



# Red White & Bloom Brands Inc.

## Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2024, and restated 2023



CSE: RWB

**RED WHITE & BLOOM BRANDS, INC.**

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of **Red White & Bloom Brands, Inc.** (the “Company”) have been prepared and are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements for the period ending June 30, 2024.

**RED WHITE & BLOOM BRANDS, INC.**  
**MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

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

In conjunction with the audit of the consolidated financial statements for the year ended December 31, 2023, by the Company's auditor, Williams & Partners Chartered Professional Accountants, LLP, the Company 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 32 *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](http://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 in the 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 these condensed interim consolidated financial statements, for the period ended June 30, 2023. A summary of the related adjustments has been outlined in Note 32 *Restatement of Financial Results* in the following condensed interim consolidated financial statements for the period ended June 30, 2024, and 2023. Only information directly relating to these restatements has been updated in these condensed interim consolidated financial statements.

August 29, 2024

/s/ “Brad Rogers” Director

/s/ “Colby De Zen” Director

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**RED WHITE & BLOOM BRANDS, INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

|  | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Assets</b>                                      |                    |                    |
| <b>Current assets</b>                              |                    |                    |
| Cash and cash equivalents (note 8)                 | 14,633             | 2,251              |
| Accounts receivable (note 9)                       | 23,664             | 20,370             |
| Notes receivable (note 10)                         | 20                 | 24,705             |
| Prepaid expenses (note 11)                         | 3,412              | 894                |
| Deposits (note 12)                                 | 11,828             | 7,329              |
| Inventory (note 13)                                | 26,017             | 15,247             |
| Biological assets (note 14)                        | 8,836              | 4,215              |
| Other current assets                               | 747                | 869                |
| <b>Total current assets</b>                        | <b>89,157</b>      | <b>75,880</b>      |
| <b>Non-current assets</b>                          |                    |                    |
| Property, plant and equipment, net (note 15)       | 53,126             | 33,329             |
| Intangible assets, net (note 16)                   | 93,612             | 87,252             |
| Right-of-use assets, net (note 18)                 | 16,479             | 17,564             |
| Long-term notes receivable                         | 3,000              | -                  |
| Investments (note 7)                               | 2,391              | -                  |
| Goodwill (note 17)                                 | 11,880             | 11,880             |
| <b>Total non-current assets</b>                    | <b>180,488</b>     | <b>150,025</b>     |
| <b>Total assets</b>                                | <b>269,645</b>     | <b>225,905</b>     |
| <b>Liabilities and Shareholders' Equity</b>        |                    |                    |
| <b>Current liabilities</b>                         |                    |                    |
| Accounts payable and accrued liabilities (note 19) | 45,504             | 42,126             |
| Short-term notes payable (note 20)                 | 200,581            | 146,900            |
| Short-term credit facility (note 20)               | 20,575             | 19,430             |
| Short-term convertible notes (note 20)             | 81,125             | 73,724             |
| Short-term Derivative liabilities (note 20)        | 631                | 673                |
| Short-term lease obligations (note 18)             | 809                | 655                |
| Income taxes payable                               | 25,392             | 21,008             |
| Other current liabilities                          | 3,178              | 3,645              |
| <b>Total current liabilities</b>                   | <b>377,795</b>     | <b>308,161</b>     |
| <b>Non-current liabilities</b>                     |                    |                    |
| Long-term lease obligations (note 18)              | 22,035             | 21,423             |
| Long-term notes payable (note 20)                  | 5,665              | -                  |
| Deferred tax liability                             | 25,935             | 26,708             |
| Other non-current liabilities                      | 143                | -                  |
| <b>Total non-current liabilities</b>               | <b>53,778</b>      | <b>48,131</b>      |
| <b>Total liabilities</b>                           | <b>431,573</b>     | <b>356,292</b>     |
| <b>Shareholders' equity</b>                        |                    |                    |
| Share capital (note 21)                            | 342,111            | 342,111            |
| Contributed surplus                                | 17,227             | 17,120             |
| Cumulative translation adjustment                  | (20,000)           | (5,093)            |
| Accumulated deficit                                | (505,500)          | (491,547)          |
| Non-controlling interest (note 25)                 | 4,234              | 7,022              |
| <b>Total shareholders' equity (deficit)</b>        | <b>(161,928)</b>   | <b>(130,387)</b>   |
| <b>Total liabilities and shareholders' equity</b>  | <b>269,645</b>     | <b>225,905</b>     |

Nature of operations and going concern (note 1)  
Segmented results (note 29)  
Restatement of 2022 Financial Results (note 32)  
Subsequent events (note 33)  
Commitments and contingencies (note 28)

**Approved by the Board**

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

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

**RED WHITE & BLOOM BRANDS, INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

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

|   | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> |
|---|-----------------------------|--|-----------------------------|--|
|   | \$                          | \$   | \$                          | \$   |
| <b>Revenue</b>  |                             |  |                             |  |
| Sales revenue (note 23)   | 22,022                      | 21,727   | 44,573                      | 48,180   |
| Cost of goods sold, before fair value adjustments                                 | 15,727                      | 15,179   | 30,409                      | 32,222   |
| <b>Gross Profit before fair market value adjustments</b>                          | <b>6,295</b>                | <b>6,548</b>   | <b>14,164</b>               | <b>15,958</b>  |
| Unrealized changes in fair value of biological assets                             | 3,155                       | (1,288)  | 87                          | (1,738)  |
| Realized fair value amounts included in inventory sold                            | 895                         | 617  | (38)                        | 10   |
| <b>Gross profit after fair market value adjustments</b>                           | <b>10,345</b>               | <b>5,877</b>   | <b>14,213</b>               | <b>14,230</b>  |
| <b>Operating Expenses</b>   |                             |  |                             |  |
| General and administration (note 24)  | 8,865                       | 6,732  | 17,067                      | 14,277   |
| Marketing expenses  | 1,193                       | 562  | 2,455                       | 1,044  |
| Share-based compensation (note 21)  | 57                          | 142  | 106                         | 459  |
| Depreciation and amortization (note 15, 16)                                       | 653                         | 1,391  | 1,744                       | 2,038  |
| Bad debt expense (note 9)   | 731                         | 45   | 2,219                       | 268  |
| <b>Total Operating Expenses</b>   | <b>11,499</b>               | <b>8,872</b>   | <b>23,591</b>               | <b>18,086</b>  |
| <b>Loss from operations before other expenses (income)</b>                        | <b>(1,154)</b>              | <b>(2,995)</b>   | <b>(9,378)</b>              | <b>(3,856)</b>   |
| <b>Other expense (income)</b>   |                             |  |                             |  |
| Interest earned on promissory notes (note 10)                                     | (29)                        | (337)  | (238)                       | (315)  |
| Other expenses (income)   | 548                         | -  | (118)                       | (70)   |
| Finance expense (note 20)   | 97                          | (482)  | 276                         | 229  |
| Interest on credit facilities   | 604                         | 539  | 1,190                       | 1,055  |
| Interest on convertible notes   | 1,654                       | 2,630  | 3,099                       | 3,993  |
| Accreted interest on convertible notes  | 1,049                       | 1,099  | 2,330                       | 2,134  |
| Accreted interest on promissory notes   | 84                          | -  | 166                         | -  |
| Interest on promissory notes  | 6,062                       | 3,677  | 11,728                      | 6,981  |
| Acquisition costs (note 33)   | 54                          | -  | 166                         | -  |
| Business transaction costs  | 16                          | -  | 54                          | -  |
| Accreted interest, leases (note 18)   | 681                         | 664  | 1,354                       | 1,345  |
| (Gain) loss on disposal of assets (note 15)                                       | (8)                         | (0)  | 227                         | (0)  |
| (Gain) loss on valuation of financial instruments (note 20)                       | 80                          | (1,277)  | (65)                        | (2,284)  |
| Loss on debt extinguishment (note 20)   | -                           | -  | 100                         | -  |
| Gain on settlement of debt (note 20)  | (125)                       | -  | (760)                       | -  |
| Gain on investments   | -                           | -  | (7,645)                     | -  |
| Foreign exchange  | (3,066)                     | (1,021)  | (7,157)                     | (996)  |
| <b>Total other expenses (income)</b>  | <b>7,701</b>                | <b>5,492</b>   | <b>4,707</b>                | <b>12,072</b>  |
| <b>Profit (loss) before income taxes</b>  | <b>(8,855)</b>              | <b>(8,487)</b>   | <b>(14,085)</b>             | <b>(15,928)</b>  |
| Current income tax (expense)/recovery   | (2,600)                     | (139)  | (3,769)                     | (2,115)  |
| Deferred income tax recovery  | 798                         | -  | 1,574                       | 1,696  |
| <b>Net loss from continuing operations</b>  | <b>(10,657)</b>             | <b>(8,626)</b>   | <b>(16,280)</b>             | <b>(16,347)</b>  |
| Profit (loss) from discontinued operations (note 31)                              | 4                           | (842)  | (463)                       | (2,517)  |
| <b>Net loss for the period</b>  | <b>(10,653)</b>             | <b>(9,468)</b>   | <b>(16,743)</b>             | <b>(18,864)</b>  |
| Translation adjustment  | 16,043                      | (4,601)  | 14,908                      | (4,780)  |
| <b>Net loss and Comprehensive loss</b>  | <b>5,390</b>                | <b>(14,069)</b>  | <b>(1,835)</b>              | <b>(23,644)</b>  |
| <b>Net loss attributable to:</b>  |                             |  |                             |  |
| Shareholders  | (9,753)                     | (7,506)  | (13,491)                    | (14,026)   |
| Non-controlling interests (note 26)   | (904)                       | (1,120)  | (2,789)                     | (2,322)  |
| <b>Net loss and comprehensive loss attributable to:</b>                           |                             |  |                             |  |
| Shareholders  | 6,294                       | (12,949)   | 954                         | (21,323)   |
| Non-controlling interests (note 26)   | (904)                       | (1,120)  | (2,789)                     | (2,322)  |
| <b>Net loss per share, basic and diluted (note 22)</b>                            | <b>(0.02)</b>               | <b>(0.02)</b>  | <b>(0.03)</b>               | <b>(0.04)</b>  |
| Weighted average number of outstanding common shares, basic and diluted (note 22) | 470,221,901                 | 469,521,901  | 470,221,901                 | 469,521,901  |

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

**RED WHITE & BLOOM BRANDS, INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

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

| 6 months ended<br>June 30, 2023<br><i>Restated (note 32)</i> | Common<br>Shares   | Common<br>Shares | Non-Controlling<br>Interests | Contributed<br>surplus | Cumulative<br>translation<br>adjustment | Accumulated<br>Deficit | Total<br>equity |
|--|--------------------|------------------|------------------------------|------------------------|---|------------------------|-----------------|
|  | #                  | \$               | \$                           | \$                     | \$                                      | \$                     | \$              |
| Balance, January 1, 2023                                     | 469,521,901        | 342,069          | 11,706                       | 16,368                 | (10,706)                                | (352,649)              | 28,200          |
| Stock based compensation (note 21)                           | -                  | -                | -                            | 480                    | -                                       | -                      | 480             |
| Stock option forfeitures (note 21)                           | -                  | -                | -                            | (21)                   | -                                       | -                      | (21)            |
| Currency translation adjustments                             | -                  | -                | -                            | -                      | (4,781)                                 | -                      | (4,781)         |
| Net loss   | -                  | -                | (2,322)                      | -                      | -                                       | (16,542)               | (18,864)        |
| <b>Balance, June 30, 2023</b>                                | <b>469,521,901</b> | <b>342,069</b>   | <b>9,384</b>                 | <b>16,827</b>          | <b>(5,925)</b>                          | <b>(369,191)</b>       | <b>5,014</b>    |

| 6 months ended<br>June 30, 2024       | Common<br>Shares   | Common<br>Shares | Non-Controlling<br>Interests | Contributed<br>surplus | Cumulative<br>translation<br>adjustment | Accumulated<br>Deficit | Total<br>equity  |
|---------------------------------------|--------------------|------------------|------------------------------|------------------------|---|------------------------|------------------|
|                                       | #                  | \$               | \$                           | \$                     | \$                                      | \$                     | \$               |
| Balance, January 1, 2024              | <b>470,221,901</b> | <b>342,111</b>   | <b>7,023</b>                 | <b>17,120</b>          | <b>(5,094)</b>                          | <b>(491,547)</b>       | <b>(130,387)</b> |
| Stock based compensation (note 21)    | -                  | -                | -                            | 107                    | -                                       | -                      | 107              |
| Currency translation adjustments      | -                  | -                | -                            | -                      | (14,905)                                | -                      | (14,905)         |
| Net loss from continuing operations   | -                  | -                | (2,789)                      | -                      | -                                       | (13,490)               | (16,280)         |
| Net loss from discontinued operations | -                  | -                | -                            | -                      | -                                       | (463)                  | (463)            |
| <b>Balance, June 30, 2024</b>         | <b>470,221,901</b> | <b>342,111</b>   | <b>(4,234)</b>               | <b>17,227</b>          | <b>(20,000)</b>                         | <b>(505,500)</b>       | <b>(161,928)</b> |

