Canadian Licences, there can be no guarantee that Health Canada will extend or renew the Canadian Licences or, if they are extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew some or all of the Canadian Licences, or should it renew some or all the Canadian Licences on different terms or not provide the amendments as requested for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

In addition to the Canadian Licences, the operations of the Company may require other licences and permits from various governmental authorities, including, but not limited to, local municipalities. The Company currently has all non-federal permits and licences that it believes are necessary to carry on its business in Canada. The Company may require additional licences or permits in the future and there can be no assurance that the Company will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licences and permits will be renewable if and when required or that such existing licences and permits will not be revoked.

The Company relies on its cannabis facilities for its Canadian operations.

The Company's Port Perry facility and Paris facility are integral to the Company's business and adverse changes or developments affecting any of them may impact the Company's business, financial condition and results of operations.

Adverse changes or developments affecting the Port Perry facility and the Paris facility, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other production facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under one or more of its existing Canadian Licenses or the prospect of renewing one or more of the Canadian Licenses or could result in a revocation of one or more of the Canadian Licenses.

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities and the potentially broad interpretation of such restrictions imposed by Health Canada and provincial regulators.

The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased sales prices for its products, the Company's sales and operating results could be adversely affected.

The Company relies on third party transportation services to deliver products to its customers.

In order for customers of the Company to receive products from the Company, the Company must rely on third party mail and courier services. This can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation and/or rising costs associated with these services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financial condition and operating results of the Company. Any such breach could impact the Company's ability to continue operating under the Canadian Licenses or impede the prospect of renewing its Canadian Licenses.

The continuity of the Company's contractual relations with provincial governments cannot be guaranteed.

Part of the Company's current revenues depend upon the supply contracts with the various Canadian provinces. There are many factors which could impact these contractual agreements and alterations to, or the termination of, such contracts may adversely impact the Company's business, financial condition and operations.

The Company is subject to anti-money laundering rules and regulations in Canada that could have a significant effect on our ability to operate our business.

The Company is subject to Canadian and international money laundering, financial recordkeeping, and proceeds of crime laws and regulations apply to the Company. Specifically, the Company is subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations, and guidelines, enforced by governmental authorities internationally. If any of the Company's transactions, operations, investments and proceeds thereof, dividends or distributions therefrom, profits, or revenues accruing from such operations or investments, were found to violate money laundering legislation, they may be viewed as proceeds of crime under any applicable legislation. This could restrict or otherwise jeopardize the Company's ability to declare or pay dividends or effect other distributions.

The Company is subject to anti-bribery laws and regulations in Canada.

The Company's business is subject to Canadian laws prohibiting companies and employees from engaging in bribery or other prohibited payments to foreign officials to obtain or retain business. Additionally, the Company is subject to the anti-bribery laws of any other countries in which it conducts business. The Company's employees or other agents may without its knowledge and despite its best efforts, engage in conduct prohibited under anti-bribery laws for which the Company may be held responsible. While the Company's policies mandate compliance with anti-corruption and anti-bribery laws, there can be no assurance that the Company's internal controls will always protect it from recklessness, fraudulent behaviour, dishonesty, or other such inappropriate acts committed by its affiliates, employees, contractors, or agents. If the Company's employees or agents are found to have engaged in such practices, the Company could suffer severe penalties, reputational damage, and other consequences that may have a material adverse effect on its business, financial condition, and results of operations.

Producing cannabis in Canada and exporting cannabis products to the European market requires EU-GMP certification and export approvals.

In order to produce and export finished medical cannabis products directly to the European Union market, the Company must first receive GMP certification at its Paris Facility. As GMP certification requires the highest standards of pharmaceutical grade production and quality controls, the certification process can be lengthy and difficult to obtain. Until such time as the certification is obtained, if at all, the Company will not be able to directly export its finished cannabis products to the European Union market. The Company is able to ship bulk, non-GMP products to international jurisdictions that do not require manufacturers to have a GMP licence, and the Company can export bulk GACP dried flower to GMP manufacturers in domestic and international markets.

The *Cannabis Act* and *Cannabis Regulations* provide the framework for the export of cannabis. A denial of or delay in issuing or renewing an export permit, license, or other approval, or revocation or substantial modification of an existing permit or approval, could prevent the Company from continuing exports to other countries.

