Red White & Bloom Brands Inc.

Management Discussion and Analysis

For the three months ended March 31, 2024, and restated 2023

Dated May 30, 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 three months ended March 31, 2023, filed on May 30, 2023.

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 (the "2022 Restatement"). A summary of the related adjustments has been outlined in note 33 *Restatement of Financial Results* of the Company's audited consolidated financial statements for the year ended December 31, 2023, and 2022 (the "2023 Audited Financial Statements") which can be found on www.sedarplus.ca ("Sedar+"). The adjustments relate to the accounting treatment of foreign currency translation on select non-monetary assets held by the Company (notably property, plant and equipment, intangible assets, right-of-use assets and goodwill). The 2022 restated comparative financial results contained 2023 Annual Financial Statements, should be considered to replace the audited consolidated financial statements for the year ended December 31, 2022, previously filed on May 15, 2023 (the "2022 Financial Statements").

As a consequence of the 2022 Restatement, the Company has restated its financial results for the comparative period within its condensed interim consolidated financial statements for the period ended March 31, 2023. A summary of the related adjustments has been outlined in note 32 *Restatement of Financial Results* in the condensed interim consolidated financial statements for the period ended March 31, 2024, and 2023 which can be found on Sedar+. Only information directly relating to these restatements has been updated in this MD&A.

The amendments to the MD&A for three months ended March 31, 2023, 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 three months ended March 31, 2023, filed May 30, 2023.

TABLE OF CONTENTS

Notice to Reader 2
Cautionary Note Regarding Forward Looking Statements 4
Non-IFRS and Supplementary Financial or Operating Measures 4
Introduction 5
Company Overview and Strategy 5
Description of the Business 6
Outlook 9
Recent Developments 9
Acquisitions 11
Discontinued Operations 12
Financial Highlights 13
Results of Operations 14
Operating Expenses 17
Other Expenses (Income) 19
Adjusted EBITDA 20
Statement of Financial Position 21
Summary of Quarterly Results 24
Summary of Outstanding Share Data 25
Related Party Transactions 27
Liquidity and Capital Resources 31
Off-Balance Sheet Arrangements 43
Financial Instruments and Risk Management 43
Significant Accounting Policies And Critical Accounting Estimates And Judgements 45
New accounting pronouncements 45
Other Risks and Uncertainties 47
Management's Report on Internal Controls over Financial Reporting 48

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, including regulatory, specific to jurisdictions in which the Company legally operates or intends to operate in.
- the competitive conditions of the cannabis industry in the United States, Canada and internationally.
- the state of banking regulations in the United States as it relates to the cannabis industry.
- The rescheduling of cannabis under the Controlled Substances Act as overseen 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 capital and commercial market conditions that may impact the Company and its 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 initiatives, changes in prices of key manufacturing inputs such as raw materials and outsourced service providers, the impact of competition in legal jurisdictions which the Company operates or is targeting to operate in, and relevant 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 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, EBITDA and Adjusted EBITDA. These measures do 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.

EBITDA, as defined by the Company, means earnings before interest, income taxes, depreciation, and amortization. The Company calculates Adjusted EBITDA as EBITDA less 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, gains or losses on asset disposals, gains or losses on settlement of debt, gains or losses on investments, foreign exchange, expected credit losses and bad debt expense, acquisition costs, business transaction costs, gain on extinguishment of debt, 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 unaudited condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2024 ("2024-Q1"), and the comparative restated three months ended March 31, 2023 ("restated 2023-Q1"), collectively referred to as the "Financial Statements", and the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2023 ("2023-YE" or the "2023 Audited Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The information in this MD&A is current as of May 30, 2024.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors on May 30, 2024.

All dollar amounts referred to in this MD&A are expressed in thousands of Canadian dollars except as indicated otherwise. All references to the Company contained in the MD&A include references to all of its subsidiaries, as applicable. The Financial Statements and MD&A are filed on www.sedarplus.ca ("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"[i]. 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 brands to arm's length distributors. As of the date of the MD&A, the Company's operations are 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 select entities of the former Aleafia Group of companies (the "Aleafia Acquisition")[ii], the Company has further expanded the reach of its Platinum portfolio of brands into the Canadian market through Aleafia's established adult-use distribution and medical retail channels in which Aleafia's products are sold through.

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 employed in the state of Florida. The Company also continues to expand its footprint, leveraging brand equity through arm's length, asset-light licensing agreements into strategic markets throughout the United States and establishing a key physical presence in the strategic Canadian market through the Aleafia Acquisition[i] . 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, Canada, and internationally.

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

The family of Platinum products are the preferred 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

The Company is 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.

Through the Aleafia Acquisition[i] the Company has expanded the sale and distribution of both adult use and medical use cannabis product offerings to licensed retailers in Canada, largely in the provinces of Ontario, Alberta, and Manitoba. The Company's Canadian operations encompass two licensed cannabis cultivation, production, and processing facilities, located in the province of Ontario, including one of the largest outdoor cannabis cultivations operations in Canada located in Port Perry, Ontario.

Licensing

In concert with the Company's continuing asset light growth initiative, the Company contracts with arm's length licensed distributors in targeted legal U.S. 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.

[i] Refer to *Acquisitions*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Retail

As at the date of this MD&A, 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 MD&A. The retail locations operate under the OMMU approved "*House of Platinum, Cannabis"* retail banner.

As at the date of this MD&A, 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 acquisition of Pharmaco, Inc. 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. At the end of fiscal year 2023, the Company also impaired goodwill relating to Pharmaco, Inc. amounting to $24.3 million. Details of these impairments can be found in the 2023 Audited Financial Statements found on Sedar+.

The following sets out the Company's total licensed cannabis retail locations within the United States as of March 31, 2024.

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 the first quarter of 2025, contingent on regulatory and fixturing timelines for each location. The Company is also continuing to pursue its plan to fixture and activate new, less costly "white-box" retail locations in strategic local markets within the state of Florida.

As of January 12, 2024, as part of the Aleafia Acquisition, the Company added a profile medical retail storefront available to Canadian patient subscribers nationwide. The acquired operation serves approximately thirteen thousand (13,000) patients and holds a seven percent market share based on all active client registrations with a federally licensed producer in Canada[i]. The Company offers a wide range of high-quality cannabis products and is renowned for their cultivar-specific oils and capsules offering patients a consistent therapeutic experience. Recently, the Company has expanded its product portfolio to include Platinum branded edibles and vapes,

[i] https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a3 *(patient registrations are current to December 31, 2023)*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

topicals, and minor cannabinoid soft gels, catering to emerging patient needs and preferences. The Company's products are available for purchase by registered patients who are provided 24/7 access to order their medications and have them delivered directly. The Company maintains a comprehensive patient care program that is supported by a dedicated patient care team with over twenty-five combined years of expertise, ensuring patients receive unparalleled support as part of their patient journey. The Company also maintains a network of specialized physicians and nurse practitioners who conduct comprehensive medical assessments to more accurately tailor cannabis deliverables to registered patients and created personalized treatment plans based on registered patient needs including product type, dosage, and administration method. The Company's client care team and its network of practitioners offer continuous education and support on the safe and effective use of medical cannabis, ensuring patients understand its benefits and risks. The client care team also provides valuable feedback to the Company's product development resources which ensures that evolving patient preferences are consistently in queue as new products are put into the innovation pipeline.

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-Mar-24	% Ownership As at 31-Dec-23
Continuing Operations				
Red White & Bloom Brands Inc. (Parent)	**CAD**	**British Columbia, Canada**	**100%**	**100%**
[i]RWB (PV) Canada, Inc.	CAD	Alberta and Ontario, Canada	100%	-
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
[ii]Aleafia Inc.	CAD	Ontario, Canada	100%	-
[ii]Aleafia Farms Inc.	CAD	Ontario, Canada	100%	-
[ii] Aleafia Retail Inc.	CAD	Ontario, Canada	100%	-
[ii] Canabo Medical Corporation	CAD	Ontario, Canada	100%	-
[ii] Emblem Cannabis Corporation	CAD	Ontario, Canada	100%	-
[ii] Growwise Health Ltd.	CAD	Ontario, Canada	100%	-
MichiCann Medical Inc.	CAD	Ontario, Canada	100%	100%
PV CBD, LLC	USD	California, United States	100%	100%
[iii]RWB California, Inc.	USD	California, United States	100%	-
RWB Platinum Vape Inc.	USD	California, United States	100%	100%
RWB Florida, LLC	USD	Florida, United States	77%	77%
Red White & Bloom Florida, Inc.	USD	Florida, United States	77%	77%
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%	-
Discontinued Operations				
Vista Prime Management, LLC	USD	California, United States	100%	100%
Vista Prime 3, Inc.	USD	California, United States	100%	100%
Vista Prime 2, Inc.	USD	California, United States	100%	100%
Mid-American Growers, Inc.	USD	Delaware, United States	100%	100%
RLTY USA Corp.	USD	Delaware, United States	100%	100%
RWB Illinois, Inc.	USD	Delaware, United States	100%	100%
Real World Business Integration, LLC	USD	Illinois, United States	100%	100%
GC Ventures 2, LLC	USD	Michigan, United States	100%	100%

[i] Incorporated March 7, 2023
[ii] Acquired January 12, 2024 (Refer to *Acquisitions*)
[iii] Incorporated February 7, 2023

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 2024, these actions include but were not limited to the following:

- Expanding the Company's physical footprint in the Canadian market through the Aleafia Acquisition[i].
- 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.

The Company continues its efforts 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 but not limited to the Skybar™ hardware platform. As of the date of the MD&A, by virtue of the Aleafia Acquisition, the Company has also launched Platinum branded vape cartridges and disposable vape products 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

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.

[i] Refer to *Acquisitions*

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 MD&A, both parties continue to collaborate in accordance with 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.

CAD$3,000,000 OPRC Note Receivable

On May 17, 2024, the Company entered into a $3 million secured note receivable agreement with One Plant Retail Corporation ("OPRC"), a legal entity in which the Company retains a 9.9% minority investment (the CAD$3,000,000 OPRC Note Receivable). The CAD$3,000,000 OPRC Note Receivable matures on May 31, 2027, and bears an interest rate of 8% per annum. Interest payments of accrued interest are payable by OPRC on the first of each month.

CAD RGR Grid Note Advances

Subsequent to three months ended March 31, 2024, RGR provided the Company with additional advances under the CAD RGR Grid Note amounting to $7.3 million. $2.5 million of the advances were used to fund working capital requirements of the Company's Michigan operations, $3 million was used to fund the CAD$3,000,000 OPRC Note Receivable, and $1.8 million was used to fund other working capital and general corporate requirements., including those requirements associated with the Company's acquired Aleafia operations post the Aleafia Acquisition[i].