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

**RED WHITE & BLOOM BRANDS, INC.**
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

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

|   | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br>Restated (note 32) |
|---|-----------------------------|---|
| <b>Cash flow from operating activities:</b>             |                             |   |
| <b>Net loss for the period</b>                          | <b>(16,743)</b>             | <b>(18,864)</b>                                   |
| <b>Items not involving cash:</b>                        |                             |   |
| Accreted interest on leases (note 17)                   | 1,354                       | 1,345   |
| Adjustments to lease obligations (note 17)              | -                           | (77)  |
| Depreciation of right-of-use assets (note 17)           | 851                         | 815   |
| Adjustment to right-of-use assets (note 17)             | -                           | (72)  |
| Depreciation of property, plant and equipment (note 15) | 2,419                       | 2,325   |
| Disposal of property, plant and equipment (note 15)     | 399                         | (311)   |
| Disposal of right-of-use assets (note 17)               | 28                          | -   |
| Gain on valuation of financial instruments (note 20)    | (65)                        | (2,284)   |
| Accrued interest on notes (note 20)                     | 11,892                      | 7,063   |
| Accrued interest on convertible debentures (note 20)    | 3,099                       | 2,746   |
| Accreted interest on convertible debentures (note 20)   | 2,330                       | 2,134   |
| Amendment fees on credit facility (note 20)             | (45)                        | 137   |
| Accrued interest on credit facility (note 20)           | 1,190                       | 1,055   |
| Finance Fees  | 276                         | -   |
| Accrued interest on interest receivable (note 10)       | (179)                       | (162)   |
| Amortized discount on note receivable (note 10)         | (59)                        | (153)   |
| Loss on Debt extinguishment (note 20)                   | (100)                       | -   |
| Gain on investment (note 7)                             | (7,645)                     | -   |
| Stock based compensation (note 21)                      | 106                         | 459   |
| Realized (gain) loss in cost of sales                   | 38                          | 10  |
| Fair value adjustment on biological assets (note 14)    | (87)                        | (1,738)   |
| <b>Changes in non-cash working capital items:</b>       |                             |   |
| Accounts receivable (note 9)                            | (402)                       | (7,230)   |
| Prepaid expenses (note 11)                              | (773)                       | 125   |
| Deposits (note 12)                                      | (4,256)                     | (2,325)   |
| Inventory (note 13)                                     | (3,276)                     | (3,259)   |
| Biological Assets (note 14)                             | (3,251)                     | 4,154   |
| Accounts payable and accrued liabilities (note 19)      | (1,806)                     | 1,479   |
| Current Income tax payable                              | 3,581                       | 3,031   |
| Deferred income taxes                                   | (1,704)                     | (2,627)   |
| Other assets  | 135                         | (772)   |
| Other liabilities                                       | 2,008                       | 5,227   |
| <b>Net cash (used in operating activities)</b>          | <b>(10,685)</b>             | <b>(7,769)</b>                                    |
| <b>Cash flows from investing activities</b>             |                             |   |
| Acquisition of property, plant and equipment (note 15)  | (1,125)                     | (1,460)   |
| Acquisition of right-of-use assets (note 17)            | (197)                       | 153   |
| Acquisition of Aleafia (note 7)                         | 1,009                       | -   |
| Interest receipts on notes receivable (note 10)         | 9                           | -   |
| <b>Net cash used in investing activities</b>            | <b>(304)</b>                | <b>(1,307)</b>                                    |
| <b>Cash flow from financing activities:</b>             |                             |   |
| Issuance of short-term note (note 20)                   | -                           | 11,013  |
| Issuance of promissory note (note 20)                   | 5,750                       | -   |
| Amendment of short-term notes payable (note 20)         | -                           | 5,979   |
| Principal payments on short-term notes (note 20)        | (3,027)                     | (1,331)   |
| Interest payments on short-term notes (note 20)         | (1,458)                     | (1,863)   |
| Advances on short-term notes (note 10, 20)              | 31,767                      | -   |
| Interest payments on credit facility (note 20)          | -                           | (354)   |
| Amendment fee payments on credit facility (note 20)     | -                           | (91)  |
| Addition to leases (note 17)                            | 192                         | 152   |
| Principal payments on lease obligations (note 17)       | (245)                       | (157)   |
| Interest payments on lease obligations (note 17)        | (1,354)                     | (1,345)   |
| <b>Net cash provided by financing activities</b>        | <b>31,625</b>               | <b>12,003</b>                                     |
| Foreign exchange affecting cash equivalents             | (8,254)                     | (1,789)   |
| Change in cash during the period                        | 12,382                      | 1,138   |
| Cash equivalents, beginning of year                     | 2,251                       | 2,747   |
| <b>Cash, end of period</b>                              | <b>14,633</b>               | <b>3,885</b>                                      |

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





## 1. NATURE OF OPERATIONS AND GOING CONCERN

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Red White & Bloom Brands Inc., (the "Company" or "RWB") is publicly traded, with its common shares currently trading on the Canadian Securities Exchange (the "CSE") under the trading symbol "RWB" (note 33). The Company was incorporated on March 12, 1980, pursuant to the Business Corporations Act, British Columbia, with its registered office located at 1890-1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9.

RWB is a multi-jurisdictional, vertically integrated operator with operations in the legal cannabis markets in the United States, Canada and internationally. The principal activity of the Company is the sale of a diverse range of high-quality cannabis-based products delivered through its distribution and retail channels. The Company operates twelve (12) licensed adult-use and medical retail dispensaries located in the legal states of Michigan and Florida. Through its U.S. distribution operations, RWB has extended its penetration through direct sales to licensed retailers in the states of Michigan and California. The Company, in accordance with its asset-light strategy, continues to expand its brand footprint to include licensing of its key Platinum and Platinum Vape brands in the emerging states of Ohio and Missouri. The Company has also expanded its distribution and medical retail operations in the Canadian market through the acquisition of the former Aleafia Health Group of companies (note 7).

The condensed interim consolidated financial statements for the period ended June 30, 2024, and restated 2023 (the "Financial Statements"), have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the three and six months ended June 30, 2024, the Company incurred a comprehensive net profit of \$5,390 and a net loss of \$1,835 respectively (restated 2023; net loss of \$14,069 and 23,644). Working capital deficit (current assets less current liabilities) as at June 30, 2024 was \$288,638 (2023; \$232,281). Net cash used in operations was \$10,683 (restated 2023; \$7,770).

The Company's operations have historically been funded via debt and equity financing. Access to these sources of financing continue to be constrained given the state of the global cannabis markets. The Company may not have sufficient cash to fund ongoing operations and the acquisition and development of assets or servicing of debt requirements. As such, the Company may require additional funding, which if not accessible through debt and/or equity capital markets, may result in the delay, postponement, or curtailment of select operating activities. In assessing whether the going concern assumption was appropriate, the Company considered all relevant information available for the twelve-month period following the June 30, 2024, reporting period. To address its ongoing financing requirements, the Company continues to pursue several options including financing via debt and equity markets to fund growth initiatives, both organic and acquisitive, and monetization of captive assets; tangible and intangible. The Company will also continue to seek to improve its cash flow by prioritizing operating initiatives with greater expected returns and seek to reduce operating costs by streamlining its operations and support functions. While the Company has been successful in obtaining financing to date, and also believes it will be able to secure sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company's ability to raise capital in various formats may still be adversely impacted by cannabis and capital market conditions that may restrict sources of funding. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favorable to the Company or at all. If the going concern assumption were not appropriate for the Financial Statements for the period ended June 30, 2024, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the condensed interim consolidated statements of financial position classifications used; such adjustments could be material.



## **2. BASIS OF PRESENTATION**

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### **A. STATEMENT OF COMPLIANCE**

The Company's Financial Statements have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the periods ended June 30, 2024, and restated 2023. These Financial Statements should be read in conjunction with the Company's 2023 Financial Statements which can be found on Sedar+.

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

### **B. BASIS OF MEASUREMENT**

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

### **C. FUNCTIONAL AND PRESENTATION CURRENCY**

All figures presented in these unaudited condensed interim consolidated financial statements are reflected in thousands ('000's) of Canadian dollars, unless otherwise noted; Canadian dollars being the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company's foreign currency and foreign currency translation accounting policies found in note 6 of the Company's most recently filed audited consolidated financial statements which can be found on Sedar+. Functional currencies of subsidiaries included in these Financial Statements can be found in note 3.

## **3. BASIS OF CONSOLIDATION**

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### **SUBSIDIARIES**

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

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



Subsidiaries with controlling interest within these Financial Statements include the following:

| Subsidiary  | Source<br>Currency | Jurisdiction                    | % Ownership<br>As at 31-Mar-24 | % Ownership<br>As at 31-Dec-23 |
|---|--------------------|---------------------------------|--------------------------------|--------------------------------|
| <b>Continuing Operations</b>                      |                    |                                 |                                |                                |
| <b>Red White &amp; Bloom Brands Inc. (Parent)</b> | <b>CAD</b>         | <b>British Columbia, Canada</b> | <b>100%</b>                    | <b>100%</b>                    |
| <sup>1</sup> RWB (PV) Canada, Inc.                | CAD                | Alberta and Ontario, Canada     | 100%                           | -                              |
| RWB Licensing Inc.                                | CAD                | British Columbia, Canada        | 100%                           | 100%                           |
| <sup>2</sup> Aleafia Inc.                         | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>2</sup> Aleafia Farms Inc.                   | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>2</sup> Aleafia Retail Inc.                  | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>2</sup> Canabo Medical Corporation           | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>2</sup> Emblem Cannabis Corporation          | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>2</sup> Growwise Health Ltd.                 | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>4</sup> Emblem Lands LP                      | CAD                | Ontario, Canada                 | 100%                           | -                              |
| <sup>5</sup> Emblem Lands GP                      | CAD                | Ontario, Canada                 | 100%                           | -                              |
| MichiCann Medical Inc.                            | CAD                | Ontario, Canada                 | 100%                           | 100%                           |
| PV CBD, LLC                                       | USD                | California, United States       | 100%                           | 100%                           |
| <sup>3</sup> 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%                           | -                              |
| <b>Discontinued Operations</b>                    |                    |                                 |                                |                                |
| 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%                           |

<sup>1</sup> Incorporated March 7, 2023

<sup>2</sup> Acquired January 12, 2024 (note 7)

<sup>3</sup> Incorporated February 7, 2023

<sup>4</sup> Established April 29, 2024

<sup>5</sup> Incorporated April 29, 2024



## 4. ACCOUNTING PRONOUNCEMENTS

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### A. 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 twelve (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 financials statements. The amendments are effective for annual reporting periods belonging to January 1, 2024, with early adoption permitted.

**B. STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET EFFECTIVE**

New and amended accounting standards are effective for the Company for annual periods beginning on or after January 1, 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 January 1, 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, which aims at improving how entities communicate in their financial statements and will be effective for annual periods beginning on or after January 1, 2027.



## **5. CRITICAL ASSUMPTIONS AND SOURCES OF UNCERTAINTY**

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

Significant estimates and judgments used in the preparation of these Financial Statements are described in note 5 of the 2023 Audited Consolidated Financial Statements which can be found on the Company's profile on Sedar+.

## **6. MATERIAL ACCOUNTING POLICIES**

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The accounting policies adopted in these Financial Statements are consistent with those followed in preparation of the 2023 Audited Consolidated Financial Statements, which can be found on Sedar+, which were prepared in accordance with IFRS as issued by the IASB.

## **7. ACQUISITIONS**

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### **ALEAFIA ACQUISITION**

On January 12, 2024, in conjunction with the proceedings of Aleafia Health Inc. ("Aleafia") 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 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 Aleafia Acquisition totaled \$30,565 consisting of (1) a release of \$24,195 outstanding and the obligations payable by the Aleafia Group under the AH Note Receivable (note 10) and the AH DIP Note (note 10), along with, (2) cash consideration of \$6,370, funded through a combination of cash on hand held by the Purchased Entities and a drawdown under RWB's CAD RGR Grid Note (note 20), to be utilized by Aleafia 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 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          |
| <b>Total consideration</b>                               | <b>30,565</b>  |
| <b>Identifiable assets (liabilities) acquired</b>        |                |
| Cash and equivalents                                     | 1,009          |
| Receivables  | 2,230          |
| Prepays 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)           |
| <b>Total identifiable net assets</b>                     | <b>38,210</b>  |
| <b>Excess consideration over net identifiable assets</b> | <b>(7,645)</b> |
| <b>Total consideration</b>                               | <b>30,565</b>  |

Fair values of investments, intangible assets and goodwill have been evaluated by a third-party valuation specialist. 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.

Total acquisition costs expensed by the Company's relating to the Aleafia Acquisition amounted to \$604. \$151 was expensed in six months ended June 30, 2024, and \$492 was expensed during the year ended December 31, 2023.