In addition, the Company is further subject to a wide variety of laws and regulations domestically and internationally with respect to the flow of funds and product across international borders and the amount of medical cannabis the Company exports may be limited by the various drug control conventions to which Canada is a signatory.

Risks Inherent in the Company's General Operations

The Company relies on third party suppliers, manufacturers, and contractors.

The Company's business is dependent on a number of fundamental inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business or cease supply for any reason, the Company might be unable to find a replacement for such a source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of the Company and materially adversely impact the business, financial condition and operating results of the Company.

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

The Company's success depends in part on its ability to protect its rights to intellectual property and/or to license intellectual property rights on favourable terms. The Company relies upon various forms of intellectual
property protection, including copyright, and trademarks, as well as contractual provisions, to protect intellectual property rights. Despite precautionary measures, the steps the Company takes may not prevent misappropriation of the Company's intellectual property, and the agreements the Company enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada.

With respect to the trademark applications that the Company has filed or intends to file in the future to support ongoing commercial initiatives, the Company cannot offer any assurances about whether such applications will be granted. Even if trademark applications are successfully approved, third parties may challenge their validity, enforceability, or scope, which may result in such trademarks being narrowed, found unenforceable or invalidated. Even if they are unchallenged, any trademark applications and future trademarks and patents may not adequately protect the Company's intellectual property or provide exclusivity for its products or processes. Any of these outcomes could impair the Company's ability to prevent competition from third parties, which may have an adverse impact on the Company's business.

Trademark protection is an important factor in establishing product recognition. The Company's ability to protect its trademarks from infringement could result in injury to any goodwill which may be developed in those trademarks. Moreover, the Company may be unable to use one or more of its trademarks because of successful third-party claims.

To protect the Company's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of business or adversely affect the business, financial condition and results of operations.

In addition, other parties may claim that the Company's products infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages.

The Company also relies on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company's trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to or be independently developed by competitors, which could adversely affect the Company.

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

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

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

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

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

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

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

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

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

Any issues related to the effectiveness of the Company's quality control systems could affect the Company's results of operations.

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the business, financial condition and operating results of the Company.

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

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

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

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

There may be real or perceived reputational risks to third parties as a result of our operations.

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

There may be supply shortages and overages in the Canadian and U.S. cannabis markets.

The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower-than-expected sales and revenues and increased competition for sales and sources of supply. Conversely, licensed producers in Canada and the U.S. may produce more cannabis than is needed to satisfy the collective demand of the respective markets, and they may be unable to export the oversupply into other markets where cannabis use is also legal. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations occur or continue to occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected.

In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or future production levels.

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

The Company has a small management team and the loss of a key individual or inability to attract suitably qualified management could have a material adverse effect on the Company's business. While employment and management services agreements are customarily used as a primary method of retaining the services of key personnel, these agreements cannot assure the continued services of such persons.

The Company may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. In addition, there is a risk that management or key personnel will fail to execute in their roles or falter in judgment in certain circumstances, all of which could have an adverse effect on the operations and financial results of the Company.

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

The Company relies on skilled workers and equipment to execute its operations.

The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

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

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

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

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

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

Currently, the Canadian and U.S. cannabis industries are generally comprised of small to medium-sized entities. However, the risk remains that larger conglomerates and companies, both incumbent and prospective, who recognize the potential for financial success through investment in this industry could exhibit considerable influence over certain key aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industries. State regulatory controls to prevent or deter these types of conditions have not been formally adopted given the nascent condition of the industry in Canada and the United States and the lack of federal oversight in the United States given the status of cannabis as Schedule 1 narcotic in the United States. Small to medium-sized industry participants may face uncertain competitive conditions from larger competitors that place their operations at risk given that they do not have sufficient resources to remain competitive.

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

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

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

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

We may require additional financing to fund our operations.

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

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

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

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

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

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

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

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

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

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

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

Regulatory or agency proceedings, investigations or audits could affect the Company's operations.

The Company's businesses require compliance with certain laws and regulations. Failure to comply with applicable laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could lead to damage awards, fines and penalties.

The Company may become involved in a number of varied government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition.

There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operations.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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