USD RGR Grid Note Advances

Subsequent to three months ended March 31, 2024, RGR provided the Company with additional advances under the USD RGR Grid Note amounting to USD$3.8 million. Proceeds from advances from the USD RGR Grid note were primarily used to fund for working capital purposes.

[i] Refer to *Acquisitions*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

ACQUISITIONS

Aleafia Acquisition

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

Total consideration for the Transaction totaled $30.6 million consisting of (1) a release of $24.2 million outstanding and the obligations payable by the Aleafia Group under the AH Note Receivable[i] and the AH DIP Note[i], along with, (2) cash consideration of $6.4 million, funded through a combination of cash on hand held by the Purchase Entities and a drawdown under RWB's CAD RGR Grid Note[i], to be utilized by Aleafia Health Inc. 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	7,241
AH Note Receivable allocated to purchase of shares	16,954
Cash consideration	6,370
Total consideration	**30,565**
Identifiable assets (liabilities) acquired	
Cash and equivalents	1,009
Receivables	2,230
Prepaids and deposits	1,722
Inventory	7,000
Biological assets	1,136
Land	11,700
Property, plant and equipment	9,686
Right of use assets	36
Intangible assets	4,681
Investments	2,391
Payables	(2,360)
Taxes payable	(72)
Accrued liabilities	(843)
Other payables	(65)
Lease obligations	(41)
Total identifiable net assets	**38,210**
Excess consideration over net identifiable assets	**(7,645)**
Total consideration	**30,565**

Fair values of investments, intangible assets and goodwill have been evaluated by a third-party valuation specialist as of the 2023 fiscal year end. Fair values of the aforementioned assets as well as inventory, biological assets, property, plant and equipment may be subject to change during the allowable measurement period in accordance with IFRS 3.45. In accordance with IFRS 3.45, the allowable measurement period cannot exceed one year post 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 IFRS 3.45.

[i] Refer to Debt section of *Liquidity and Capital Resources*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Total acquisition costs expensed by the Company's relating to the Aleafia Acquisition amounted to $0.6 million. $0.1 million was expensed during 2024-Q1 and $0.5 million was expensed during 2023-YE.

Revenue of the Purchased Entities post-acquisition for 2024-Q1 amounted to $3.6 million. Net loss for the period was $1.6 million If the Aleafia Acquisition had closed on January 1, 2024, the Company estimates it would have recorded revenue of $22.6 million and a net income of $15.6 million, resulting in an increase in revenue of $0.5 million and a decrease in net loss of $17.0 million for 2024-Q1 including the impact of a bargain purchase amounting to $7.6 million recorded to gain on investments.

DISCONTINUED OPERATIONS

Discontinued operations of the Company's wholly owned subsidiaries include Mid-American Growers, Inc., Real World Business Integration, LLC, Vista Prime Management, LLC, GC Ventures 2, LLC, Vista Prime 3, Inc, Royalty USA Corp, RWB Illinois, Inc.

Components of residual loss from discontinued operations for 2024-Q1, and restated 2023-Q1 are as follows:

	3 months ended 31-Mar-24	3 months ended 31-Mar-23 Restated
	$	$
Revenue	-	593
Cost of sales	-	594
Gross profit (loss)	**-**	**(1)**
General and administration	143	1,264
Sales and marketing	-	71
Depreciation and amortization	-	19
Bad debt expense (recovery)	(5)	333
Loss from operations before other expenses	**(138)**	**(1,686)**
Other expenses	233	-
Finance expense	12	12
Loss on disposal - capital assets	84	-
Net loss before taxes from discontinued operations	**(467)**	**(1,698)**
Net loss from discontinued operations	**(467)**	**(1,698)**
Net loss per share, basic and diluted on discontinued	**0.00**	**0.00**
Weighted average number of outstanding common shares, basic and diluted	470,221,901	469,521,901

(In thousands of Canadian Dollars, except number of shares and per share amounts)

FINANCIAL HIGHLIGHTS

2024-Q1 and 2023-Q1 Consolidated Highlights

The following summarizes results from operations for 2024-Q1, and restated 2023-Q1.

	2024-Q1	2023-Q1 *Restated*	Variance
	$	**$**	**$**
Revenue	22,551	26,453	(3,902)
Cost of goods sold, before fair value adjustments	14,682	17,043	(2,361)
Gross profit before fair value adjustments	**7,869**	**9,410**	**(1,541)**
Gross profit before fair value adjustments (%)	35%	36%	-1%
Unrealized changes in fair value of biological assets	(3,067)	(451)	(2,616)
Realized fair value amounts included in inventory sold	(933)	(606)	(327)
Gross Profit	**3,869**	**8,353**	**(4,484)**
Gross profit (%)	17%	32%	-14%
General and administration	8,202	7,545	657
Marketing expenses	1,262	483	779
Share-based compensation	50	316	(266)
Depreciation and amortization	1,091	648	443
Bad debt expense	1,488	223	1,265
Total operating expenses	**12,093**	**9,215**	**2,878**
Loss from operations before other expenses or income	**(8,224)**	**(862)**	**(7,362)**
Total other (income) expenses	**(2,996)**	**6,558**	**(9,554)**
Loss before income taxes	**(5,228)**	**(7,420)**	**2,192**
Current income tax expense	(1,170)	(1,975)	805
Deferred income tax recovery	776	1,696	(920)
Net loss from continuing operations	**(5,622)**	**(7,699)**	**2,077**
Loss from discontinued operations	(467)	(1,698)	1,231
Loss for the quarter	**(6,089)**	**(9,397)**	**3,308**
[i]EBITDA	5,097	(881)	5,978
[i]Adjusted EBITDA	137	1,818	(1,681)

- Revenues were $22.6 million for 2024-Q1, a $3.9 million decrease from restated 2023-Q1 revenues of $26.5 million.
- Gross profit, before fair value adjustments, was $7.9 million for 2024-Q1, a $1.5 million decrease from restated 2023-Q1 gross profit before fair value adjustments of $9.4 million.
- Gross profit, after fair value adjustments, was $3.9 million for 2024-Q1, a $4.5 million decrease from restated 2023-Q1 gross profit before fair value adjustments of $8.4 million.
- Operating expenses were $12.1 million for 2024-Q1, an increase of $2.9 million compared to restated 2023-Q1 operating expenses of $9.2 million.
- Losses from operations before other expenses were $8.2 million for 2024-Q1, a $7.4 million increase from restated 2023-Q1 losses from operations before other expenses of $0.9 million.
- Other income was $3.0 million for 2024-Q1, an increase of $9.6 million compared to restated 2023-Q1 other expenses of $6.6 million.
- EBITDA and Adjusted EBITDA[i] was $5.1 million and $0.1 million, respectively for 2024-Q1, an increase of $6.0 million and a decrease of $1.7 million compared to restated 2023-Q1 EBITDA and adjusted EBITDA of negative $0.9 million and $1.8 million respectively.

[i] Refer to *Non-IFRS and Supplementary Financial Operating Measures*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

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 and non-cannabis products and accessories directly to licensed retailers in the legal U.S. states of Michigan and California, and select Canadian provinces including Ontario, Alberta and Manitoba[i].

(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 and third party branded and non-branded cannabis products and accessories to the adult-use and medical use markets in the legal U.S. states of Florida and Michigan, and across Canada.

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

Segmented revenues to gross profit, for 2024-Q1 and restated 2023-Q1 are as follows:

2024-Q1	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Revenue					
Sales revenue	-	16,066	269	6,216	22,551
Cost of goods sold before fair value adjustments	-	9,423	159	5,100	14,682
Gross profit before fair value adjustments	-	6,643	110	1,116	7,869
Unrealized gains (losses) in fair value of biological assets	-	**(85)**	-	**(2,982)**	(3,067)
Realized fair value gains (losses) included in inventory sold	-	(256)	-	(677)	(933)
Gross profit	**-**	**6,302**	**110**	**(2,543)**	**3,869**
% of consolidated revenue	0%	71%	1%	28%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	64%	1%	35%	100%
Gross profit before fair value adjustments (%)	0%	41%	41%	18%	35%
Gross profit (%)	0%	39%	41%	-41%	17%
restated 2023-Q1	Distribution	Distribution	Licensing	Retail	Consolidated
Revenue					
Sales revenue	-	20,333	-	6,120	26,453
Cost of goods sold before fair value adjustments	-	12,847	-	4,196	17,043
Gross profit before fair value adjustments	-	7,486	-	1,924	9,410
Unrealized gains (losses) in fair value of biological assets	-	-	-	(451)	(451)
Realized fair value gains (losses) included in inventory sold	-	-	-	(606)	(606)
Gross profit	**-**	**7,486**	**-**	**867**	**8,353**
% of consolidated revenue	0%	77%	0%	23%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	75%	0%	25%	100%
Gross profit before fair value adjustments (%)	0%	37%	0%	31%	36%
Gross profit (%)	0%	37%	0%	14%	32%
Variance	Distribution	Distribution	Licensing	Retail	Consolidated
Change in revenue	-	(4,267)	269	96	(3,902)
Change in cost of goods sold before fair value adjustment	-	(3,424)	159	904	(2,361)
Change in gross profit before fair value adjustment	-	(843)	110	(808)	(1,541)
Change in gross profit after fair market value adjustments	-	(1,184)	110	(3,410)	(4,484)

[i] *Refer to note 7 in Financial Statements*

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 physical and virtual medical retail locations.

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 2024-Q1

- ***Consolidated revenue for 2024-Q1*** amounted to $22.6 million, compared to $26.5 million for restated 2023-Q1. The overall decrease of $3.9 million in revenue is primarily attributed to activity in the Distribution segment. Further analysis of revenues reported for 2024-Q1 is provided in the discussion of the respective operating segments results below (Distribution, Licensing and Retail).

- ***Distribution revenue for 2024-Q1*** was $16.1 million, compared to $20.3 million for restated 2023-Q1, a decrease of $4.3 million. The net decrease in revenues can be primarily attributed to (1) continuing price compression across all key product lines in the key state of Michigan, (2) timing associated with the discontinuation of select product lines within the quarter of which the Company is planning to re-launch in subsequent quarters, (3) the impact of the timing of retailer orders for the Company's Platinum Vape distillate carts in 2023-Q1, immediately prior to an announced price increase, stemming from supply chain conditions within the state of Michigan, that were not prevalent in 2024-Q1 and (4) due to the ongoing targeted divestiture of non-strategic operations. The net decrease was offset by a $1.4 million increase in distribution revenue generated by the Purchased Entities acquired as part of the Aleafia Acquisition[i], and $0.3 million in distribution revenue generated in the Company's reconstituted California operations for which sales only commenced in the second quarter of 2023.