Revenue of the Purchased Entities post-acquisition for the three and six months ended June 30, 2024, amounted to \$4,031 and \$7,622, respectively. Net loss was \$1,576, and \$3,127, respectively. If the Aleafia Acquisition had closed on January 1, 2024, the Company estimates it would have recorded consolidated revenues of \$45,105 and a consolidated net loss of \$17,247 for the six months ended June 30, 2024, resulting in an increase in revenue of \$532 and an increase in net loss of \$504 for six months ended June 30, 2024, including the impact of a bargain purchase amounting to \$7,645 recorded by the Company to gain on investments.



## 8. CASH AND EQUIVALENTS

Cash as at June 30, 2024 and December 31, 2023, includes the following:

|                   | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|-------------------|--------------------|--------------------|
|                   | \$                 | \$                 |
| Cash in bank      | 14,295             | 1,783              |
| Cash on hand      | 238                | 407                |
| Cash in transit   | 100                | 61                 |
| <b>Total cash</b> | <b>14,633</b>      | <b>2,251</b>       |

Cash on hand is typically cash amounts at various retail locations and petty cash kept on hand to settle immediate needs of the day-to-day operations. Cash in bank includes cash held at various financial institutions contracted by the Company. Cash in transit represents cash deposits collected from the Company's retail locations on route to be deposited into the accounts maintained by the Company at various financial institutions. Cash-in-transit deposits typically have a twenty-four-to-forty-eight-hour transit time before they are recognized by the respective financial institutions for the benefit of the Company. During the three months ended June 30, 2024, the Company was advanced funding from the USD RGR Grid Note (note 20). Proceeds from the advance are included in cash and equivalents as at June 30, 2024.

## 9. ACCOUNTS RECEIVABLE

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

As at June 30, 2024 and December 31, 2023 accounts receivable consists of the following:

|  | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| Trade receivables                                      | 29,750             | 24,553             |
| Sales tax receivable                                   | 642                | 418                |
| Other receivables                                      | 192                | 164                |
| <b>Total receivables before expected credit losses</b> | <b>30,584</b>      | <b>25,135</b>      |
| Provision for expected credit losses                   | (6,920)            | (4,765)            |
| <b>Ending Balance</b>                                  | <b>23,664</b>      | <b>20,370</b>      |

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

The Company assessed the carrying amount of trade receivables at June 30, 2024, for expected credit loss ("ECL") and included an expected credit loss of \$6,920 (December 31, 2023; \$4,765) against receivables. In the three and six months ended June 30, 2024, the Company expensed \$468 and \$1,956 to expected credit loss and bad debt expense on its condensed interim consolidated statement of loss and other comprehensive loss (June 30, 2023; \$711 and \$934).



The aging of the Company's trade receivables and the corresponding ECL as at June 30, 2024 is as follows:

| Rate of expected credit loss: | 0.00%        | 2.36%        | 8.71%        | 22.01%      | 42.13%       | Total         |
|-------------------------------|--------------|--------------|--------------|-------------|--------------|---------------|
| Aging classification          | 1-30 Days    | 31-60 Days   | 61-90 Days   | 91-120 Days | 121+ Days    |               |
|                               | \$           | \$           | \$           | \$          | \$           | \$            |
| Trade Receivables             | 8,044        | 2,840        | 2,721        | 927         | 15,218       | 29,750        |
| Expected Credit Losses        | -            | (67)         | (237)        | (204)       | (6,412)      | (6,920)       |
| <b>Net Trade Receivables</b>  | <b>8,044</b> | <b>2,773</b> | <b>2,484</b> | <b>723</b>  | <b>8,806</b> | <b>22,830</b> |
| Sales tax recoverable         | -            | -            | -            | -           | -            | 642           |
| Other receivables             | -            | -            | -            | -           | -            | 192           |
| <b>Balance, June 30, 2024</b> |              |              |              |             |              | <b>23,664</b> |

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

| Rate of expected credit loss:     | 0.00%        | 5.07%        | 38.05%       | 55.32%      | 85.60%       | Total         |
|-----------------------------------|--------------|--------------|--------------|-------------|--------------|---------------|
| Aging classification              | 1-30 Days    | 31-60 Days   | 61-90 Days   | 91-120 Days | 121+ Days    |               |
|                                   | \$           | \$           | \$           | \$          | \$           | \$            |
| Trade Receivables                 | 9,647        | 1,438        | 3,735        | 1,136       | 8,596        | 24,552        |
| Expected Credit Losses            | (15)         | (82)         | (268)        | (168)       | (4,232)      | (4,765)       |
| <b>Net Trade Receivables</b>      | <b>9,632</b> | <b>1,356</b> | <b>3,467</b> | <b>968</b>  | <b>4,364</b> | <b>19,787</b> |
| Sales tax recoverable             | -            | -            | -            | -           | -            | 418           |
| Other receivables                 | -            | -            | -            | -           | -            | 165           |
| <b>Balance, December 31, 2023</b> |              |              |              |             |              | <b>20,370</b> |

The Company does not include sales tax recoverable within its ECL calculations as management deems this as fully collectible as of the date of these Financial Statements.

## 10. NOTES RECEIVABLE

As at June 30, 2024 and December 31, 2023, the Company had the following outstanding notes receivable:

|                               | Date of Issue | Maturity date | Interest     | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|-------------------------------|---------------|---------------|--------------|--------------------|--------------------|
|                               |               |               | %            | \$                 | \$                 |
| AH Note Receivable            | 2023-07-26    | 2023-11-23    | Prime + 9.0% | -                  | 16,778             |
| AH DIP Note                   | 2023-06-06    | 2023-12-24    | 12.5%        | -                  | 7,927              |
| CAD\$3,000,000 OPRC Note      | 2024-05-17    | 2027-05-31    | 8.0%         | 3,020              | -                  |
| <b>Total notes receivable</b> |               |               |              | <b>3,020</b>       | <b>24,705</b>      |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2024 AND RESTATED 2023**

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

Continuity of the Company's notes receivable for June 30, 2024, and December 31, 2023, is as follows:

|  | \$            |
|--|---------------|
| <b>Balance, January 1, 2023</b>                  | -             |
| 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)       |
| <b>Balance, December 31, 2023</b>                | <b>24,705</b> |
| Short-term                                       | 24,705        |
| Long-term  | -             |
| <b>Balance, January 1, 2024</b>                  | <b>24,705</b> |
| Additions  | 10,330        |
| Coupon Interest                                  | 179           |
| Amortization of discount                         | 59            |
| Interest payments                                | (9)           |
| Aleafia Acquisition (note 7)                     | (30,565)      |
| Acquisition of Aleafia trademarks and tradenames | (1,679)       |
| <b>Balance, June 30, 2024</b>                    | <b>3,020</b>  |
| Short-term                                       | 20            |
| Long-term  | 3,000         |

During the period ended June 30, 2024, the Company accrued interest amounting to \$179 (December 31, 2023; \$2,068) to other income relating to interest income earned on its note receivables.

### ***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 \$12,500. An advance of \$1,500 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 \$14,000 advance under the Company’s existing CAD RGR Grid Note (note 20) to facilitate the purchase of the AH Note Receivable and the funding of the \$1,500 advance under the AH Note Receivable.

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 \$1,030 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 June 30, 2024, the Company accrued interest amounting to \$118 (December 31, 2023; \$1,807) and amortized \$59 of the discount received on the purchase price (December 31, 2023; \$971) to other income on its condensed interim consolidated statement of loss and other comprehensive loss 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 (note 7), the Company released all remaining amounts outstanding and obligations payable under the AH DIP Note amounting to \$16,953, rendering the AH Note Receivable 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 \$6,600 (the “AH DIP Note”). Interest on the principal outstanding amount from the date each DIP Advance is made was 12.5% per annum, compounded and calculated weekly and added to the principal amount of on the first day of each month. On execution, a commitment fee of \$198 was payable by Aleafia representing 3% of the maximum \$6,600 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. The continued availability of the AH DIP Note is conditional upon, among other things, certain conditions under the Aleafia CCAA Proceedings being satisfied. A copy of the AH DIP Note term sheet was filed on Sedar+ on August 17, 2023. Concurrent with approval of the AH DIP Note, The Company secured a commitment from RGR to meet its financing commitment to Aleafia under the AH DIP Note.

On November 3, 2023, a principal repayment of \$3,145 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 \$6,600 to \$8,000.

Up to January 12, 2024, the Company advanced \$7,330 (December 31, 2023; \$10,811) under the AH DIP Note and received principal repayments of \$nil (December 31, 2023; \$3,145). The Company also accrued \$32 in related interest income to other income on the condensed interim consolidated statement of profit and loss and other comprehensive profit and loss (December 31, 2023; \$261).

On January 12, 2024, as a \$1,679 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 \$7,241 outstanding under the AH DIP Note as part of the consideration paid for the Aleafia Acquisition (note 7), rendering the AH DIP Note settled and paid in full.

**CAD\$3,000,000 OPRC Note**

On May 17, 2024, the Company entered into a \$3,000 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”). The CAD\$3,000,000 OPRC Note 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.

**11. PREPAID EXPENSES**

As at June 30, 2024 and December 31, 2023, the Company’s prepaid expenses are comprised of the following amounts:

|                                | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|--------------------------------|--------------------|--------------------|
|                                | \$                 | \$                 |
| Prepaid license                | 2,170              | 480                |
| Prepaid taxes                  | 51                 | 121                |
| Prepaid dues and subscriptions | 102                | 93                 |
| Other prepaid fees             | 1,089              | 200                |
| <b>Total prepaid expenses</b>  | <b>3,412</b>       | <b>894</b>         |

**12. DEPOSITS**

As at June 30, 2024 and December 31, 2023, the Company had the following deposits:

|                       | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|-----------------------|--------------------|--------------------|
|                       | \$                 | \$                 |
| Vendor deposits       | 8,548              | 6,271              |
| Security deposits     | 265                | 256                |
| Other deposits        | 3,015              | 802                |
| <b>Total deposits</b> | <b>11,828</b>      | <b>7,329</b>       |

On June 23, 2023, the Company advanced \$3,972 to an arm’s length vendor as security for a crop commitment for cannabis biomass which delivery commenced during the period. Under the agreed upon terms of the crop commitment, the vendor must maintain select product parameters for the harvest as defined by the Company. To date, the arm’s length vendor has not fulfilled their contractual commitment under the crop commitment. The Company continues to work collaboratively with the arm’s length vendor towards settlement of their commitment under contract.

During the course of the period ended June 30, 2024, the Company advanced \$2,216 to an arm’s length vendor as security for a crop commitment for cannabis biomass for which delivery will commence in the fourth quarter of 2024. As of the date of the report, the Company is collaboratively working with the vendor to establish a revolving credit facility to be used by the vendor to facilitate securing quality cannabis biomass for the Company each growing season further mitigating supply chain risk for the Company.

Concurrent with the closing of the Aleafia Acquisition (note 7), the Company deposited \$748 with a Canadian government institution to be held, in trust by the institution, on the account of Emblem Cannabis Corporation; one of the acquired, licensed Aleafia Group entities

## 13. INVENTORY

The Company's inventory as at June 30, 2024, and December 31, 2023 consists of the following:

|   | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Cannabis and CBD derivative finished goods  | 7,701              | 3,470              |
| Raw materials                               | 5,925              | 2,160              |
| Cannabis and CBD derivative work in process | 19,149             | 9,384              |
| Consumables and non-cannabis merchandise    | 364                | 332                |
| Inventory provisions                        | (7,122)            | (99)               |
| <b>Total</b>                                | <b>26,017</b>      | <b>15,247</b>      |

During the period ended June 30, 2024, the total inventory included in cost of sales was \$25,289 (December 31, 2023; \$53,047), which includes an allocation for salaries and wages amounting to \$1,505 (December 31, 2023; \$3,568). As a result of the Aleafia Acquisition, provisions totaling \$7,000 were included in inventory during the period ended June 30, 2024 (note 7).

## 14. BIOLOGICAL ASSETS

The Company's biological assets consist of 6,879 plants growing as at June 30, 2024 (December 31, 2023; 9,433).

The continuity of biological assets is as follows:

|   | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Carrying amount, beginning of year                    | 4,215              | 4,291              |
| Acquired from Aleafia Acquisition (note 7)            | 1,134              | -                  |
| Capitalized cost                                      | 9,908              | 10,100             |
| Unrealized changes in fair value of biological assets | (3,384)            | (3,301)            |
| Fair value adjustment over/(under) current period     | 4,060              | 3,384              |
| Translation adjustment over/(under) prior period      | -                  | (83)               |
| Transferred to inventory                              | (6,857)            | (10,236)           |
| Effects of foreign exchange                           | (240)              | 60                 |
| <b>Carrying value, end of period</b>                  | <b>8,836</b>       | <b>4,215</b>       |

### Sensitivity Analysis

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

|                              | For the period ended<br>30-Jun-24 |                         |  | For the period ended<br>30-June-23 Restated (note 32) |                         |  |
|------------------------------|-----------------------------------|-------------------------|--|---|-------------------------|--|
|                              | Weighted<br>average<br>assumption | 10% Change<br>of inputs | Effect on<br>Biological<br>Asset balance | Weighted<br>average<br>assumption                     | 10% Change<br>of inputs | Effect on<br>Biological<br>Asset balance |
| Selling price (\$/gram)      | \$5.67                            | \$6.24                  | \$1,186                                  | \$6.42  | \$7.06                  | \$244                                    |
| Yield by plant (grams)       | 537                               | 591                     | \$894                                    | 614   | 675                     | \$208                                    |
| Post-harvest costs (\$/gram) | \$1.69                            | \$1.86                  | \$(467)                                  | \$2.19  | \$2.41                  | \$(29)                                   |



**RED WHITE & BLOOM BRANDS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2024 AND RESTATED 2023**

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

## 15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2024, and 2023 consists of the following:

|  | Land          | Land Improvements | Building      | Building Improvements | Leasehold Improvements | Vehicles   | Furniture & Fixtures | Machinery & Equipment | Computer Hardware | Construction In Progress | Total         |
|--|---------------|-------------------|---------------|-----------------------|------------------------|------------|----------------------|-----------------------|-------------------|--------------------------|---------------|
|  | \$            | \$                | \$            | \$                    | \$                     | \$         | \$                   | \$                    | \$                | \$                       | \$            |
| <b>Costs</b>                                     |               |                   |               |                       |                        |            |                      |                       |                   |                          |               |
| <b>Balance, December 31, 2022 restated</b>       | <b>609</b>    | <b>1,168</b>      | <b>49,682</b> | <b>446</b>            | <b>5,824</b>           | <b>198</b> | <b>477</b>           | <b>11,597</b>         | <b>62</b>         | <b>4,023</b>             | <b>74,086</b> |
| Additions  | -             | -                 | -             | 25                    | 261                    | -          | 8                    | 626                   | -                 | 1,044                    | 1,964         |
| Disposals  | -             | -                 | -             | -                     | -                      | -          | -                    | (9)                   | -                 | -                        | (9)           |
| Disposals from discontinued operations           | -             | -                 | -             | -                     | -                      | (106)      | (11)                 | (197)                 | -                 | -                        | (314)         |
| Impairments                                      | -             | (11)              | (30,638)      | (89)                  | -                      | -          | -                    | -                     | -                 | (3,245)                  | (33,983)      |
| Foreign currency movement                        | -             | -                 | 1,693         | 6                     | 7                      | -          | -                    | (8)                   | -                 | 199                      | 1,897         |
| <b>Balance, December 31, 2023</b>                | <b>609</b>    | <b>1,157</b>      | <b>20,737</b> | <b>388</b>            | <b>6,092</b>           | <b>92</b>  | <b>474</b>           | <b>12,009</b>         | <b>62</b>         | <b>2,021</b>             | <b>43,641</b> |
| Additions  | -             | -                 | -             | -                     | 59                     | 180        | -                    | 389                   | -                 | 496                      | 1,124         |
| Reclassifications                                | -             | -                 | -             | 90                    | 1,162                  | -          | -                    | (1,019)               | -                 | (233)                    | -             |
| Additions through business combinations (note 7) | 11,700        | -                 | 4,738         | 4,161                 | -                      | -          | 87                   | 604                   | 95                | -                        | 21,385        |
| Disposals  | -             | -                 | -             | (9)                   | (95)                   | (2)        | -                    | (462)                 | -                 | -                        | (568)         |
| Disposals from discontinued operations           | -             | -                 | -             | -                     | -                      | (77)       | -                    | (75)                  | (20)              | -                        | (172)         |
| <b>Balance, June 30, 2024</b>                    | <b>12,309</b> | <b>1,157</b>      | <b>25,475</b> | <b>4,630</b>          | <b>7,218</b>           | <b>193</b> | <b>561</b>           | <b>11,446</b>         | <b>137</b>        | <b>2,284</b>             | <b>65,410</b> |
| <b>Accumulated depreciation</b>                  |               |                   |               |                       |                        |            |                      |                       |                   |                          |               |
| <b>Balance, December 31, 2022 restated</b>       | <b>-</b>      | <b>12</b>         | <b>1,180</b>  | <b>105</b>            | <b>1,353</b>           | <b>89</b>  | <b>125</b>           | <b>2,642</b>          | <b>35</b>         | <b>-</b>                 | <b>5,541</b>  |
| Depreciation for the period                      | -             | 10                | 1,162         | 130                   | 1,050                  | 4          | 92                   | 2,123                 | 14                | -                        | 4,585         |
| Depreciation from discontinued operations        | -             | -                 | -             | -                     | -                      | 28         | 1                    | 9                     | 2                 | -                        | 40            |
| Disposals  | -             | -                 | -             | -                     | -                      | (55)       | (4)                  | (38)                  | -                 | -                        | (97)          |
| Impairments                                      | -             | (1)               | -             | (61)                  | -                      | -          | -                    | -                     | -                 | -                        | (62)          |
| Foreign currency movement                        | -             | 2                 | 64            | 60                    | 8                      | 1          | 17                   | 153                   | -                 | -                        | 305           |
| <b>Balance, December 31, 2023</b>                | <b>-</b>      | <b>23</b>         | <b>2,406</b>  | <b>234</b>            | <b>2,411</b>           | <b>67</b>  | <b>231</b>           | <b>4,889</b>          | <b>51</b>         | <b>-</b>                 | <b>10,312</b> |
| Depreciation for the period                      | -             | 7                 | 442           | 252                   | 587                    | 1          | 48                   | 1,063                 | 19                | -                        | 2,419         |
| Reclassifications                                | -             | -                 | -             | -                     | 655                    | -          | -                    | (655)                 | -                 | -                        | -             |
| Disposals  | -             | (1)               | -             | -                     | (1)                    | -          | -                    | (248)                 | -                 | -                        | (250)         |
| Disposals from discontinued operations           | -             | -                 | -             | -                     | -                      | (58)       | -                    | (21)                  | (15)              | -                        | (94)          |
| Foreign currency movement                        | -             | -                 | -             | (10)                  | (31)                   | (1)        | -                    | (61)                  | -                 | -                        | (103)         |
| <b>Balance, June 30, 2024</b>                    | <b>-</b>      | <b>29</b>         | <b>2,848</b>  | <b>476</b>            | <b>3,621</b>           | <b>9</b>   | <b>279</b>           | <b>4,967</b>          | <b>55</b>         | <b>-</b>                 | <b>12,284</b> |
| <b>Net book value</b>                            |               |                   |               |                       |                        |            |                      |                       |                   |                          |               |
| <b>Balance, December 31, 2023</b>                | <b>609</b>    | <b>1,134</b>      | <b>18,331</b> | <b>154</b>            | <b>3,681</b>           | <b>25</b>  | <b>243</b>           | <b>7,120</b>          | <b>11</b>         | <b>2,021</b>             | <b>33,329</b> |
| <b>Balance, June 30, 2024</b>                    | <b>12,309</b> | <b>1,128</b>      | <b>22,627</b> | <b>4,154</b>          | <b>3,597</b>           | <b>184</b> | <b>282</b>           | <b>6,479</b>          | <b>82</b>         | <b>2,284</b>             | <b>53,126</b> |

During the period ended June 30, 2024, \$21,386 in property, plant and equipment was acquired by the Company as a result of the Aleafia Acquisition (note 7).

The Company allocated \$1,136 in depreciation to inventory within the period (restated June 30, 2023; \$1,066).

During the year ended December 31, 2023, the Company realized an impairment charge of totalling \$33,983 against the carrying value of fixed assets held by Pharmaco Inc., a wholly owned subsidiary of RWB. The charge stems from a re-assessment of the recoverable value of the acquired operations' property, plant and equipment as the Company continues to evaluate restructuring alternatives for the operations. The balance of carrying value of property, plant and equipment as of June 30, 2024, represents management's best estimate of the aforementioned assets' value in use as of June 30, 2024.

## 16. INTANGIBLE ASSETS

A continuity of the intangible assets for June 30, 2024, and December 31, 2023, is as follows:

|                                   | Brand         | Licenses      | Total         |
|-----------------------------------|---------------|---------------|---------------|
|                                   | \$            | \$            | \$            |
| <b>Costs</b>                      |               |               |               |
| <b>Balance, December 31, 2022</b> | 33,992        | 84,109        | 118,101       |
| Additions                         | -             | 102           | 102           |
| Impairments                       | -             | (32,180)      | (32,180)      |
| Foreign exchange movement         | -             | 1,229         | 1,229         |
| <b>Balance, December 31, 2023</b> | <b>33,992</b> | <b>53,260</b> | <b>87,252</b> |
| Additions                         | 1,679         | -             | 1,679         |
| Aleafia Acquisition               | 447           | 4,234         | 4,681         |
| <b>Balance, June 30, 2024</b>     | <b>36,118</b> | <b>57,494</b> | <b>93,612</b> |

As part of the Aleafia Acquisition on January 12, 2024 (note 7), the Company, through its acquisition of the common shares of select legal entities, acquired all of the operating licenses issued by regulatory authorities in Canada to the aforementioned entities. The fair value of these operating licenses has been included in the intangible assets as at June 30, 2024.

### *Intangible asset impairments*

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

During the period ended June 30, 2024, the Company did not recognize any impairment charges against its intangible assets.

During the year ended December 31, 2023, as part of its annual impairment review related to identifiable intangibles, the Company recognized an impairment charge against the previously recognized carrying value of cultivation licenses granted in the state of Massachusetts totalling \$5,281. The charge stems from the Company's ongoing strategic review of select assets operations and their recoverable value as at December 31, 2023. The charge is included in Company's discontinued operations for the year ended December 31, 2023 (note 30). The Company also realized an impairment

charge against the previously recognized carrying value of adult-use and medical retail licenses granted in the state of Michigan to Pharmaco Inc., totalling \$26,899. The charge stems from a re-evaluation of the acquired Pharmaco retail operations, operating as a part of the CGU within the Retail segment, of its tangible and intangible assets as well as goodwill (note 18).

The balance of carrying value of the identifiable intangibles as of June 30, 2024, and December 31, 2023, represents management's best estimate of the aforementioned assets' value in use for the respective points in time.

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

## 17. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

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

|  | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Opening balance</b>                                     | <b>17,564</b>      | <b>18,988</b>      |
| Additions from Aleafia acquisition (note 7)                | 121                | -                  |
| Accumulated depreciation from Aleafia acquisition (note 7) | (84)               | -                  |
| Additions during the period                                | 197                | 85                 |
| Disposals  | (28)               | -                  |
| Depreciation for the period                                | (851)              | (1,639)            |
| Effects of foreign exchange                                | (440)              | 130                |
| <b>Balance, June 30, 2024</b>                              | <b>16,479</b>      | <b>17,564</b>      |

As at June 30, 2024, and December 31, 2023, \$7 and \$nil of right-of-use depreciation expense were allocated directly to inventory and expensed through COGS.



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

|                                    | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|------------------------------------|--------------------|--------------------|
|                                    | \$                 | \$                 |
| Opening balance                    | 22,077             | 22,888             |
| Additions                          | 232                | 79                 |
| Interest accretion                 | 1,354              | 2,698              |
| Interest payments                  | (1,354)            | (2,698)            |
| Principal payments                 | (245)              | (306)              |
| <b>Ending balance</b>              | <b>22,064</b>      | <b>22,661</b>      |
| Effects of foreign exchange        | 780                | (583)              |
| Less: Short-term lease obligations | (809)              | (655)              |
| <b>Long-term lease obligation</b>  | <b>22,035</b>      | <b>21,423</b>      |

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

|   | As At<br>30-Jun-24 | As At<br>31-Dec-23 |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| 2024                                    | 2,705              | 3,715              |
| 2025                                    | 3,319              | 3,169              |
| 2026                                    | 3,383              | 3,236              |
| 2027                                    | 3,292              | 3,151              |
| 2028                                    | 3,200              | 3,064              |
| Thereafter                              | 32,336             | 31,184             |
| <b>Total minimum lease payments</b>     | <b>48,236</b>      | <b>47,519</b>      |
| Present value of minimum lease payments | 16,481             | 16,300             |
| Effect of discounting                   | 8,866              | 9,141              |
| Current portion lease obligations       | 809                | 655                |
| <b>Long-term lease obligations</b>      | <b>22,035</b>      | <b>21,423</b>      |

## 18. GOODWILL

Goodwill as of June 30, 2024, and December 31, 2023 was comprised of the following:

|                                      | \$            |
|--------------------------------------|---------------|
| <b>Balance, December 31, 2022</b>    | <b>34,852</b> |
| Goodwill impairment - Pharmaco, Inc. | (24,318)      |
| Foreign exchange movement            | 1,346         |
| <b>Balance, December 31, 2023</b>    | <b>11,880</b> |
| <b>Balance, June 30, 2024</b>        | <b>11,880</b> |

Balances in goodwill as at June 30, 2024 and December 31, 2023 are associated with the Company's Retail segment.