- ***Licensing revenue for 2024-Q1*** amounted to $0.3 million and has no comparable revenue in restated 2023-Q1 given its launch in in the third quarter of 2023.

- ***Retail revenue for 2024-Q1*** was $6.2 million, a nominal decrease when compared to $6.1 million for restated 2023-Q1. The Company realized a $2.2 million increase in Retail revenue earned by the Purchased Entities acquired as part of the Aleafia Acquisition[i]. The increase was offset by a $2.1 million decrease in Retail sales in the Company's retail operations in the state of Michigan, accompanied by a 10% decrease in average retail consumer basket size when comparing 2024-Q1 to restated 2023-Q1 driven by the industry-wide price compression also impacting the Distribution segment.

[i] See *Acquisitions*

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 its key markets which now include Canada and international jurisdictions such as the emerging German cannabis market. This product focus is the basis for building ultimate consumer awareness and loyalty to the Company's Platinum and other branded product lines.

Cost of goods sold

Cost of goods sold for 2024-Q1

- ***Consolidated cost of goods sold before fair value adjustments for 2024-Q1*** was $14.7 million, a $2.4 million decrease, when compared to $17.1 million for restated 2023-Q1.

- ***Distribution cost of goods sold before fair value adjustments for 2024-Q1*** was $9.4 million, a decrease of $3.4 million, when compared to $12.8 million for restated 2023-Q1. The decrease can be primarily attributed to the decrease in Distribution revenues along with the impact of continuing improvements in both production flows and procurement synergies for key raw materials. The $3.4 million decrease includes a $1.6 million increase in distribution costs resulting from the Aleafia Acquisition.[i]

- ***Licensing cost of goods sold before fair value adjustments for 2024-Q1*** amounted to $0.2 million in 2024-Q1 and has no comparable cost of goods sold in restated 2023-Q1 due to the Licensing channel only commencing in the third quarter of 2023.

- ***Retail cost of goods sold before fair value adjustments for 2024-Q1*** was $5.1 million, an increase of $0.9 million when compared to $4.2 million in restated 2023-Q1. The increase is primarily due to $1.2 million in Retail costs of goods sold before fair market value adjustments resulting from the Aleafia Acquisition[i] offset by nominal increases in the Company's Retail cost of goods sold before fair value adjustments in its Florida operations.

Gross profit before fair market value adjustments

Gross profit before fair market value adjustments for 2024-Q1

- ***Consolidated gross profit before fair value adjustments for 2024-Q1*** totaled $7.9 million, a $1.5 million decrease when compared to a consolidated gross profit before fair value adjustments of $9.4 million for restated 2023-Q1. 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 2024-Q1*** totaled $6.6 million, a decrease of $0.9 million when compared to a gross profit before fair value adjustments of $7.5 million for restated 2023-Q1. The decrease in Distribution gross profit margin before fair value adjustments is due to a $4.3 million decrease in Distribution revenue in 2024-Q1 compared to restated 2023-Q1, offset by a $3.4 million reduction in Distribution cost of goods sold before fair value adjustments for the same comparative period, as mentioned above.

- ***Licensing gross profit before fair value adjustments for 2024-Q1*** amounted to $0.1 million and has no comparable gross profit in restated 2023-Q1 due to the Licensing channel only commencing in the third quarter of 2023.

[i] See *Acquisitions*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

- ***Retail gross profit before fair value adjustments for 2024-Q1*** was $1.1 million, a decrease of $0.8 million when compared to a gross profit before fair value adjustments of $1.9 million for restated 2023-Q1. The decrease is primarily due to in Retail gross profit margin before fair value adjustments is due to the $0.9 million increase in Retail cost of goods sold before fair value adjustments for 2024-Q1 compared to restated 2023-Q1, as mentioned above, offset by a $0.1 million increase in Retail revenues for the same comparative period, as mentioned above.

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 2024-Q1 and restated 2023-Q1 are as follows:

2024-Q1	Corporate	Distribution	Licensing	Retail	Consolidated
	$	**$**	**$**	**$**	**$**
General and administration	1,654	2,609	125	3,815	8,202
Marketing expenses	4	519	205	534	1,262
Share-based compensation	50	-	-	-	50
Depreciation and amortization	-	296	-	795	1,091
Expected credit loss and bad debt expense	-	1,372	116	-	1,488
Total operating Expenses	**1,708**	**4,796**	**446**	**5,143**	**12,093**
Restated 2023-Q1	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
General and administration	1,891	1,197	14	4,443	7,545
Marketing expenses	22	378	-	83	483
Share-based compensation	316	-	-	-	316
Depreciation and amortization	-	127	-	521	648
Expected credit loss and bad debt expense	-	223	-	-	223
Total operating expenses	**2,229**	**1,925**	**14**	**5,047**	**9,215**
Variances	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Change in General and administration	(237)	1,412	111	(629)	657
Change in marketing expenses	(18)	141	205	451	779
Change in share-based compensation	(266)	-	-	-	(266)
Change in depreciation and amortization	-	169	-	274	443
Change in in expected credit loss and bad debt expense	-	1,149	116	-	1,265
Change in total operating expenses	**(521)**	**2,871**	**432**	**96**	**2,878**

Consolidated operating expenses for 2024-Q1 totaled $12.1 million, an increase of $2.9 million when compared to consolidated operating expenses of $9.2 million restated 2023-Q1. The overall increase is due to changes in operating expenses as detailed below.

General and administrative expenses ("G&A")

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

(In thousands of Canadian Dollars, except number of shares and per share amounts)

The following table summarizes G&A expenses incurred by the Company for 2024-Q1, and restated 2023-Q1:

	2024-Q1	*Restated* 2023-Q1	Variance
	$	$	$
Salaries and wages	4,748	3,207	1,541
Facilities expense	666	1,104	(438)
Professional fees	1,464	1,256	208
Office and administrative fees	522	665	(143)
Travel expense	109	39	70
Licenses and permits	105	142	(37)
Insurance	348	475	(127)
Penalty and late fees	93	388	(295)
Tax expense	147	269	(122)
Total general and administrative expenses	**8,202**	**7,545**	**657**

General and Administrative for 2024-Q1

Total G&A expenses for 2024-Q1 were $8.2 million compared to $7.6 million for restated 2022-Q4. The increase of $0.6 million is primarily attributable to an increase of $1.6 million of G&A expenses deriving from the Aleafia Acquisition[i] for the current quarter, offset by reductions in the various areas as indicated below.

- ***Salaries and wages*** in 2024-Q1**,** totaled $4.7 million, an increase of $1.5 million when compared to salaries and wages of $3.2 million for restated 2023-Q1. The increase can be attributed to the increase in headcount in 2024-Q1 compared restated 2023-Q1 mainly a result of the Aleafia Acquisition[i].
- ***Facilities expenses*** in 2024-Q1 totaled $0.7 million, a decrease of $0.4 million when compared to facilities expenses of $1.1 million for restated 2023-Q1. The decrease is attributed to the closure of the Company's corporate office in Toronto, Ontario and ongoing allocations of facilities costs to inventory. The decrease is offset by a $0.7 million increase in facilities expenses resulting from the Aleafia Acquisition[i].
- ***Professional fees*** for 2024-Q1 totaled $1.5 million, a decrease of $0.2 million compared to $1.2 million in restated 2023-Q1. The decrease can is mainly attributed to a reduction in consulting fees as the Company continues to internalize functions that were previously outsourced.
- ***Office and administrative fees*** *for* 2024-Q1 totaled $0.5 million, a nominal decrease of $0.1 million compared to $0.6 million restated 2023-Q1**.**
- ***Licenses and permits*** costs incurred in 2024-Q1 were $0.1 million within the quarter, comparable to $0.1 million for restated 2023-Q1.
- ***Insurance*** in 2024-Q1 was $0.3 million within the quarter, a decrease of $0.2 million compared to $0.5 million for restated 2023-Q1. The decrease can be attributed to continuing synergies garnered from the consolidation of the Company's insurance policies in addition to premium reductions realized given the risk profile of the consolidated group of companies.
- ***Penalty and late fees*** for 2024-Q1 were $0.1 million, a decrease of $0.3 million compared to $0.4 million in restated 2023-Q1. The decrease can be attributed to on-going efforts made to coordinate regular payment plans with government bodies in order to reduce this nature of fees.

Bad Debt Expense

Expected credit loss and bad debt expense *for* 2024-Q1 was $1.5 million, a $1.3 million increase compared to $0.2 million for restated 2023-Q1. The increase is the result of a $0.2 million increase in provision for expected credit losses due to the Company providing credit terms support, tied to strategic initiatives, for key retailers in select jurisdictions. in 2024-Q1 when compared to restated 2023-Q1.

[i] See *Acquisitions*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

OTHER EXPENSES (INCOME)

Other expenses (income) for 2024-Q1 and restated 2023-Q1 are as follows:

2024-Q1	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(209)	-	-	-	-	(209)
Other income	(569)	368	201	(666)	-	(666)
Finance expense	147	-	-	32	-	179
Interest on credit facilities	586	-	-	-	-	586
Interest on convertible notes	814	-	-	631	-	1,445
Accreted interest on convertible notes	433	-	-	848	-	1,281
Accreted interest on promissory notes	82	-	-	-	-	82
Interest on promissory notes	4,642	-	-	1,024	-	5,666
Acquisition costs	-	-	112	-	-	112
Business transaction costs	-	17	-	21	-	38
Accreted interest, leases	-	52	-	621	-	673
Loss on disposal of assets	-	-	-	235	-	235
Gain on valuation of financial instruments	(145)	-	-	-	-	(145)
Loss on debt extinguishment	100	-	-	-	-	100
(Gain) or loss on settlement of debt	-	-	-	(636)	-	(636)
Gain loss on investments	(7,645)	-	-	-	-	(7,645)
Foreign exchange	(4,107)	3	8	4	-	(4,092)
Total other expenses (income)	**(5,871)**	**440**	**321**	**2,114**	**-**	**(2,996)**
2023-Q1 restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	-	-	-	-	-	-
Other income	-	-	-	(40)	(8)	(48)
Finance expense	-	41	-	670	-	711
Interest on credit facilities	517	-	-	-	-	517
Interest on convertible notes	783	-	-	580	-	1,363
Accreted interest on convertible notes	394	-	-	641	-	1,036
Accreted interest on promissory notes	-	-	-	-	-	-
Interest on promissory notes	3,281	-	-	-	-	3,281
Acquisition costs	-	-	-	-	-	-
Business transaction costs	-	-	-	-	-	-
Accreted interest, leases	-	42	-	640	-	682
Loss on disposal of assets	-	-	-	-	-	-
Gain on valuation of financial instruments	-	-	-	1	(1,009)	(1,008)
Loss on debt extinguishment	-	-	-	-	-	-
(Gain) or loss on settlement of debt	-	-	-	-	-	-
Gain loss on investments	-	-	-	-	-	-
Foreign exchange	24	-	-	-	-	24
Total other expenses (income)	**4,999**	**83**	**-**	**2,493**	**(1,017)**	**6,558**
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in Interest earned on promissory notes	(209)	-	-	-	-	(209)
Change in Other income	(569)	368	201	(626)	8	(618)
Change in Finance expense	147	(41)	-	(638)	-	(532)
Change in Interest on credit facilities	69	-	-	-	-	69
Change in Interest on convertible notes	31	-	-	51	-	82
Change in Accreted interest on convertible notes	39	-	-	206	-	245
Change in Accreted interest on promissory notes	82	-	-	-	-	82
Change in Interest on promissory notes	1,361	-	-	1,024	-	2,385
Change in Acquisition costs	-	-	112	-	-	112
Change in Business transaction costs	-	17	-	21	-	38
Change in Accreted interest, leases	-	10	-	(19)	-	(9)
Change in Loss on disposal of assets	-	-	-	235	-	235
Change in Gain on valuation of financial instruments	(145)	-	-	(1)	1,009	863
Change in Loss on debt extinguishment	100	-	-	-	-	100
Change in (Gain) or loss on settlement of debt	-	-	-	(636)	-	(636)
Change in Gain loss on investments	(7,645)	-	-	-	-	(7,645)
Change in Foreign exchange	(4,131)	3	8	4	-	(4,116)
Change in total other expenses (income)	**(10,870)**	**357**	**321**	**(379)**	**1,017**	**(9,554)**

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Consolidated other income for 2024-Q1 was $3.0 million, a $9.6 million increase from $6.6 in other expenses for 2023-Q1. The increase is primarily the result of a $7.6 million bargain purchase gain realized on the Aleafia Acquisition[i], a $4.1 million increase on foreign exchange, a $0.6 increase in other income and a $0.2 million increase on interest earned on notes receivable. The gains were offset by a combined increase $2.7 million in interest and debt related charges connected to various debt instruments[ii], $0.1 million in acquisition costs related to the Aleafia Acquisition and $0.2 million in losses on disposal of capital assets.

EBITDA AND ADJUSTED EBITDA

Below is a reconciliation net loss and Adjusted EBITDA for 2024-Q1 and restated 2023-Q1:

	2024-Q1	2023-Q1 restated	Variance
Net Income (Loss) for the Period	**(6,089)**	**(9,396)**	**3,307**
Depreciation and amortization	1,091	648	443
Interest income	(209)	-	(209)
Accreted interest, leases	673	682	(9)
Current income tax expense/(recovery)	1,170	1,975	(805)
Deferred income tax expense/(recovery)	(776)	(1,696)	920
Finance expenses	179	711	(532)
Interest on credit facilities	586	517	69
Interest on convertible notes	1,445	1,363	82
Accreted interest on convertible notes	1,281	1,036	245
Accreted interest on promissory notes	82	-	82
Interest on promissory notes	5,666	3,281	2,385
EBITDA[iii]	**5,099**	**(881)**	**5,978**
Bad debt expense	1,488	223	1,265
Acquisition costs	112	-	112
Business transaction costs	38	-	38
(Gain) loss on evaluation of financial instruments	(145)	(1,008)	863
Loss on disposal of assets	235	-	235
Foreign exchange	(4,092)	24	(4,116)
Termination costs	342	-	342
Fair value changes in biological assets	3,067	451	2,616
Realized fair value changes in inventory sold	933	606	327
Loss on debt extinguishment	100	-	100
Gain on investment	(7,645)	-	(7,645)
Share based compensation	50	316	(266)
(Gain) or loss on settlement of debt	(636)	-	(636)
Non-recurring expenses[iv]	724	388	336
(Gain) loss on discontinued operations	467	1,698	(1,231)
Adjusted EBITDA[i]	**137**	**1,818**	**(1,682)**

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.

[i] See *Acquisitions*
[ii] See *Debt section of Liquidity and Capital Resources*
[iii] Refer to *Non-IFRS and Supplementary Financial and Operating Measures*
[iv] Non-recurring expenses include expenses are those that the Company does not expect to recur in the future, such as penalties and late fees

(In thousands of Canadian Dollars, except number of shares and per share amounts)

STATEMENT OF FINANCIAL POSITION

Assets

As at 2024-Q1, and 2023-YE, the Company held the following assets:

As at	2024-Q1	2023-YE	Variance
	$	**$**	**$**
Assets			
Current assets			
Cash and cash equivalents	3,472	2,251	1,221
Accounts receivable	19,427	20,370	(943)
Notes receivable	-	24,705	(24,705)
Prepaid expenses	1,338	894	444
Deposits	8,437	7,329	1,108
Inventory	26,481	15,247	11,234
Biological assets	3,426	4,215	(789)
Investments	2,391	-	2,391
Other assets	458	869	(411)
Total current assets	**65,430**	**75,880**	**(10,450)**
Non-current assets			
Property, plant and equipment, net	53,566	33,329	20,237
Intangible assets, net	93,612	87,252	6,360
Right-of-use assets, net	16,908	17,564	(656)
Goodwill	11,880	11,880	-
Total non-current assets	**175,966**	**150,025**	**25,941**
Total assets	**241,396**	**225,905**	**15,491**

As at 2024-Q1, the Company had total assets of $241.4 million, a decrease of $15.5 million compared to $225.9 million at 2023-YE.

- ***Cash and equivalents as at 2024-Q1*** was $3.5 million, an increase of $1.2 million when compared to $2.3 million as at 2023-YE. The increase is primarily due to the $1.0 million in cash and equivalents acquired from the Aleafia Acquisition[i].

- ***Accounts receivable as at 2024-Q1*** were $19.4 million, a decrease of $0.9 million compared to $20.4 million as at 2023-YE. The decrease 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 and to support targeted, collaborative initiatives to increase market share. The Company has offset its accounts receivable balance with a provision for expected credit losses totaling $6.4 million (2023-YE; $4.8 million) to account for expected credit losses in accordance with the prescribed IFRS 9 methodology utilized by the Company[ii].

- ***Notes receivable as at 2024-Q1*** was $nil, compared to $24.7 million at 2023-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.

[i] See *Acquisitions*
[ii] *Refer to note 9 in Financial Statements*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

During 2024-Q1, the Company advanced an additional $7.3 million under the terms of the AH DIP Note and accrued interest for the period. On January 12, 2024, the entirety of the AH Note Receivable and AH DIP Note were used for consideration for the Aleafia Acquisition[i] and to acquired $1.7 million in trademarks and tradenames.

- ***Prepaids expenses at 2024-Q1*** were $1.3 million, an increase of $0.4 million compared to $0.9 million at 2023-YE. The increase is attributed to $0.2 million of prepaid expenses acquired with the Aleafia Acquisition and $0.2 million in prepaid expenses incurred during the period.

- ***Deposits at 2024-Q1*** were $8.4 million, an increase of $1.1 million compared to $7.3 million at 2023-YE. The increase is primarily attributed to $1.5 million of prepaid expenses acquired with the Aleafia Acquisition offset by the application of $0.4 million of vendor deposits for delivered product.

- ***Inventory as at 2024-Q1*** was $26.5 million, an increase of $11.2 million when compared to $15.2 million as at 2023-YE. The increase is primarily related to $9.1 million in inventory acquired as a result of the Aleafia Acquisition [i], along with an increase in work-in-process inventories of $2.8 million, a $1.1 million increase in raw materials and an increase in finished goods of $0.3 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 2024-Q1*** was $3.4 million, a decrease of $0.8 million when compared to $4.2 million as at 2023-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 Annual Financial Statements published at SEDAR+.

- ***Investments as at 2024-Q1*** were $2.4 million, a 100% increase from 2023-YE deriving from an investment in One Plant Retail Corporation ("OPRC"), a legal entity in which the Company retains a 9.9% minority investment in post the Aleafia Acquisition [i].

- ***Other current assets as at 2024-Q1*** were $0.5 million, compared to $0.9 million as at 2023-YE. The $0.4 million decrease is attributable to the depletion of insurance assets associated with the Company's insurance policies.

Liabilities

A summary of the Company's liabilities as at 2024-Q1, and as at 2023-YE is as follows:

As at	2024-Q1	2023-YE	Variance
	$	$	$
Current liabilities			
Accounts payable and accrued liabilities	43,926	42,126	1,800
Short-term notes payable	170,205	146,900	23,305
Short-term credit facility	20,016	19,430	586
Short-term convertible notes	77,823	73,724	4,099
Short-term Derivative liabilities	545	673	(128)
Short-term lease obligations	749	655	94
Income taxes payable	22,591	21,008	1,583
Other current liabilities	3,231	3,645	(414)
Total current liabilities	**339,086**	**308,161**	**30,925**
Non-current liabilities			
Long-term lease obligations	21,979	21,423	556
Deferred tax liability	26,586	26,708	(122)
Total non-current liabilities	**48,565**	**48,131**	**434**
Total liabilities	**387,651**	**356,292**	**31,359**

[i] Refer to *Acquisitions.*

As at 2024-Q1, the Company had total liabilities of $387.7 million, an increase of $31.4 million as compared to $356.3 million as at 2023-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[i], (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 2024-Q1 totaled $339.1 million, a $30.9 million increase as compared to $308.2 million as at 2023-YE. The decrease is the result of changes in the current liabilities categories described below.

- ***Accounts payable and accrued liabilities as at 2024-Q1*** were $43.9 million, a $1.8 million increase when compared to $42.1 million as at 2023-YE. This increase is attributed to a $3.3 million increase accounts payable and accrued liabilities associated with the Aleafia Acquisition, increasing to $4.0 million as at 2024-Q1, offset by a reduction in accounts payable and accrued liabilities of $0.7 million resulting from 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 2024-Q1*** totaled $170.2 million, a $23.3 million increase as compared to $146.9 million as at 2023-YE. This increase is primarily the result of $15.0 million in additional advances to the Company acquired through the CAD and USD RGR Grid Notes[i]. The increase is also attributed to $5.7 million in accrued interest charges related to short-term notes payable and $2.8 million in foreign exchange losses relating to revaluation of outstanding notes payable balances as at 2024-Q1. The Company offset the increase by $0.2 million in interest payments made during the 2024-Q1. 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 2024-Q1*** was $20.0 million, a $0.6 million increase when compared to $19.4 million as at 2023-YE. This increase is the result of accrued interest on the credit facility during 2024-Q1. The reader is referred to the *Liquidity and Capital Resources section* of this MD&A for full continuity and for the status of the Company's credit facility.