### **Goodwill impairment**

In assessing a CGU, including goodwill, for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the higher of fair value less cost to sell and the value in use ("VIU"). Refer to note 6 of the 2023 Audited Financial Statements for the Company's determination of CGUs. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount.

As at June 30, 2024, there were no material conditions present that necessitated a review of the goodwill recorded by the Company. Accordingly, the Company did not perform impairment testing, and did not recognize any impairment charges for the period end.

During the year ended December 31, 2023, the Company recognized an impairment of goodwill associated with its Retail segment totalling \$24,318. The charge stems from a re-evaluation of the Pharmaco retail operations, operating as a part of the CGU within the Retail segment, of its tangible and intangible assets as well as goodwill. The charge fully impaired all goodwill associated with the acquired Pharmaco operations.

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

## **19.ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company had the following accounts payable and accrued liabilities at June 30, 2024 and December 31, 2023:

|                               | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|-------------------------------|--------------------|--------------------|
|                               | \$                 | \$                 |
| Trade payables                | 20,214             | 18,506             |
| Accrued liabilities and other | 10,502             | 10,025             |
| Sales and excise tax payable  | 14,608             | 13,564             |
| Customer deposits             | 180                | 31                 |
| <b>Total</b>                  | <b>45,504</b>      | <b>42,126</b>      |

During the period ended June 30, 2024, the Company had two significant suppliers representing 27% of its trade payables (December 31, 2023: 17%).

## 20. DEBT

### A. NOTES PAYABLE

As at June 30, 2024, and December 31, 2023 the Company had the following outstanding payable:

| '000's                                 | Purpose of Note                     | Original note value | Date of Issue | Maturity date | Interest                  | As at 30-Jun-24 | As at 31-Dec-23 |
|--|-------------------------------------|---------------------|---------------|---------------|---------------------------|-----------------|-----------------|
|  |                                     | \$                  |               |               | %                         | \$              | \$              |
| USD\$828,200 - City of San Deigo       | Payment plan                        | 828                 | 25-Oct-21     | OnDemand      | 7.00%                     | 732             | 684             |
| Due to Oakshire                        | Operations                          | 1,081               | various       | OnDemand      | 0.00%                     | 1,162           | 1,123           |
| <sup>i</sup> USD\$25,885,000 RGR Note  | Debt Restructure                    | 25,885              | 15-Sep-22     | 12-Sep-24     | 15.00%                    | 46,316          | 41,454          |
| USD\$2,887,000 TAIL Note               | Debt Restructure                    | 2,887               | 15-Sep-22     | 12-Sep-24     | 15.00%                    | 4,689           | 4,303           |
| <sup>i</sup> USD\$6,349,000 SDIL Note  | Debt Restructure                    | 6,349               | 15-Sep-22     | 12-Sep-24     | 15.00%                    | 9,139           | 9,366           |
| USD\$269,000 SIL Note                  | Debt Restructure                    | 269                 | 15-Sep-22     | 12-Sep-24     | 15.00%                    | 463             | 412             |
| <sup>i</sup> USD RGR Grid Note         | Debt Restructure                    | 7,850               | 1-Nov-22      | 12-Sep-24     | 12.00%                    | -               | 30,293          |
| <sup>i,ii</sup> USD RGR Grid Note      | Debt Restructure                    | 7,850               | 1-Jan-24      | 12-Sep-24     | 12.00%                    | 58,376          | -               |
| <sup>i</sup> USD\$18,300,000 RGR Note  | Debt Restructure                    | 18,300              | 29-Dec-23     | 12-Feb-24     | 12.9%+ <sup>iii</sup> PIK | 28,073          | 25,138          |
| <sup>i</sup> CAD\$2,710,000 BJMDS Note | Debt Restructure                    | 2,210               | 1-Feb-23      | 12-Sep-24     | 15.00%                    | 3,261           | 3,029           |
| <sup>i</sup> CAD RGR Grid Note         | Operations & Aleafia Acquisition    | 1,000               | 27-Mar-23     | 12-Sep-24     | 12.00%                    | -               | 31,098          |
| <sup>i,ii</sup> CAD RGR Grid Note      | Operations & Aleafia Acquisition    | 1,000               | 1-Jan-24      | 12-Sep-24     | 12.00%                    | 48,285          | -               |
| CAD\$5,750,000 ELL Note                | Working capital & general corporate | 5,750               | 5-Jun-24      | 1-Jul-29      | 6.72%                     | 5,750           | -               |
| <b>Balance, end of period</b>          |                                     |                     |               |               |                           | <b>206,246</b>  | <b>146,900</b>  |

#### Notes payable transactions during the period ended June 30, 2024:

##### a) RGR Grid Note Amendments

On January 1, 2024, the Company and Royal Group Resources, Ltd. ("RGR") executed agreements to amend the CAD RGR Grid Note and the USD RGR Grid Note (the "RGR Grid Notes"). Under the terms of the amendments, effective January 1, 2024, the RGR Grid Notes will bear interest at an aggregate rate of 12% per annum accruing and compounding and calculated on a monthly basis in arrears at the end of each month, and shall be paid, together with principal, on the maturity date; September 12, 2024. All other terms and conditions remain unchanged. The amendments were subject 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 \$100 loss on extinguishment related to the RGR Grid Note Amendments.

<sup>i</sup> Related party lender (note 27)

<sup>ii</sup> Result of January 1, 2024, amendment of previous loan

<sup>iii</sup> Details of PIK interest in following notes



**b) CAD\$5,750,000 ELL Note**

On June 4, 2024, the Company completed a mortgage financing with a third-party Canadian lender in the amount of \$5,750 (the “CAD\$5,750,000 ELL Note”) secured by a property owned by the Company. Proceeds from the financing will be used for working capital and general corporate purposes. The CAD\$5,750,000 ELL Note matures on July 1, 2029, and has a sixty (60) month term, amortizing over three hundred (300) months at an interest rate of 6.72% per annum. Computershare acts as agent, nominee and custodian in administering the note. The CAD\$5,750,000 ELL Note is supported by a guarantee provided by De Zen Investments Canada Limited (“DICL”), a related party lender.

***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 \$2,210 to \$2,710, with all other terms and conditions remaining the same. The amendment was subjected to review under IFRS 9 and as a result, the CAD\$2,210,000 BJDM Note was extinguished resulting in \$nil gain or loss on extinguishment. \$500 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\$5,850 note and an additional \$2,000 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.

**c) 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\$180 and a non-refundable origination discount of US\$540. 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, by virtue of the assignment, 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 settle unpaid principal amounts on September 12, 2024 when the full and final payment of the principal amount becomes due, with accrued PIK interest added to principal effective January 1, 2023. Interest is calculated on a compounded monthly basis at 15% per annum, and payable on the agreed upon maturity date 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 \$507 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 TAIL Note

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During the period ended June 30, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2024 AND RESTATED 2023

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

Continuity of the outstanding notes payable held by the Company for the period ended June 30, 2024, is as follows.

| Name of Loan                              | Balance<br>31-Dec-23 | Additions     | Interest<br>Accretion | Interest      | Principal<br>Payments | Interest<br>Payments | Debt<br>Modification | Transaction<br>costs | Extinguish-<br>ment | Gain/(loss) on<br>extinguishment | FX<br>(gain)/loss | Balance<br>30-Jun-24 | Short<br>-term | Long<br>-term |
|---|----------------------|---------------|-----------------------|---------------|-----------------------|----------------------|----------------------|----------------------|---------------------|----------------------------------|-------------------|----------------------|----------------|---------------|
|   | \$                   | \$            | \$                    | \$            | \$                    | \$                   | \$                   | \$                   | \$                  | \$                               | \$                | \$                   | \$             | \$            |
| USD\$828,200 City of San Deigo            | 684                  | -             | -                     | 25            | -                     | -                    | -                    | -                    | -                   | -                                | 23                | 732                  | 732            | -             |
| Due to Oakshire                           | 1,123                | -             | -                     | -             | -                     | -                    | -                    | -                    | -                   | -                                | 39                | 1,162                | 1,162          | -             |
| <sup>i</sup> USD\$25,885,000 RGR Note     | 41,454               | -             | 88                    | 3,308         | -                     | -                    | -                    | -                    | -                   | -                                | 1,466             | 46,316               | 46,316         | -             |
| USD\$2,887,000 TAIL Note                  | 4,303                | -             | 23                    | 340           | -                     | (128)                | -                    | -                    | -                   | -                                | 151               | 4,689                | 4,689          | -             |
| <sup>i</sup> USD\$6,349,000 SDIL Note     | 9,366                | -             | 45                    | 698           | -                     | (1,303)              | -                    | -                    | -                   | -                                | 333               | 9,139                | 9,139          | -             |
| USD\$269,000 SIL Note                     | 412                  | -             | 3                     | 33            | -                     | -                    | -                    | -                    | -                   | -                                | 15                | 463                  | 463            | -             |
| <sup>i</sup> USD RGR Grid Note            | 30,293               | -             | -                     | 97            | -                     | -                    | -                    | 50                   | (30,390)            | (50)                             | -                 | -                    | -              | -             |
| <sup>i, ii</sup> USD RGR Grid Note        | -                    | 24,535        | -                     | 2,276         | -                     | -                    | 30,390               | -                    | -                   | -                                | 1,175             | 58,376               | 58,376         | -             |
| <sup>i, iv</sup> USD\$18,300,000 RGR Note | 25,138               | -             | -                     | 2,073         | (27)                  | -                    | -                    | -                    | -                   | -                                | 889               | 28,073               | 28,073         | -             |
| <sup>i</sup> CAD\$2,710,000 BJMDSD Note   | 3,029                | -             | 8                     | 235           | -                     | (11)                 | -                    | -                    | -                   | -                                | -                 | 3,261                | 3,261          | -             |
| <sup>i</sup> CAD RGR Grid Note            | 31,098               | -             | -                     | 44            | -                     | -                    | -                    | 50                   | (31,142)            | (50)                             | -                 | -                    | -              | -             |
| <sup>i, ii</sup> CAD RGR Grid Note        | -                    | 17,562        | -                     | 2,596         | (3,000)               | (15)                 | 31,142               | -                    | -                   | -                                | -                 | 48,285               | 48,285         | -             |
| CAD\$5,750,000 ELL Note                   | -                    | 5,750         | -                     | -             | -                     | -                    | -                    | -                    | -                   | -                                | -                 | 5,750                | 85             | 5,665         |
| <b>Balance, end of period</b>             | <b>146,900</b>       | <b>47,847</b> | <b>167</b>            | <b>11,725</b> | <b>(3,027)</b>        | <b>(1,457)</b>       | <b>61,532</b>        | <b>100</b>           | <b>(61,532)</b>     | <b>(100)</b>                     | <b>4,091</b>      | <b>206,246</b>       | <b>200,581</b> | <b>5,665</b>  |

Continuity of the outstanding short-term notes payable held by the Company for the year ended December 31, 2023, is as follows.

| Name of Loan                                 | Balance<br>31-Dec-22<br><i>Restated</i> | Additions     | Interest<br>Accretion | Interest      | Principal<br>Payments | Interest<br>Payments | Debt<br>Modification | (Gain)/Loss on<br>Debt<br>Modification | Transaction<br>costs | Extinguishme-<br>nt | FX<br>(gain)/loss | Balance<br>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)                   | -                    | -                    | -                                      | -                    | -                   | -                 | -                    |
| <sup>i, iii</sup> USD\$25,885,000 RGR Note   | 36,678                                  | -             | 155                   | 5,870         | -                     | -                    | -                    | (265)                                  | (6)                  | -                   | (977)             | 41,455               |
| <sup>iii</sup> USD\$2,887,000 TAIL Note      | 3,940                                   | -             | 42                    | 622           | -                     | (123)                | -                    | (68)                                   | (6)                  | -                   | (103)             | 4,304                |
| <sup>i, iii</sup> USD\$6,349,000 SDIL Note   | 8,664                                   | -             | 87                    | 1,356         | -                     | (360)                | -                    | (150)                                  | (7)                  | -                   | (225)             | 9,365                |
| <sup>iii</sup> 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)                  |
| <sup>i</sup> CAD RGR Grid Note               | 10,765                                  | 18,757        | -                     | 2,639         | (1,293)               | -                    | -                    | -                                      | -                    | -                   | (574)             | 30,294               |
| <sup>i, iv</sup> USD\$18,300,000 RGR Note    | -                                       | -             | -                     | 949           | -                     | -                    | 24,140               | -                                      | -                    | -                   | 49                | 25,138               |
| <sup>i</sup> CAD\$2,210,000 BJMD Note        | 2,227                                   | -             | -                     | 31            | -                     | (25)                 | -                    | -                                      | -                    | (2,231)             | -                 | 2                    |
| <sup>i, iii</sup> CAD\$2,710,000 BJMDSD Note | -                                       | 500           | 13                    | 395           | -                     | (86)                 | 2,231                | (21)                                   | (5)                  | -                   | -                 | 3,027                |
| <sup>i</sup> CAD RGR Grid Note               | -                                       | 32,705        | -                     | 1,538         | (3,146)               | -                    | -                    | -                                      | -                    | -                   | -                 | 31,097               |
| <b>Balance, end of year</b>                  | <b>89,332</b>                           | <b>51,962</b> | <b>302</b>            | <b>16,501</b> | <b>(4,476)</b>        | <b>(3,595)</b>       | <b>26,371</b>        | <b>(507)</b>                           | <b>(31)</b>          | <b>(26,371)</b>     | <b>(2,588)</b>    | <b>146,900</b>       |

<sup>i</sup> Related party note (note 26)<sup>ii</sup> Result of the RGR Grid Note Amendments (note 20)<sup>iii</sup> See December 31, 2023 Amendments (note 20)<sup>iv</sup> See VRT Note Purchase Agreement (note 20)

**B. CONVERTIBLE DEBENTURES**

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at June 30, 2024 and December 31, 2023.

|   | <sup>1</sup> USD\$1,093,750<br>Convertible<br>VMOS Note | USD\$1,562,500<br>Convertible<br>FCC Note | USD\$1,562,500<br>Convertible<br>IBGL Note | USD\$781,250<br>Convertible<br>AB Note | USD\$20,112,015<br>Convertible<br>M&V Note | <sup>1</sup> USD\$5,400,000<br>Convertible<br>DIDL Note | <sup>1</sup> USD\$5,400,000<br>Convertible<br>SDIL Note | <sup>1</sup> CAD\$17,000,000<br>Convertible<br>CPIL Note |
|---|---|---|--|--|--|---|---|--|
| Purpose of issuance   | Florida<br>Acquisition                                  | Florida<br>Acquisition                    | Florida<br>Acquisition                     | Florida<br>Acquisition                 | Florida<br>Acquisition                     | Debt<br>restructure                                     | Debt<br>restructure                                     | Debt<br>restructure                                      |
| <b>Details and terms</b>  |   |   |  |  |  |   |   |  |
| 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  | 2021-11-25  | -  |
| 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<br>Class A Membership      | Secured<br>Shares<br>of RWB Platinum<br>Vape, LLC       | Secured<br>Shares<br>of RWB Platinum<br>Vape, LLC       | 1st priority security<br>interest RWB Michigan,<br>LLC   |
| <b>*Valuation method used<br/>for embedded derivatives</b>      | Binomial Lattice<br>based on CRR                        | Binomial Lattice<br>based on CRR          | Binomial Lattice<br>based on CRR           | Binomial Lattice<br>based on CRR       | Binomial Lattice<br>based on CRR           | Binomial Lattice<br>based on CRR                        | Binomial Lattice<br>based on CRR                        | Residual<br>Method                                       |
| <b>Derivative liability valuation inputs, December 31, 2023</b> |   |   |  |  |  |   |   |  |
| 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%   |
| <b>Derivative liability valuation inputs, June 30, 2024</b>     |   |   |  |  |  |   |   |  |
| Stock price   | -   | -   | -  | -                                      | -  | \$0.06  | \$0.06  | n/a  |
| Term (years)  | -   | -   | -  | -                                      | -  | 0.2   | 0.2   | 2  |
| Volatility  | -   | -   | -  | -                                      | -  | 180.70%   | 180.70%   | n/a  |
| Implied spread  | -   | -   | -  | -                                      | -  | 1,050   | 1,050   | n/a  |
| Risk-free rate  | -   | -   | -  | -                                      | -  | 5.50%   | 5.50%   | n/a  |
| Discount/market yield   | -   | -   | -  | -                                      | -  | 16.00%  | 16.00%  | 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).

<sup>1</sup> Held by a related party (note 26)

<sup>ii</sup> Binomial lattice methodology based on a Cox-Ross-Rubenstein ("CRR") approach.

A continuity of convertible debentures held by the Company for the period ended June 30, 2024, and December 31, 2023, is as follows:

| CAD in '000                              | <sup>1</sup> USD\$1,093,750<br>Convertible<br>VMOS Note | <sup>1</sup> USD\$1,562,500<br>Convertible<br>FCC Note | <sup>1</sup> USD\$1,562,500<br>Convertible<br>IBGL Note | <sup>1</sup> USD\$781,250<br>Convertible<br>AB Note | <sup>1</sup> USD\$20,112,015<br>Convertible<br>M&V Note | USD\$5,400,000<br>Convertible<br>DICL Note | USD\$5,400,000<br>Convertible<br>SDIL Note | CAD\$17,000,000<br>Convertible<br>CPIL Note | Total         |
|--|---|--|---|---|---|--|--|---|---------------|
|  | \$  | \$   | \$  | \$  | \$  | \$   | \$   | \$  | \$            |
| <b>Carrying Value, January 1, 2023</b>   | <b>1,608</b>  | <b>2,299</b>   | <b>2,299</b>  | <b>1,150</b>  | <b>26,411</b>   | <b>7,756</b>                               | <b>7,756</b>                               | <b>15,617</b>                               | <b>64,896</b> |
| 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)       |
| <b>Carrying Value, December 31, 2023</b> | <b>1,739</b>  | <b>2,485</b>   | <b>2,485</b>  | <b>1,242</b>  | <b>30,987</b>   | <b>8,378</b>                               | <b>8,378</b>                               | <b>18,030</b>                               | <b>73,724</b> |
| Interest accrued                         | 78  | 112  | 112   | 56  | 1,378   | 342  | 342  | 680   | 3,100         |
| Interest Accretion                       | 20  | 28   | 28  | 14  | 1,507   | 103  | 103  | 527   | 2,330         |
| Effects of foreign exchange              | 60  | 87   | 87  | 44  | 1,101   | 296  | 296  | -   | 1,971         |
| <b>Carrying Value, June 30, 2024</b>     | <b>1,897</b>  | <b>2,712</b>   | <b>2,712</b>  | <b>1,356</b>  | <b>34,973</b>   | <b>9,119</b>                               | <b>9,119</b>                               | <b>19,237</b>                               | <b>81,125</b> |

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

During the period ended June 30, 2024, the Company remained actively engaged in negotiations to renew debt instruments, held by select lenders, that have otherwise matured as of the date of this report. As of the date of this report, the Company remains confident that it will come to terms for renewal for all applicable debt instruments based on the state of its negotiations with applicable lenders.

During the period ended June 30, 2024, 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.

<sup>1</sup> The Company and lender are collaboratively engaged in negotiations to settle or extend the agreements having matured during the period ended June 30, 2024. No definitive agreements have been finalized in this regard as at June 30, 2024.



### C. DERIVATIVE LIABILITIES RELATING TO CONVERTIBLE DEBENTURES

The Company revalues its derivative liabilities to fair market value each period in accordance with IFRS 9 Financial Instruments and IAS 32. Fair market value gains and losses are recorded to the consolidated statement of income (loss) and comprehensive income (loss). The Company's derivative liabilities associated with convertible debentures listed in section B of this note, as at June 30, 2024, and December 31, 2023, and the corresponding fair market value of the Company's derivative liabilities were as follows:

|   | USD\$20,112,015<br>Convertible<br>M&V Note<br>\$ | USD\$5,400,000<br>Convertible<br>DICL Note<br>\$ | USD\$5,400,000<br>Convertible<br>SDIL Note<br>\$ | Total<br>\$    |
|---|--|--|--|----------------|
| <b>Balance, January 1, 2023</b>                                 | <b>(1,268)</b>                                   | <b>(981)</b>                                     | <b>(981)</b>                                     | <b>(3,230)</b> |
| 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             |
| <b>Balance, December 31, 2023</b>                               | <b>1</b>   | <b>(337)</b>                                     | <b>(337)</b>                                     | <b>(673)</b>   |
| Gain on FMV adjustments of derivative liability                 | 1  | 32   | 32   | 65             |
| Effects of Foreign exchange                                     | (2)  | (10)   | (11)   | (23)           |
| <b>Balance, June 30, 2024</b>                                   | <b>-</b>   | <b>(315)</b>                                     | <b>(316)</b>                                     | <b>(631)</b>   |

### D. CREDIT FACILITY

The lender of the Company's credit facility initially was 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 PricewaterhouseCoopers ("PWC"), an appointed receiver of the Company's credit facility 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 \$136.

On June 14, 2024, the relationship between the Company and PWC was terminated as a result of a loan purchase agreement (the "RGR-BFI Loan Purchase Agreement") between Royal Group Resources, Ltd. ("RGR"), and existing lender related to the Company, and PWC. As a result of the RGR-BFI Purchase Agreement, the Company recovered \$45 in amounts owing to PWC for the amendment fee resulting from the January 30, 2023, extension. There were no material changes to the Credit Facility as a result of the RGR-BFI Loan Purchase Agreement.

As at June 30, 2024, the Company and RGR are continuing to collaboratively engage in negotiations to amend and ultimately renew the Credit Facility which had matured on July 31, 2023. The Company remains confident that it can reach renewal terms under the Credit Facility based on the state of negotiations with the lender in question.

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

|                                    | \$            |
|------------------------------------|---------------|
| <b>Balances, December 31, 2022</b> | <b>17,552</b> |
| Amendment Fee                      | 136           |
| Finance charge                     | 1             |
| Accrued interest                   | 2,186         |
| Interest payments                  | (354)         |
| Amendment fee payment              | (91)          |
| <b>Balances, December 31, 2023</b> | <b>19,430</b> |
| Recovery of amendment fees         | (45)          |
| Accrued interest                   | 1,190         |
| <b>Balances, June 30, 2024</b>     | <b>20,575</b> |

## E. DEBT SETTLEMENTS

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

## F. OFF BALANCE SHEET ARRANGEMENTS

The Company did not enter any off-balance sheet arrangements during period ending June 30, 2024 (2023; nil).

## 21.SHARE CAPITAL AND RESERVES

### A. AUTHORIZED

As at June 30, 2024, the authorized shares were as follows:

- Unlimited number of common shares without par value with special rights and restrictions.
- An unlimited number of preferred shares without par value with special rights and restrictions, which are non-voting except in specific circumstances related to dividend defaults.

**B. ISSUED AND OUTSTANDING**

Changes in share capital for the period ended June 30, 2024, and the year ended December 31, 2023, and the balances outstanding is as follows:

| Common Shares                               | Common Shares      | Share Capital  |
|---|--------------------|----------------|
|   | #                  | \$             |
| <b>Balance, December 31, 2022 restated</b>  | <b>469,521,901</b> | <b>342,069</b> |
| Issuance of shares for settlement agreement | 700,000            | 42             |
| <b>Balance, December 31, 2023</b>           | <b>470,221,901</b> | <b>342,111</b> |
| <b>Balance, June 30, 2024</b>               | <b>470,221,901</b> | <b>342,111</b> |

***Share Capital transactions the during the period ended June 30, 2024:***

On June 14, 2024, all authorized Series 1 Convertible Preferred shares and Series II Convertible Preferred shares, each without par value in the Company outstanding as at June 14, 2024, of which none were allotted or issued, were eliminated, and the Company’s authorized a new share structure of preferred shares. The preferred shares are unlimited, without par value and have following special rights and restrictions. Directors may determine dividend entitlements, redemption terms and conversion rights provided that no Preferred shares of any particular series are issued and outstanding. In the event of liquidation, Preferred Shareholders have priority in receiving their capital plus any accrued dividends before any distribution to Common Shareholders. The Preferred Shareholders do not have voting rights or the right to attend general meetings, except in specific circumstances related to dividend defaults.

The Common shares were amended to include the following special rights and restrictions: In the event of the Company’s liquidation or dissolution, Common Shareholders are entitled to share in the remaining assets of the Company after the claims of the Preferred Shareholders and any other classes with priority have been satisfied.

***Share Capital transactions the year ended December 31, 2023:***

On November 7, 2023, in connection with a settlement agreement and mutual release (note 20), 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.

**C. STOCK OPTIONS**

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

Under the Option Plan, the Board of Directors may from time to time, in its discretion, grant stock options to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10)

years from the date of grant. The minimum exercise price of an option granted under the Option Plan must not be less than the closing price of the common shares on the date preceding the option grant date.

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

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

The Company uses the Black-Scholes model to establish the fair value of the options on the date of grant by applying the assumptions below. The fair value of the option is expensed over the option's vesting period.