- ***Short-term convertible debentures as at 2024-Q1*** was $77.8 million, an increase of $4.1 million when compared to $73.7 million as at 2023-YE. This increase is the result of accrued interest on convertible debentures during 2024-Q1. The reader is referred to the *Liquidity and Capital Resources* section for the continuity and further details on the Company's convertible debentures.

- ***Other current liabilities as at 2024-Q1*** were $3.2 million, a $0.4 million decrease when compared to $3.6 million 2023-YE. The $0.4 million decrease is attributable to the reduction of insurance obligations associated with the Company's insurance policies.

Long-term liabilities

Total long-term liabilities for 2024-Q1 totaled $48.6 million, a $0.4 million increase from $48.1 million for 2023-YE. The increase is the result of the addition of an equipment lease amounting to $0.2 million for the Canadian operations and offset by $0.1 million in a decrease of $0.1 million in deferred tax liabilities. The remaining $0.3 million is the result of foreign exchange effects on revaluation of US denominated lease liabilities as at 2024-Q1.

[i] Refer to Debt section of *Liquidity and Capital Resources*

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Shareholders' Equity

As at 2024-Q1, total shareholders' equity was in a deficit of $146.3 million, a decrease of $15.9 million compared to a deficit of $130.4 million as at 2023-YE. The decrease in shareholders' equity was primarily due to an increase of $9.8 million in cumulative translation adjustments due to foreign currency translation into the Company's functional currency, a decrease in accumulated deficit of $4.2 million related net losses from continuing and discontinued operations, and a decrease of $1.9 million non-controlling interest.

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 before FMV adjustments	Gross profit after FMV adjustments	Net loss	Earnings per share
	$	$	$	$	$	$
31-Mar-24	22,551	14,682	7,869	3,869	(6,089)	(0.01)
31-Dec-23	19,864	12,476	7,388	8,684	(118,108)	(0.24)
30-Sep-23 restated	20,127	12,274	7,853	6,572	(11,191)	(0.02)
30-Jun- 23 restated	21,727	14,122	7,605	15,287	(9,468)	(0.02)
31-Mar-23 restated	26,453	18,100	8,353	1,057	(7,698)	(0.02)
31-Dec-22 restated	15,376	8,898	6,477	6,319	(207,498)	(0.53)
30-Sep-22 restated	22,883	16,910	5,973	10,979	(11,707)	(0.03)
30-Jun-22 restated	25,563	22,528	3,035	6,577	(11,118)	(0.03)

(In thousands of Canadian Dollars, except number of shares and per share amounts)

SUMMARY OF OUTSTANDING SHARE DATA

As at 2024-Q1, the authorized shares of the Company were as follows:

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

As at 2024-Q1, the Company had the following securities outstanding.

Securities Outstanding as at 2024-Q1	Number of Securities	Weighted Average Exercise/ Conversion Price
Common Shares	470,221,901	N/A
Stock Options	15,870,931	0.80

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

Common Shares

Changes in share capital for 2024-Q1, and 2023-YE, and the balances outstanding is as follows:

Common Shares	Common Shares	Share Capital
	#	$
Balance, December 31, 2022 restated	**469,521,901**	342,069
Issuance of shares for settlement agreement	700,000	42
Balance, December 31, 2023	**470,221,901**	342,111
Balance, March 31, 2024	**470,221,901**	342,111

There were no share capital transactions during 2024-Q1.

Share Capital transactions the year ended December 31, 2023:

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

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Stock Options

The number of stock options and weighted average exercise prices as at 2024-Q1, and 2023-YE are as follows:

	Options	Weighted average exercise price
	#	$
Balance Outstanding, December 31, 2022 restated	**17,783,456**	**0.95**
Issued	[i]1,250,000	0.10
Expired	(2,009,192)	2.07
Forfeited	(63,333)	0.68
Balance Outstanding, December 31, 2023	**16,960,931**	**0.80**
Expired	(1,002,500)	0.95
Forfeited	(87,500)	0.14
Balance Outstanding, March 31, 2024	**15,870,931**	**0.80**
Exercisable		
Exercisable as at March 31, 2024	11,910,099	1.01
Exercisable as at December 31, 2023	11,967,182	1.07

Stock Options are measured at fair value at the date of grant and are expensed to share based compensation over the option's vesting period. For the 2024-Q1, the Company had share-based compensation expenses relating to stock options amounting to $50 (2023-YE; $316).

The following reflects remaining contractual life for outstanding and exercisable options as at 2024-Q1:

Outstanding				**Exercisable**	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	$	**#**	**(years)**	**#**	**(years)**
2024-04-01	1.00	400,000	0.00	350,000	0.00
2024-04-26	5.44	1,234,502	0.07	1,234,502	0.07
2024-04-29	1.00	500,000	0.08	500,000	0.08
2024-05-13	1.00	30,000	0.12	30,000	0.12
2025-01-11	1.00	371,429	0.78	371,429	0.78
2025-04-01	1.00	125,000	1.00	125,000	1.00
2025-07-06	1.10	75,000	1.27	75,000	1.27
2025-09-10	0.66	15,000	1.45	15,000	1.45
2025-10-01	0.65	3,400,000	1.50	3,400,000	1.50
2025-10-12	0.65	50,000	1.53	50,000	1.53
2025-11-18	0.67	150,000	1.64	150,000	1.64
2025-12-03	0.75	800,000	1.68	800,000	1.68
2026-11-12	0.63	445,000	2.87	286,251	2.87
2026-11-26	0.63	75,000	2.66	75,000	2.66
2027-10-07	0.50	6,950,000	3.52	4,343,750	3.52
2033-03-15	0.10	1,250,000	8.96	104,167	8.96
		15,870,931	**2.80**	**11,910,099**	**2.07**

[i] Includes amounts issued to an officer of the Company (see *Related Party Section*)

(In thousands of Canadian Dollars, except number of shares and per share amounts)

RELATED PARTY TRANSACTIONS

Key Management

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for 2024-Q1, and restated 2023-Q1, is as follows:

	3 months ended 31-Mar-24	3 months ended 31-Mar-23 *(Restated)*
	$	$
Management salaries, bonuses, and other benefits	296	219
Consulting fees by a company controlled by a director of the company	51	86
Share-based payments – officers	22	54
Share-based payments – directors	10	-
Total	**379**	**359**

Amounts due to/from Related parties

- $0.2 million of the $0.3 million in management salaries, bonuses, and other benefits during the three months ended March 31, 2024, were accrued balances to be paid out in future periods (restated 2023; $0.2 million)
- Included in accounts payable and accrued liabilities is $1.5 million (December 31, 2023; $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[i] 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 $14.9 million 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 amortize over the two-year loan term at an effective interest rate of 16.43%. Amounts due and additional terms of the note can be found in note 20.
- The USD$1,093,750 Convertible VMOS Note[i] is due to an entity related to a Director of the Company. The term of the USD$1,093,750 Convertible VMOS Note is three years at an interest rate of 8% per annum. The Company valued the USD$1,093,750 Convertible VMOS Note using the Binomial lattice method based on the Cox-Ross-Rubinstein market model which resulted in a $1 million allocation to long-term convertible debt liability and $0.1 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%.
- The Company 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 Securities and Exchange Commission. The list of family members in is non exhaustive and does not preclude other family members from being considered as close family members. The list of family members is non exhaustive and does not preclude other family members from being considered as close family members. The reader is referred to the following continuity schedules of notes payable and convertible debentures payable to the individuals or entities identified.

[i] Refer to Debt section of *Liquidity and Capital Resources*

Related Party Transactions

Related party transactions during the three months ended March 31, 2024

- Officers and Directors of the Company hold an aggregate of 37,219,510 common shares and 6,471,875 stock options. As at March 24, 2024, 4,162,042 of these stock options were fully vested.
- The Company expensed a nominal value in stock-based compensation related to stock options held by directors and officers.
- The reader is referred to the following continuity schedules of notes payable and convertible debentures payable to the individuals or entities identified.

Related party transactions during the year ended December 31, 2023

- On June 6, 2023, the Company appointed a new member to its Board of Directors following the resignation of a member of the board.
- During the year ended December 31, 2023, 1,034,375 stock options stock options held by Directors of the Company expired.
- Officers and Directors of the Company hold an aggregate of 37,219,510 common shares and 6,471,875 stock options. As at December 31, 2023, 3,621,875 of these stock options were fully vested.
- During the year ended December 31, 2023, the Company expensed $0.3 million in stock-based compensation related to stock options held by directors and officers.
- The reader is referred to the following continuity schedules of notes payable and convertible debentures payable to the individuals or entities identified.