The following assumptions were used by the Company to value the stock options outstanding as at June 30, 2024:

| Grant Date | Vesting Start Date | Expiry Date | Share price on Date of Grant | Exercise Price | Volatility | Risk Free Rate | Dividends |
|------------|--------------------|-------------|------------------------------|----------------|------------|----------------|-----------|
|            |                    |             | \$                           | \$             | %          | %              | \$        |
| 11-Jan-20  | 11-Jan-20          | 11-Jan-25   | 1.15                         | 1.00           | 100.00%    | 2.27%          | \$nil     |
| 11-Jan-20  | 11-Apr-20          | 11-Jan-25   | 1.15                         | 1.00           | 105.27%    | 0.45%          | \$nil     |
| 1-Apr-20   | 1-Apr-21           | 1-Apr-25    | 1.15                         | 1.00           | 105.27%    | 0.45%          | \$nil     |
| 10-Sep-20  | 10-Dec-20          | 10-Sep-25   | 0.66                         | 0.66           | 105.27%    | 0.45%          | \$nil     |
| 1-Oct-20   | 1-Oct-20           | 1-Oct-25    | 0.54                         | 0.65           | 105.27%    | 0.45%          | \$nil     |
| 1-Oct-20   | 1-Jan-21           | 1-Oct-25    | 0.54                         | 0.65           | 105.27%    | 0.45%          | \$nil     |
| 12-Oct-20  | 12-Oct-20          | 12-Oct-25   | 0.60                         | 0.65           | 105.27%    | 0.45%          | \$nil     |
| 18-Nov-20  | 18-Nov-20          | 18-Nov-25   | 0.67                         | 0.67           | 105.27%    | 0.45%          | \$nil     |
| 3-Dec-20   | 3-Dec-20           | 3-Dec-25    | 0.69                         | 0.75           | 105.27%    | 0.45%          | \$nil     |
| 6-Jul-21   | 6-Jul-21           | 6-Jul-25    | 1.10                         | 1.10           | 105.27%    | 1.23%          | \$nil     |
| 12-Nov-21  | 21-Nov-21          | 26-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 12-Nov-21  | 22-Jan-22          | 26-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 12-Nov-21  | 8-Nov-21           | 12-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 12-Nov-21  | 1-Jul-22           | 12-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 12-Nov-21  | 20-Sep-22          | 12-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 12-Nov-21  | 4-Oct-22           | 12-Nov-26   | 0.63                         | 0.63           | 88.00%     | 1.23%          | \$nil     |
| 7-Oct-22   | 7-Jan-23           | 7-Oct-27    | 0.15                         | 0.14           | 94.35%     | 3.98%          | \$nil     |
| 7-Oct-22   | 7-Jan-23           | 7-Oct-27    | 0.15                         | 0.20           | 94.35%     | 3.98%          | \$nil     |
| 7-Oct-22   | 7-Jan-23           | 7-Oct-27    | 0.15                         | 0.50           | 94.35%     | 3.98%          | \$nil     |
| 15-Mar-23  | 15-Mar-24          | 15-Mar-33   | 0.10                         | 0.10           | 94.35%     | 3.98%          | \$nil     |

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

The number of stock options and weighted average exercise prices as at June 30, 2024, and December 31, 2023 are as follows:

|  | Options           |                                    |
|--|-------------------|------------------------------------|
|  | #                 | Weighted average exercise price \$ |
| <b>Balance Outstanding, December 31, 2022 restated</b> | <b>17,783,456</b> | <b>0.95</b>                        |
| Issued   | 1,250,000         | 0.10                               |
| Expired  | (2,009,192)       | 2.07                               |
| Forfeited  | (63,333)          | 0.68                               |
| <b>Balance Outstanding, December 31, 2023</b>          | <b>16,960,931</b> | <b>0.80</b>                        |
| Expired  | (3,177,002)       | 2.71                               |
| Forfeited  | (92,500)          | 0.16                               |
| <b>Balance Outstanding, June 30, 2024</b>              | <b>13,691,429</b> | <b>0.37</b>                        |
| <i>Exercisable</i>                                     |                   |                                    |
| Exercisable as at June 30, 2024                        | 10,758,514        | 0.42                               |
| 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 three and six months ended June 30, 2024, the Company had share-based compensation expenses relating to stock options amounting to \$57 and \$106, respectively (2023 restated; 142 and 459, respectively).

The following reflects remaining contractual life for outstanding and exercisable options as at June 30, 2024:

| Expiry date  | Outstanding       |                   |                                    | Exercisable       |                                    |
|--------------|-------------------|-------------------|------------------------------------|-------------------|------------------------------------|
|              | Exercise price \$ | Options #         | Remaining contractual life (years) | Options #         | Remaining contractual life (years) |
| 11-Jan-25    | 1.00              | 371,429           | 0.53                               | 371,429           | 0.53                               |
| 1-Apr-25     | 1.00              | 125,000           | 0.75                               | 125,000           | 0.75                               |
| 6-Jul-25     | 1.10              | 75,000            | 1.02                               | 75,000            | 1.02                               |
| 10-Sep-25    | 0.66              | 15,000            | 1.20                               | 15,000            | 1.20                               |
| 1-Oct-25     | 0.65              | 3,400,000         | 1.25                               | 3,400,000         | 1.25                               |
| 12-Oct-25    | 0.65              | 50,000            | 1.28                               | 50,000            | 1.28                               |
| 18-Nov-25    | 0.67              | 150,000           | 1.39                               | 150,000           | 1.39                               |
| 3-Dec-25     | 0.75              | 800,000           | 1.43                               | 800,000           | 1.43                               |
| 12-Nov-26    | 0.63              | 430,000           | 2.37                               | 276,251           | 2.37                               |
| 26-Nov-26    | 0.63              | 75,000            | 2.41                               | 75,000            | 2.41                               |
| 7-Oct-27     | 0.50              | 6,950,000         | 3.27                               | 5,212,500         | 3.27                               |
| 15-Mar-33    | 0.10              | 1,250,000         | 8.71                               | 208,334           | 8.71                               |
| <b>Total</b> |                   | <b>13,691,429</b> | <b>2.99</b>                        | <b>10,758,514</b> | <b>2.40</b>                        |

<sup>1</sup> Includes amounts issued to an officer of the Company (see note 26)

## 22. EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the three and six months ended June 30, 2024, and restated 2023 is as follows:

|  | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23<br><i>Restated</i><br><i>(note 32)</i> | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br><i>Restated</i><br><i>(note 32)</i> |
|--|-----------------------------|--|-----------------------------|--|
| Outstanding common shares  | 470,222                     | 469,522  | 470,222                     | 469,522  |
| Earnings (loss) from continuing operations attributable to RWB shares (\$) | (10,653)                    | (7,506)  | (16,743)                    | (14,026)   |
| Weighted average number of shares outstanding, basic and dilutive          | 470,222                     | 474,739  | 470,222                     | 469,522  |
| <b>Earnings/loss per share, basic and diluted (\$)</b>                     | <b>(0.02)</b>               | <b>(0.02)</b>  | <b>(0.04)</b>               | <b>(0.03)</b>  |

No stock options or warrants have been included in the computation of diluted loss per share as their effect would be anti-dilutive.

## 23. REVENUES

The Company generates revenue through three distinct channels: Retail, Distribution and Licensing. Revenues by channel for the three and six months ended June 30, 2024, and restated 2023 is as follows:

|                      | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> |
|----------------------|-----------------------------|--|-----------------------------|--|
|                      | \$                          | \$   | \$                          | \$   |
| Distribution         | 15,001                      | 18,222   | 31,067                      | 38,555   |
| Licensing            | -                           | 2,309  | 269                         | 2,309  |
| Retail               | 7,021                       | 1,196  | 13,237                      | 7,316  |
| <b>Total revenue</b> | <b>22,022</b>               | <b>21,727</b>  | <b>44,573</b>               | <b>48,180</b>  |

Revenue as a percentage of total sales for three and six months ended June 30, 2024, and restated 2023 is as follows:

|                      | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> |
|----------------------|-----------------------------|--|-----------------------------|--|
|                      | %                           | %  | %                           | %  |
| Distribution         | 68%                         | 83%  | 69%                         | 80%  |
| Retail               | 0%                          | 11%  | 1%                          | 5%   |
| Licensing            | 32%                         | 6%   | 30%                         | 15%  |
| <b>Total revenue</b> | <b>100%</b>                 | <b>100%</b>  | <b>100%</b>                 | <b>100%</b>  |

During the three and six months ended June 30, 2024 and restated 2023, the Company did not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company has not adjusted any of the transaction prices for the time value of money.

The Company has 2 significant customers both representing 10% of total revenues earned by the Company. Revenues earned from these customers are included in the Company's Distribution channel.

## 24. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses for the periods ended June 30, 2024, and restated 2023 were as follows:

|  | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23 | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | \$                          | \$                          | \$                          | \$                          |
| Salaries and wages                               | 4,962                       | 3,390                       | 9,710                       | 6,597                       |
| Facilities expense                               | 758                         | 680                         | 1,424                       | 1,784                       |
| Professional fees                                | 1,504                       | 1,085                       | 3,117                       | 2,609                       |
| Office and administrative fees                   | 630                         | 310                         | 1,152                       | 975                         |
| Travel expense                                   | 126                         | 181                         | 235                         | 220                         |
| Licenses and permits                             | 118                         | 112                         | 221                         | 254                         |
| Insurance  | 500                         | 233                         | 849                         | 708                         |
| Penalty and late fees                            | 267                         | 741                         | 359                         | 1,130                       |
| <b>Total general and administrative expenses</b> | <b>8,865</b>                | <b>6,732</b>                | <b>17,067</b>               | <b>14,277</b>               |

## 25. NON-CONTROLLING INTERESTS

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

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

RWB Florida, LLC is the sole shareholder of Red White & Bloom Florida Inc. ("RWB Florida"). RWB Florida is the holder of a Medical Marijuana Treatment Centre ("MMTC") license from the Florida Department of Health, Office of Medical Marijuana Use ("OMMU") and operates pursuant to the MMTC license throughout the State of Florida.

The following table presents the summarized financial position before intragroup eliminations for non-wholly owned subsidiaries at June 30, 2024, and December 31, 2023:

|                          | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|--------------------------|--------------------|--------------------|
|                          | \$                 | \$                 |
| <b>Assets</b>            |                    |                    |
| Current                  | 91,696             | 16,655             |
| Non-current              | 93,873             | 95,737             |
| <b>Total assets</b>      | <b>185,569</b>     | <b>112,392</b>     |
| <b>Liabilities</b>       |                    |                    |
| Current                  | 68,889             | 62,733             |
| Non-current              | 31,920             | 31,938             |
| <b>Total liabilities</b> | <b>100,809</b>     | <b>94,671</b>      |
| <b>Net Assets</b>        | <b>84,760</b>      | <b>17,721</b>      |

The following summarizes the financial results before intragroup eliminations for non-wholly owned subsidiaries for the three and six months ended June 30, 2024, and restated, 2023:

|  | For the three months ended<br>30-Jun-24 | For the three months ended<br>30-Jun-23 | For the six months ended<br>30-Jun-24 | For the six months ended<br>30-Jun-23 |
|--|---|---|---------------------------------------|---------------------------------------|
| Net Income (loss)                      | (3,957)                                 | (4,903)                                 | (12,209)                              | (10,166)                              |
| <b>Interests</b>                       |   |   |                                       |                                       |
| Controlling interests – 77%            | (3,053)                                 | (3,783)                                 | (9,420)                               | (7,844)                               |
| <b>Non-controlling interests – 23%</b> | <b>(904)</b>                            | <b>(1,120)</b>                          | <b>(2,789)</b>                        | <b>(2,322)</b>                        |

## 26. RELATED PARTY TRANSACTIONS

### A. KEY MANAGEMENT

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for the three and six months ended June 30, 2024, and restated 2023, is as follows:

|  | 3 months ended<br>2024-06-30 | 3 months ended<br>2023-06-30<br><i>Restated</i><br><i>(note 32)</i> | 6 months ended<br>2024-06-30 | 6 months ended<br>2023-06-30<br><i>Restated</i><br><i>(note 32)</i> |
|--|------------------------------|---|------------------------------|---|
|  | \$                           | \$  | \$                           | \$  |
| Management salaries, bonuses, and other benefits                     | 304,489                      | 289,765   | 608,716                      | 508,921   |
| Consulting fees by a company controlled by a director of the company | 51,338                       | 50,526  | 101,984                      | 136,936   |
| Share-based payments – officers                                      | 10,024                       | 20,849  | 20,013                       | 20,849  |
| Share-based payments – directors                                     | 21,516                       | 54,721  | 43,032                       | 108,841   |
| <b>Total</b>   | <b>387,367</b>               | <b>415,861</b>  | <b>773,745</b>               | <b>775,547</b>  |





## **B. AMOUNTS DUE TO/FROM RELATED PARTIES**

- Included in accounts payable and accrued liabilities is \$1,337 in management salaries, bonuses, and other benefits to be paid out in future periods (restated December 31, 2023; \$719)
- Included in accounts payable and accrued liabilities is \$599 (restated December 31, 2023; \$1,230) payable to officers and directors of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.
- The CAD\$17,000,000 Convertible CPIL Note (note 20) is due to an entity related to the President of the Company. The term of the CAD\$17,000,000 Convertible CPIL Note is 2 years at an interest rate of 8% per annum. The Company valued the CAD\$17,000,000 CPIL Convertible Note using the residual method which resulted in a \$14,893 allocation to long-term convertible debt liability and \$2,107 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 (note 20) is due to an entity related to a Director of the Company. The term of the USD\$1,093,750 Convertible VMOS Note is three years at an interest rate of 8% per annum. The Company valued the USD\$1,093,750 Convertible VMOS Note using the Binomial lattice method based on the Cox-Ross-Rubinstein market model which resulted in a \$1,007 allocation to long-term convertible debt liability and \$92 derivative liability on initial valuation. The liability portion of the USD\$1,093,750 Convertible VMOS Note amortized over the three-year term at an effective interest rate of 10.14%. Amounts due and additional terms of the note can be found in note 20.
- The Company has identified other close family members of key management personnel that currently represent lenders to the Company (note 20) during its review of related party disclosures in accordance with IFRS and Securities and Exchange Commission protocols. The list of family members in is non exhaustive and does not preclude other family members from being considered as close family members. The list of family members is non exhaustive and does not preclude other family members from being considered as close family members. The reader is referred to section D and E below for a continuity schedule of notes payable and convertible debentures payable to the individuals or entities identified.