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(In thousands of Canadian Dollars, except number of shares and per share amounts)

Related Party Notes Payable Continuity Schedule

A short-term notes payable continuity schedule for related party notes for 2024-Q1 is as follows:

	Balance, 31-Dec-23	Additions	Interest accretion	Interest	Principal payments	Interest payments	Debt modification	Transaction costs	Extinguishment	Gain/(Loss) on extinguishment	FX (gain) /loss	Balance 31-Mar-24
	$	$	$	$	$	$	$	$	$	$	$	$
USD$25,885,000 RGR Note	41,454	-	43	1,611	-	-	-	-	-	-	1,022	44,130
USD$6,349,000 SDIL Note	9,366	-	23	361	-	(179)	-	-	-	-	231	9,802
USD$ RGR Grid Note	30,293	-	-	97	-	-	-	50	(30,390)	(50)	-	-
[i]USD$ RGR Grid Note	-	4,706	-	1,036	-	-	30,390	-	-	-	784	36,916
USD$18,300,000 RGR Note	25,138	-	-	1,026	(27)	-	-	-	-	-	618	26,755
CAD$2,710,000 BJMDSD Note	3,029	-	4	115	-	-	-	-	-	-	-	3,148
CAD$ RGR Grid Note	31,098	-	-	44	-	-	-	50	(31,142)	(50)	-	-
[i]CAD$ RGR Grid Note	-	10,312	-	1,193	-	-	31,142	-	-	-	-	42,647
Balance, end of period	**140,378**	**15,018**	**70**	**5,483**	**(27)**	**(179)**	**61,532**	**100**	**(61,532)**	**(100)**	**2,655**	**163,398**

A short-term notes payable continuity schedule for related party notes for 2023-YE is as follows:

	Balance, 31-Dec-22	Additions	Interest accretion	Interest	Principal payments	Interest payments	Debt modification	(Gain)/Loss on debt modification	Transaction costs	Extinguishment	FX - (gain)/Loss	Balance 31-Dec-23
	$	$	$	$	$	$	$	%	$	$	$	$
USD$25,885,000 RGR Note	36,678	-	155	5,870	-	-	-	(265)	(6)	-	(977)	41,455
USD$6,349,000 SDIL Note	8,664	-	87	1,356	-	(360)	-	(150)	(7)	-	(225)	9,365
CAD$ RGR Grid Note	10,765	18,757	-	2,639	(1,293)	-	-	-	-	-	(574)	30,294
USD$18,300,000 RGR Note	-	-	-	949	-	-	24,140	-	-	-	49	25,138
[ii]CAD$2,210,000 BJMD Note	2,227	-	-	31	-	(25)	-	-	-	(2,231)	-	2
[iii]CAD$2,710,000 BJMDSD Note	-	500	13	395	-	(86)	2,231	(21)	(5)	-	-	3,027
CAD$ RGR Grid Note	-	32,705	-	1,538	(3,146)	-	-	-	-	-	-	31,097
	58,334	**51,962**	**255**	**12,778**	**(4,439)**	**(471)**	**26,371**	**(436)**	**(18)**	**(2,231)**	**(1,727)**	**140,378**

[i] Result of the December 1, 2023 Amendments (Refer to Debt section of *Liquidity and Capital Resources*)
[ii] Amended February 1, 2023 into the CAD 2,710,000 BJMDSD Note (Refer to Debt section of *Liquidity and Capital Resources*)
[iii] Result of the the CAD 2,710,000 BJMDSD Note (Refer to Debt section of *Liquidity and Capital Resources*)

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Related Party Convertible Debenture Continuity Schedule

A continuity schedule for related party convertible debentures for 2024-Q1, and 2023-YE:

	USD$1,093,750 Convertible VMOS Note	USD$5,400,000 Convertible DICL Note	USD$5,400,000 Convertible SDIL Note	CAD$17,000,000 Convertible CPIL Note	Total
	$	$	$	$	$
Carrying Value, January 1, 2023	**1,608**	**7,756**	**7,756**	**15,617**	**32,737**
Interest accrued	118	644	644	1,360	2,766
Interest Accretion	52	176	176	1,053	1,457
Effects of foreign exchange	(39)	(198)	(198)	-	(435)
Carrying Value, December 31, 2023	**1,739**	**8,378**	**8,378**	**18,030**	**36,525**
Interest accrued	29	170	170	340	709
Interest Accretion	16	48	48	263	375
Effects of foreign exchange	44	206	206	-	456
Carrying Value, March 31, 2024	**1,827**	**8,802**	**8,802**	**18,633**	**38,064**

A continuity schedule for derivative liabilities associated with related party convertible debentures for 2024-Q1, and 2023-YE is as follows:

	USD$5,400,000 Convertible DICL Note	USD$5,400,000 Convertible SDIL Note	Total
	$	$	$
Balance, January 1, 2023	**(981)**	**(981)**	**(1,962)**
Gain/loss on FMV adjustments of derivative liability	647	647	1,294
Gain/loss on Interest liability classified as a derivative liability	-	-	-
Effects of Foreign exchange	(3)	(3)	(6)
Balance, December 31, 2023	**(337)**	**(337)**	**(674)**
Gain/loss on FMV adjustments of derivative liability	72	72	144
Effects of Foreign exchange	(8)	(8)	(16)
Balance, March 31, 2024	**(273)**	**(273)**	**(546)**

See note 20 of the 2023 Audited Financial Statements 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 the 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 may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, as of the date of the financial statements, and based on management's consultation with legal counsel, the ultimate outcome of any such matters will not have a material adverse effect on the Company. Accordingly, no provision has been made in these condensed interim consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise. The Company continues to proactively monitor risks in this regard to ensure it has accounted for any and all material liabilities that may arise.

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, cannabis and other regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

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

(In thousands of Canadian Dollars, except number of shares and per share amounts)

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 2024-Q1, the Company had no off-balance sheet arrangements (2023-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 2024-Q1, cash and cash equivalents were $3.5 million (2023-YE; $2.3 million) and the Company had a working capital deficit (current assets less current liabilities) of $276.0 million (2023-YE; $232.3 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 2024-Q1. 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 is continuing to 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.

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 2024-Q1, and restated 2023-Q1 is as follows:

	2024-Q1	Restated 2023-Q1	Variance
	$	$	$
Cash used in operating activities before changes in non-cash working capital	1,749	134	1,615
Net change in non-cash working capital items	(2,740)	(2,142)	(598)
Net cash provided by (used in) operating activities	**(991)**	**(2,008)**	**1,017**
Net cash used in investing activities	**696**	**(270)**	**966**
Net cash provided by (used in) financing activities	**6,811**	**4,215**	**2,596**

Net cash used in operating activities for 2024-Q1, including the change in non-cash working capital, was $1.0 million, an increase of $1.0 million compared to $2.0 million of net cash used in operating activities for restated 2023-Q1. Cash used in operating activities before non-cash working capital was $1.7 million, a $1.6 million increase from cash used in $0.1 million for restated 2023-Q1. Operating activities were affected by the net change in non-cash working capital provided by $2.7 million, a $0.6 million decrease from $2.1 million used in non-cash working capital items for restated 2023-Q1 used by working capital items for 2023-YTD due to the following activities:

- Cash used for accounts receivable during 2024-Q1 was $3.6 million, a $8.7 million increase when compared to $5.1 million provided during restated 2023-Q1. The increase is the result of collection efforts made by the Company to work with customers to meet their credit terms. The increase can also be attributed to the accounts receivable resulting from the Purchased Entities of the Aleafia Acquisition. The Purchased Entities have established receivables from Canadian governmental agencies who operate on payment schedules.

- Cash provided by prepaid expenses for 2024-Q1 was $1.3 million, a decrease of $1.6 million when compared to $2.9 million used in prepaid expenses for restated 2023-Q1. The decrease is largely due to non-renewal of annual subscriptions and expiration of nonrecurring expenses.

- Cash used for deposits for 2024-Q1 was $0.9 million, a 100% increase from that used for restated 2023-Q1.

- Cash used for inventory for 2023-Q1 was $4.8 million, a $3.3 million increase from $1.5 million provided for restated 2023-Q1. This increase can be primarily attributed to the Company's investment in inventory, primarily biomass, to realize benefits in subsequent quarters by mitigating risks associated with order fill rates within both its Distribution and its Retail segments as well as facilitating new product introductions into select retail markets.

- Cash used in biological assets for 2024-Q1 was $1.0 million, a $1.4 million increase from cash provided by biological assets of $0.4 million for restated 2023-Q1.

- Cash used by accounts payable and accrued liabilities for 2024-Q1 was $3.1 million, an increase of $4.0 million compared to $0.9 million in cash provided for accounts payable and accrued liabilities during the restated 2023-Q1. The increase is attributed to the increase in inventory purchases as the Company focuses on investing in inventory, along with the increase in accounts payable and accrued liabilities resulting from the Aleafia Acquisition and the corresponding procurement costs associated with the Canadian operations.

Net cash provided by investing activities for 2024-Q1 was $0.7 million, a $1.0 million increase when compared to $0.3 million in cash provided by investing activities for restated 2023-Q1. The increase is the result of a $1.6 million investment in trademarks and tradenames and $0.2 in property, plant and equipment. The increase is offset by the addition of a right-of-use asset associated with the onboard of an equipment lease for the Company's acquired Canadian operations.

Net cash provided by financing activities for 2024-Q1 was $6.8 million, a $2.6 million increase when compared to $4.2 million provided by financing activities for restated 2023-Q1. The increase in net cash used in 2024-Q1 is the result of $7.7 million in advances on the CAD and USD RGR Grid Notes, a net reduction of $1.7 million in payments made on debt related instruments and lease obligations and the onboarding of a $0.2 million new lease obligation during 2024-Q1. The increase is offset by a $7.0 million reduction in issuance of new notes payable.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Notes Receivable

As at 2024-Q1 and 2023-YE, the Company had the following outstanding notes receivable:

	Date of Issue	Maturity date	Interest	As at 2024-Q1	As at 2023-YE
			%	$	$
AH Note Receivable	2023-07-26	2023-11-23	Prime + 9%	-	16,778
AH DIP Note	2023-06-06	2023-12-24	12.50%	-	7,927
Total notes receivable				**-**	**24,705**

The Company's notes receivable for 2024-Q1, and 2023-YE, is as follows:

	$
Balance, January 1, 2023	-
Issuance of AH Note Receivable	14,000
Advances on AH DIP Note	10,811
Coupon Interest	2,068
Amortization of discount	971
Principal Payments	(3,145)
Balance, December 31, 2023	**24,705**
Short-term	24,705
Long-term	-
Balance, January 1, 2024	**24,705**
Additions	7,330
Coupon Interest	150
Amortization of discount	59
Aleafia Acquisition[i]	(30,565)
Acquisition of Aleafia trademarks and tradenames	(1,679)
Balance, March 31, 2024	**-**

During 2024-Q1, the Company accrued interest amounting to $0.2 million (December 31, 2023; $2.1 million) to other income relating to interest income earned on 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. 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.

Royal Group Resources Ltd. ("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.

[i] See *Acquisitions*.

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

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

During the period ended March 31, 2024, the Company accrued interest amounting to $0.1 million (December 31, 2023; $1.8 million) and amortized a nominal amount for the discount received on the purchase price (December 31, 2023; $0.1 million) to other income relating to interest income earned on the AH Note Receivable.

On January 12, 2024, as a component of the consideration paid for the Aleafia Acquisition[i], the Company released all remaining amounts outstanding and obligations payable under the AH DIP Note amounting to $16.9 million, rendering the AH DIP Note settled and paid in full.

AH DIP Note

On July 25, 2023, Aleafia announced that it had received an order (the "Initial Order") from the Ontario Superior Court of Justice (Commercial List) (the "Court") under the Companies' Creditors Arrangement Act to facilitate the restructuring of its business and financial affairs ("the Aleafia CCAA Proceedings"). The Initial Order approved debtor-in-possession ("DIP") financing to be provided by the Company to fund the Aleafia CCAA Proceedings and other short-term working capital requirements of up to $6.6 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 $0.2 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 AH Commitment Fee has been included in Other Income on the condensed interim statement of financial position in the 2023 Audited Financial Statements. 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 $3.4 million was made by Aleafia. 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 $8.0 million.

During the period ended March 31, 2024, the Company advanced $7.3 million (December 31, 2023; $10.8 million) under the AH DIP Note and received principal repayments of $nil (December 31, 2023; $3.1 million). The Company also recorded a nominal amount in related interest income to other income on the condensed interim consolidated statement of loss and other comprehensive loss in its Financial Statements (December 31, 2023; $0.3 million).

On January 12, 2024, as a $1.7 million reduction to the obligations payable to RWB under the AH DIP Note, the Company acquired Aleafia trademarks and tradenames. Additionally, the Company released the remaining $7.2 million outstanding under the AH DIP Note as part of the consideration paid for the Aleafia Acquisitioni, rendering the AH DIP Note settled and paid in full.

[i] See *Acquisitions*.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Debt

Notes Payable

As at March 31, 2024, and December 31, 2023 the Company had the following outstanding payable:

	Purpose of Note	Original note value	Date of Issue	Maturity date	Interest	As at 31-Mar-24	As at 31-Dec-23
		$			%	$	$
USD$828,200 - City of San Deigo	Payment plan	828	25-Oct-21	OnDemand	7.00%	713	684
Due to Oakshire	Operations	1,081	n/a	OnDemand	0.00%	1,151	1,123
[i]USD$25,885,000 RGR Note	Debt Restructure	25,885	15-Sep-22	12-Sep-24	15.00%	44,129	41,454
USD$2,887,000 TAII Note	Debt Restructure	2,887	15-Sep-22	12-Sep-24	15.00%	4,504	4,303
[i]USD$6,349,000 SDIL Note	Debt Restructure	6,349	15-Sep-22	12-Sep-24	15.00%	9,802	9,366
USD$269,000 SIL Note	Debt Restructure	269	15-Sep-22	12-Sep-24	15.00%	440	412
[i]USD$ RGR Grid Note	Debt Restructure	7,850	1-Nov-22	12-Sep-24	12.00%	-	30,293
[i, ii] USD$ RGR Grid Note	Debt Restructure	7,850	1-Jan-24	12-Sep-24	12.00%	36,916	-
[i]USD$18,300,000 RGR Note	Debt Restructure	18,300	29-Dec-23	12-Feb-24	12.9%+[iii]PIK	26,755	25,138
[i]CAD$2,710,000 BJMDSD Note	Debt Restructure	2,210	1-Feb-23	12-Sep-24	15.00%	3,148	3,029
[i]CAD$ RGR Grid Note	Operations & Aleafia Acquisition	1,000	27-Mar-23	12-Sep-24	12.00%	-	31,098
[i, ii] CAD$ RGR Grid Note	Operations & Aleafia Acquisition	1,000	1-Jan-24	12-Sep-24	12.00%	42,647	-
Balance, end of period						**170,205**	**146,900**

Notes payable transactions during the period ended March 31, 2024:

a) **RGR Grid Note Amendments**

On January 1, 2024, the Company and RGR executed agreements to amend the CAD RGR Grid Note and the USD$ RGR Grid Note. Under the terms of the amendments, effective January 1, 2024, the Company agreed to pay the unpaid principal and accrued interest related to the respective notes, on the original maturity date; September 12, 2024. Interest is to calculate on a compounded monthly basis at 12% per annum, in arrears and on the date of any prepayment or repayment. All other terms and conditions remain unchanged. The amendments were subjected to review under IFRS 9 and as a result, both the CAD$ RGR Grid Note and the USD$ RGR Grid Note were extinguished resulting in $0.1 million loss on extinguishment related to the RGR Grid Note Amendments.

[i] Related party lender (refer to *Related Party Transactions*)
[ii] Result of January 1, 2024, amendment of previous loan
[iii] Details of PIK interest in following notes

Notes payable transactions during the year ended December 31, 2023:

a) The CAD$2,210,000 BJDM Note Amendment

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."

b) USD RGR Grid 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$5.9 million note and an additional $2.0 million in funding, for a change in principle with all other terms and conditions remaining the same. The USD RGR Grid Note bears an interest rate of 12% per annum with interest payments due on the last day of each month and all future advances to be documented as part of the USD RGR Grid Note.

b) 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.

c) VRT Note Purchase Agreement

The 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.

On December 29, 2023, VRT and RGR entered into an assignment agreement (the "VRT Note Purchase Agreement") in relation to the USD$18,300,000 VRT Note. The VRT Note Purchase Agreement 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 and a renaming of the note to 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 $18,300,000 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.

d) The December 31, 2023 Amendments

On December 31, 2023, the Company and the lenders agreed to amend the below listed Notes Payable. Under the terms of the amendments, the Company agreed to pay unpaid principal amounts, until the full and final payment of the principal amount becomes due, with 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; September 12, 2024, in arrears and on the date of any prepayment or repayment. All other terms and conditions remain unchanged. The amendment was subjected to review under IFRS 9 and as a result, the Company recognized a $0.5 million gain on debt modifications related to the December 31, 2023 Amendments.

The following Notes were included in the December 31, 2023 Amendments:

- CAD$2,710,000 BJMDSD Note
- USD$25,885,000 RGR Note
- USD$6,349,000 SDIL Note
- USD$269,000 SIL Note
- USD$2,887,000 TAII Note

During the three months ended March 31, 2024, and the year ended December 31, 2023, the Company satisfied all financial covenants. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, discharge of all obligations and liabilities.

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(In thousands of Canadian Dollars, except number of shares and per share amounts)

Continuity of the outstanding short-term notes payable held by the Company for 2024-Q1 is as follows.

Name of Loan	Balance 31-Dec-23	Additions	Interest Accretion	Interest	Principal Payments	Interest Payments	Debt Modification	Transaction costs	Extinguishment	Gain/(loss) on extinguishment	FX (gain)/loss	Balance 31-Mar-24
	$	$	$	$	$	$	$	$	$	$	$	$
USD$828,200 City of San Deigo	684	-	-	-	-	-	-	-	-	-	29	713
Due to Oakshire	1,123	-	-	-	-	-	-	-	-	-	27	1,150
[i]USD$25,885,000 RGR Note	41,454	-	43	1,611	-	-	-	-	-	-	1,022	44,130
USD$2,887,000 TAII Note	4,303	-	11	167	-	(84)	-	-	-	-	107	4,504
[i]USD$6,349,000 SDIL Note	9,366	-	23	361	-	(179)	-	-	-	-	231	9,802
USD$269,000 SIL Note	412	-	1	16	-	-	-	-	-	-	11	440
[i]USD$ RGR Grid Note	30,293	-	-	97	-	-	-	50	(30,390)	(50)	-	-
[i, ii]USD RGR Grid Note	-	4,706	-	1,036	-	-	30,390	-	-	-	784	36,916
[i, iv]USD$18,300,000 RGR Note	25,138	-	-	1,026	(27)	-	-	-	-	-	618	26,755
[i]CAD$2,710,000 BJMDSD Note	3,029	-	4	115	-	-	-	-	-	-	-	3,148
[i]CAD$ RGR Grid Note	31,098	-	-	44	-	-	-	50	(31,142)	(50)	-	-
[i, ii]CAD$ RGR Grid Note	-	10,312	-	1,193	-	-	31,142	-	-	-	-	42,647
Balance, end of period	**146,900**	**15,018**	**82**	**5,666**	**(27)**	**(263)**	**61,532**	**100**	**(61,532)**	**(100)**	**2,829**	**170,205**

Continuity of the outstanding short-term notes payable held by the Company for 2023-YE, is as follows.

Name of Loan	Balance 31-Dec-22 *Restated*	Additions	Interest Accretion	Interest	Principal Payments	Interest Payments	Debt Modification	(Gain)/loss on Debt Modification	Transaction costs	Extinguishment	FX (gain)/loss	Balance 31-Dec-23
	$	$	$	$	$	$	$	$	$	$	$	$
USD$828,200 City of San Deigo	687	-	-	46	(32)	-	-	-	-	-	(16)	685
Due to Oakshire	1,150	-	-	-	-	-	-	-	-	-	(27)	1,123
$26,872 Ram loan	5	-	-	-	(5)	-	-	-	-	-	-	-
[i, iii]USD$25,885,000 RGR Note	36,678	-	155	5,870	-	-	-	(265)	(6)	-	(977)	41,455
[iii]USD$2,887,000 TAII Note	3,940	-	42	622	-	(123)	-	(68)	(6)	-	(103)	4,304
[i, iii]USD$6,349,000 SDIL Note	8,664	-	87	1,356	-	(360)	-	(150)	(7)	-	(225)	9,365
[iii]USD$269,000 SIL Note	367	-	5	59	-	-	-	(3)	(7)	-	(10)	411
USD$18,300,000 VRT Note	24,849	-	-	2,996	-	(3,001)	-	-	-	(24,140)	(705)	(1)
[i]CAD$ RGR Grid Note	10,765	18,757	-	2,639	(1,293)	-	-	-	-	-	(574)	30,294
[I, iv]USD$18,300,000 RGR Note	-	-	-	949	-	-	24,140	-	-	-	49	25,138
[i]CAD$2,210,000 BJMD Note	2,227	-	-	31	-	(25)	-	-	-	(2,231)	-	2
[I, iii]CAD$2,710,000 BJMDSD Note	-	500	13	395	-	(86)	2,231	(21)	(5)	-	-	3,027
[i]CAD$ RGR Grid Note	-	32,705	-	1,538	(3,146)	-	-	-	-	-	-	31,097
Balance, end of year	**89,332**	**51,962**	**302**	**16,501**	**(4,476)**	**(3,595)**	**26,371**	**(507)**	**(31)**	**(26,371)**	**(2,588)**	**146,900**

[i] Related party note (Refer to *Related Party Transactions*)
[ii] See RGR Grid Note Amendments
[iii] See December 31, 2023 Amendments
[iv] See VRT Note Purchase Agreement

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Convertible debentures

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at 2024-Q1 and 2023-YE.

	[i]USD$1,093,750 Convertible VMOS Note	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	[i]USD$5,400,000 Convertible DICL Note	[i]USD$5,400,000 Convertible SDIL Note	[i]CAD$17,000,000 Convertible CPIL Note
Purpose of issuance	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Debt restructure	Debt restructure	Debt restructure
Details and terms								
Face Value	USD$1,093,750	USD$1,562,500	USD$1,562,500	USD$781,250	USD$20,112,015	USD$5,400,000	USD$5,400,000	CAD$17,000,000
Original date of issue	2021-04-22	2021-04-22	2021-04-22	2021-04-22	2021-06-04	2021-10-04	2021-10-04	2022-09-15
Amendment date	-	-	-	-	-	2021-11-25 2022-09-15	2021-11-25 2022-09-15	-
Maturity date	2024-04-22	2024-04-22	2024-04-22	2024-04-22	2024-06-04	2024-09-12	2024-09-12	2024-09-12
Interest rate/annum	8%	8%	8%	8%	8%	8%	8%	8%
Additional interest/annum	-	-	-	-	4% in shares	-	-	-
Default rate/annum	5%	5%	5%	5%	8%	10%	10%	8%
Conversion price/share	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$0.15	USD$0.15	CAD$0.20
Interest due	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity
Security	Unsecured	Unsecured	Unsecured	Unsecured	Secured	Secured	Secured	Secured
Collateral	None	None	None	None	RWB Florida LLC Class A Membership	Shares of RWB Platinum Vape, LLC	Shares of RWB Platinum Vape, LLC	1st priority security interest RWB Michigan, LLC
[ii]Valuation method used for embedded derivatives	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Residual Method
Derivative liability valuation inputs, December 31, 2023								
Stock price	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	$0.04	n/a
Term (years)	0.31	0.31	0.31	0.31	0.43	0.7	0.7	2
Volatility	184.40%	184.40%	184.40%	184.40%	173.40%	154.40%	154.40%	n/a
Implied spread	977	977	977	977	977	977	977	n/a
Risk-free rate	5.40%	5.40%	5.40%	5.40%	5.30%	5.10%	5.10%	n/a
Discount/market yield	15.10%	15.10%	15.10%	15.10%	15.10%	14.80%	14.80%	15.07%
Derivative liability valuation inputs, March 31, 2024								
Stock price	-	-	-	-	-	$0.04	$0.04	n/a
Term (years)	-	-	-	-	-	0.45	0.45	2
Volatility	-	-	-	-	-	159.60%	159.60%	n/a
Implied spread	-	-	-	-	-	803	803	n/a
Risk-free rate	-	-	-	-	-	5.40%	5.40%	n/a
Discount/market yield	-	-	-	-	-	13.40%	13.40%	15.07%

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

[i] Held by a related party (refer to *Related Party Transactions*)
[ii] Binomial lattice methodology based on a Cox-Ross-Rubenstein ("CRR") approach.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

A continuity of convertible debentures held by the Company for 2024-Q1, and 2023-YE, is as follows:

	USD$1,093,750 Convertible VMOS Note	USD$1,562,500 Convertible FCC Note	USD$1,562,500 Convertible IBGL Note	USD$781,250 Convertible AB Note	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note	USD$5,400,000 Convertible SDIL Note	CAD$17,000,000 Convertible CPIL Note	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Carrying Value, January 1, 2023	**1,608**	**2,299**	**2,299**	**1,150**	**26,411**	**7,756**	**7,756**	**15,617**	**64,896**
Additional interest	-	-	-	-	1,247	-	-	-	**1,247**
Additional interest cash payment	-	-	-	-	(1,247)	-	-	-	**(1,247)**
Interest accrued	118	169	169	84	2,451	644	644	1,360	**5,639**
Interest Accretion	52	75	75	37	2,847	176	176	1,053	**4,491**
Effects of foreign exchange	(39)	(58)	(58)	(29)	(722)	(198)	(198)	-	**(1,302)**
Carrying Value, December 31, 2023	**1,739**	**2,485**	**2,485**	**1,242**	**30,987**	**8,378**	**8,378**	**18,030**	**73,724**
Interest accrued	29	42	42	21	631	170	170	340	**1,445**
Interest Accretion	16	23	23	11	849	48	48	263	**1,281**
Effects of foreign exchange	43	61	61	31	765	206	206	-	**1,373**
Carrying Value, March 31, 2024	**1,827**	**2,611**	**2,611**	**1,305**	**33,232**	**8,802**	**8,802**	**18,633**	**77,823**

Pursuant to the terms of the USD$20,112,015 Convertible M&V Note, 4% additional interest on the principal balance, amounting to $1.3 million became due on June 4, 2023; the second anniversary date of the debt instrument (the "Additional Interest"). The Additional Interest was available to be paid by way of the issuance of common shares of the Company to the lender, with the option of the lender to have the Additional Interest settled by way of a cash equivalent. On August 17, 2023, the Company settled the Additional Interest owing to the Lender by way of a cash payment.

During 2023-YE, the Company substantially satisfied all material financial covenants in relation to its convertible debentures. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintenance of records, maintenance of properties, inspection, insurance coverage, perform obligations, and notice of certain events.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

Derivative Liabilities Relating to Convertible Debentures

The Company revalues its derivative liabilities to fair market value each period in accordance with IFRS 9 Financial Instruments and IAS 32. Fair market value gains and losses are recorded to the consolidated statement of income (loss) and comprehensive income (loss) on the Company's Financial Statements.

The Company's derivative liabilities associated with convertible debentures listed above, as at 2024-Q1, and 2023-YE, and the corresponding fair market value of the Company's derivative liabilities were as follows:

	USD$20,112,015 Convertible M&V Note	USD$5,400,000 Convertible DICL Note	USD$5,400,000 Convertible SDIL Note	Total
Balance, January 1, 2023	**(1,268)**	**(981)**	**(981)**	**(3,230)**
Gain on FMV adjustments of derivative liability	2	647	647	1,296
Gain on Interest liability classified as a derivative liability	1,243	-	-	1,243
Effects of Foreign exchange	24	(3)	(3)	18
Balance, December 31, 2023	**1**	**(337)**	**(337)**	**(673)**
Gain on FMV adjustments of derivative liability	1	72	72	145
Effects of Foreign exchange	(2)	(7)	(8)	(17)
Balance, March 31, 2024	**-**	**(272)**	**(273)**	**(545)**

Credit Facility

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

On January 30, 2023, the Company and the Lender agreed to revise the maturity date of July 31, 2023, while maintaining all other terms and conditions. The January 30, 2023, extension was subject to an amendment fee of $0.1 million.

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

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

	$
Balances, December 31, 2022	**17,552**
Amendment Fee	136
Finance charge	1
Accrued interest	2,186
Interest payments	(354)
Amendment fee payment	(91)
Balances, December 31, 2023	**19,430**
Accrued interest	586
Balances, March 31, 2024	**20,016**

Debt Settlements

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

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 are amounts due from third party debtors.

As at 2024-Q1, the Company held an accounts receivable balance of $19.4 million (2023-YE; $20.4 million). Included in this balance is a provision for expected credit losses (“ECL”) in the amount of $6.5 million (2023-YE; $4.8 million). The reader is referred to note 9 of the Company’s recently filed Financial Statements for details relating to the Company’s accounts receivable and ECL provision which can be found on Sedar+.

As at 2024-Q1, the Company held a notes receivable balance of $nil (December 31, 2023: $24.7 million).

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.

(In thousands of Canadian Dollars, except number of shares and per share amounts)

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 2024-Q1, the Company had a cash and equivalents balance of $3.5 million (2023-YE; $2.3 million) available to apply against short-term business requirements and current liabilities of $339.1 million (2023-YE; $308.1 million), including accounts payable and accrued liabilities, short-term lease obligations, short-term notes, short-term convertible debentures, short-term credit facility, taxes payable and other current liabilities.

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 2024-Q1 and 2023-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[i] 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 2024-Q1, and 2023-YE, the Company was exposed to the following currency risk:

	As at 31-Mar-24	As at 31-Dec-23
	$	**$**
Financial assets denominated in foreign currencies (USD)	26,895	29,181
Financial liabilities denominated in foreign currencies (USD)	(170,691)	(166,752)
Net exposure	**(143,796)**	**(137,571)**

A three (3%) and ten (10%) percent increase in the US dollar exchange rate relative to the Canadian dollar would increase the Company's net loss for the 2024-Q1, by $0.3 million and $0.8 million (restated 2023-Q1; nominal and $0.3 million) respectively.

[i] Refer to Debt section of *Liquidity and Capital Resources*

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, stock option reserve, convertible debenture reserves, and accumulated deficit. As at 2024-Q1, the Company has a shareholder deficit of $0.1 million (2023-YE; $0.1 million). Included in the shareholders deficit is an accumulated deficit of $0.5 million (2023-YE; $0.5 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 2024-Q1. The Company is not subject to any external capital requirements.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the condensed interim 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 condensed interim 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 2023 Annual Financial Statements.

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

NEW ACCOUNTING PRONOUNCEMENTS

New 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.

Accounting Pronouncements Recently Adopted

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments were effective for annual periods beginning on or after January 1, 2023, and are to be applied retrospectively.

In October 2022, the IASB issued another amendment to IAS 1, which affects the classification of liabilities as current or non-current, clarifying requirements for the classification of liabilities as non-current which is effective for annual periods beginning on or after January 1, 2024.

The amendments do not have a material impact on the Financial Statements.

Amendments to Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements ("IAS 7")

On 25 May 2023, the IASB issued Supplier Finance Arrangements to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after 1 January 2024.

The amendments do not have a material impact on the Financial Statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued "Definition of Accounting Estimates," which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

The amendments do not have a material impact on the Financial Statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("IAS 12")

The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment came in effect for annual periods beginning on or after January 1, 2023.

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. The amendments do not have an impact on the 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 financial statements. The amendments are effective for annual reporting periods belonging to January 1, 2024, with early adoption permitted.

Standards, Amendments, and Interpretations not yet effective

New and amended accounting standards are effective for the Company for annual periods beginning on or after January 1, 2025, 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 IAS 21, Lack of Exchangeability

On 15 August 2023, the IASB issued Lack of Exchangeability to provide guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for reporting periods beginning on or after 1 January 2025.

New standard, IFRS 18 Presentation and Disclosures in Financial Statements replacing IAS 1 'Presentation of Financial Statements.'

The IASB has published its new standard IFRS 18 'Presentation and Disclosures in Financial Statements' that will replace IAS 1 'Presentation of Financial Statements'. The new standard is the result of the so-called primary financial statements project, aims at improving how entities communicate in their financial statements and will be effective for annual periods beginning on or after 1 January 2027.

OTHER RISKS AND UNCERTAINTIES

For a discussion of other risks and uncertainties, please refer to the MD&A for the year ended December 31, 2023, which can be found on Sedar+.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. The lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is 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.