## **C. RELATED PARTY TRANSACTIONS**

### ***Related party transactions during the six months ended June 30, 2024***

- Officers and Directors of the Company held an aggregate of 37,220 common shares and 6,450 stock options. As at June 30, 2024, 4,608 of these stock options are fully vested.
- The Company expensed \$63 in stock-based compensation related to stock options held by directors and officers.



- The CAD\$5,750,000 ELL Note (note 20) is supported by a guarantee provided by DICL, a related party lender, which was subject to a fee payable to DICL by the Company. The fee was calculated based on a percentage of the principal of the CAD\$5,750,000 ELL Note as is standard practice within capital markets..
- Refer to sections D and E below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

***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 stock options held by Directors of the Company expired.
- Officers and Directors of the Company hold an aggregate of 37,220 common shares and 6,472 stock options. As at December 31, 2023, 3,622 of these stock options were fully vested.
- During the year ended December 31, 2023, the Company expensed \$276 in stock-based compensation related to stock options held by directors and officers.
- Refer to sections D and E below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

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**D. RELATED PARTY NOTES PAYABLE CONTINUITY SCHEDULE**

A notes payable continuity schedule for related party short-term notes payable for the six months ended June 30, 2024, is as follows:

|                                | Balance,<br>31-Dec-23 | Additions     | Interest<br>accretion | Interest      | Principal<br>payments | Interest<br>payments | Debt<br>modification | Transaction<br>costs | Extinguishment  | Gain/(Loss) on<br>extinguishment | FX<br>(gain)/loss | Balance<br>30-Jun-24 |
|--------------------------------|-----------------------|---------------|-----------------------|---------------|-----------------------|----------------------|----------------------|----------------------|-----------------|----------------------------------|-------------------|----------------------|
|                                | \$                    | \$            | \$                    | \$            | \$                    | \$                   | \$                   | \$                   | \$              | \$                               | \$                | \$                   |
| USD\$25,885,000 RGR Note       | 41,454                | -             | 88                    | 3,308         | -                     | -                    | -                    | -                    | -               | -                                | 1,466             | 46,316               |
| USD\$6,349,000 SDIL Note       | 9,366                 | -             | 45                    | 698           | -                     | (1,303)              | -                    | -                    | -               | -                                | 333               | 9,139                |
| USD RGR Grid Note              | 30,293                | -             | -                     | 97            | -                     | -                    | -                    | 50                   | (30,390)        | (50)                             | -                 | -                    |
| <sup>i</sup> USD RGR Grid Note | -                     | 24,535        | -                     | 2,276         | -                     | -                    | 30,390               | -                    | -               | -                                | 1,175             | 58,376               |
| USD\$18,300,000 RGR Note       | 25,138                | -             | -                     | 2,073         | (27)                  | -                    | -                    | -                    | -               | -                                | 889               | 28,073               |
| CAD\$2,710,000 BJMDS Note      | 3,029                 | -             | 8                     | 235           | -                     | (11)                 | -                    | -                    | -               | -                                | -                 | 3,261                |
| CAD RGR Grid Note              | 31,098                | -             | -                     | 44            | -                     | -                    | -                    | 50                   | (31,142)        | (50)                             | -                 | -                    |
| <sup>i</sup> CAD RGR Grid Note | -                     | 17,562        | -                     | 2,596         | (3,000)               | (15)                 | 31,142               | -                    | -               | -                                | -                 | 48,285               |
| <b>Balance, end of period</b>  | <b>140,378</b>        | <b>42,097</b> | <b>141</b>            | <b>11,327</b> | <b>(3,027)</b>        | <b>(1,329)</b>       | <b>61,532</b>        | <b>100</b>           | <b>(61,532)</b> | <b>(100)</b>                     | <b>3,863</b>      | <b>193,450</b>       |

A notes payable continuity schedule for related party short-term notes payable for year ended December 31, 2023 is as follows:

|                           | Balance,<br>31-Dec-22 | Additions     | Interest<br>accretion | Interest      | Principal<br>payments | Interest<br>payments | Debt<br>modification | (Gain)/Loss<br>on debt<br>modification | Transaction<br>costs | Extinguishment | FX -<br>(gain)/Loss | Balance<br>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               |
| CAD\$2,210,000 BJMD Note  | 2,227                 | -             | -                     | 31            | -                     | (25)                 | -                    | -                                      | -                    | (2,231)        | -                   | 2                    |
| CAD\$2,710,000 BJMDS Note | -                     | 500           | 13                    | 395           | -                     | (86)                 | 2,231                | (21)                                   | (5)                  | -              | -                   | 3,027                |
| CAD RGR Grid Note         | -                     | 32,705        | -                     | 1,538         | (3,146)               | -                    | -                    | -                                      | -                    | -              | -                   | 31,097               |
|                           | <b>58,334</b>         | <b>51,962</b> | <b>255</b>            | <b>12,778</b> | <b>(4,439)</b>        | <b>(471)</b>         | <b>26,371</b>        | <b>(436)</b>                           | <b>(18)</b>          | <b>(2,231)</b> | <b>(1,727)</b>      | <b>140,378</b>       |

<sup>i</sup> Result of the December 31, 2023 Amendments (note 20)

**E. RELATED PARTY CONVERTIBLE DEBENTURE CONTINUITY SCHEDULE**

A continuity schedule for related party convertible debentures for the six months ended June 30, 2024, and the year ended December 31, 2023 is as follows:

|  | USD\$1,093,750<br>Convertible<br>VMOS Note | USD\$5,400,000<br>Convertible<br>DICL Note | USD\$5,400,000<br>Convertible<br>SDIL Note | CAD\$17,000,000<br>Convertible<br>CPIL Note | Total         |
|--|--|--|--|---|---------------|
|  | \$   | \$   | \$   | \$  | \$            |
| <b>Carrying Value, January 1, 2023</b>   | <b>1,608</b>                               | <b>7,756</b>                               | <b>7,756</b>                               | <b>15,617</b>                               | <b>32,737</b> |
| 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)         |
| <b>Carrying Value, December 31, 2023</b> | <b>1,739</b>                               | <b>8,378</b>                               | <b>8,378</b>                               | <b>18,030</b>                               | <b>36,525</b> |
| Interest accrued                         | 78   | 342  | 342  | 680   | 1,442         |
| Interest Accretion                       | 20   | 103  | 103  | 527   | 753           |
| Effects of foreign exchange              | 60   | 296  | 296  | -   | 652           |
| <b>Carrying Value, June 30, 2024</b>     | <b>1,897</b>                               | <b>9,119</b>                               | <b>9,119</b>                               | <b>19,237</b>                               | <b>39,372</b> |

A continuity schedule for derivative liabilities associated with related party convertible debentures for the six months ended June 30, 2024, and the year ended December 31, 2023, is as follows:

|   | USD\$5,400,000<br>Convertible<br>DICL Note | USD\$5,400,000<br>Convertible<br>SDIL Note | Total          |
|---|--|--|----------------|
|   | \$   | \$   | \$             |
| <b>Balance, January 1, 2023</b>                 | <b>(981)</b>                               | <b>(981)</b>                               | <b>(1,962)</b> |
| Gain on FMV adjustments of derivative liability | 647  | 647  | 1,294          |
| Effects of Foreign exchange                     | (3)  | (2)  | (5)            |
| <b>Balance, December 31, 2023</b>               | <b>(337)</b>                               | <b>(337)</b>                               | <b>(674)</b>   |
| Gain on FMV adjustments of derivative liability | 32   | 32   | 64             |
| Effects of Foreign exchange                     | (10)                                       | (12)                                       | (22)           |
| <b>Balance, June 30, 2024</b>                   | <b>(315)</b>                               | <b>(316)</b>                               | <b>(631)</b>   |

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

## **27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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### **A. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

The three levels of the fair value hierarchy are:

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

In determining the fair value of investments, Level 3 input includes subjective estimates in assessing indicators of impairment.

### **B. CREDIT RISK**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that are subject to such risk include cash, accounts receivable and notes receivable. Accounts receivable balances are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a good credit standing and continue good payment history with the Company. Notes are amounts due from third party debtors (note 10).

As at June 30, 2024, the Company held an accounts receivable balance of \$23,664 (December 31, 2023; \$20,370). Included in this balance is a provision for expected credit losses ("ECL") in the amount of \$6,920 (December 31, 2023; \$4,765). The reader is referred to note 9 for details relating to the Company's accounts receivable and ECL provision for the period ended June 30, 2024, and the year ended December 31, 2023.

As at June 30, 2024, the Company held a notes receivable balance of \$3,020 (December 31, 2023: \$24,704) (note 10). The Company limits its exposure to credit loss on cash and cash equivalents by placing its cash with reputable financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

### **C. LIQUIDITY RISK**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at June 30, 2024, the Company had a cash and equivalents balance of \$14,633 (December 31, 2023; \$2,251) available to apply against short-term business requirements and current liabilities of \$377,780 (December 31, 2023; \$308,161), including short-term lease obligations (note 17), short term notes, convertible debentures and a credit facility (note 20), and 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 potential amendments to existing debt attributes), raising capital through debt and equity markets, and executing opportunities to monetize captive assets; both tangible and intangible, should they present themselves. The Company also continues to proactively explore and implement ways to improve its cash flow by prioritizing operating initiatives with greater expected returns and also continue to aggressively target reductions in operating and administrative costs by streamlining its operations and support functions.

#### **D. INTEREST RATE RISK**

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

As at June 30, 2024 and December 31, 2023, 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 (note 20) which interest is calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. As such, the Company is exposed to interest rate risk to the extent as stated on these financial assets and liabilities.

#### **E. FOREIGN CURRENCY RISK**

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

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

As at June 30, 2024, and December 31, 2023, the Company was exposed to the following currency risk:

|   | As at<br>30-Jun-24 | As at<br>31-Dec-23 |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Financial assets denominated in foreign currencies (USD)      | 47,638             | 29,181             |
| Financial liabilities denominated in foreign currencies (USD) | (177,700)          | (166,752)          |
| <b>Net exposure</b>   | <b>(130,062)</b>   | <b>(137,571)</b>   |

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 period ended June 30, 2024, by \$371 and \$1,237, respectively (June 30, 2023; \$96 and \$321).

## **F. CAPITAL RISK MANAGEMENT**

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

The Company's equity is comprised of share capital, contributed surplus, stock option reserve, convertible debenture reserves, and accumulated deficit. As at June 30, 2024, the Company has shareholders' deficit of \$161,928 (December 31, 2023; \$130,387). Included in the consolidated statements of financial position as of June 30, 2024, is an accumulated deficit of \$505,500 (December 31, 2023; \$491,547). 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 June 30, 2024. The Company is not subject to any external capital requirements.

## **28. CONTINGENCIES AND COMMITMENTS**

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### **A. CLAIMS AND LITIGATION**

On August 19, 2022, Greenlane Holdings, LLC filed a lawsuit against Red White & Bloom Brands, Inc.; RWB Platinum Vape, Inc.; Platinum Vape, LLC; and Vista Prime Management, LLC (collectively, the "RWB Entities") in the Superior Court of California, County of Orange (the "Greenlane Lawsuit"). The RWB entities answered the complaint, generally denying Greenlane's allegations and claims, on October 7, 2022. On November 16, 2022, the RWB Entities filed a motion to dismiss the Lawsuit on the grounds of inconvenient forum. Shortly thereafter, the parties agreed to voluntarily submit their dispute to binding arbitration before the American Arbitration Association in Florida (the "Arbitration"). The Greenlane Lawsuit is stayed pending the outcome of the Arbitration. An Arbitration hearing had been set for July 19-20, 2023; however, the hearing was continued to a later date pending resolution of a motion by Greenlane to join additional parties in the Arbitration. On November 11, 2023, the Greenlane Lawsuit was formally dismissed by the Superior Court of California, County of Orange, on the request of Greenlane Holdings, LLC, without recourse to the RWB Entities, in consideration for a monetary settlement paid by the Company to Greenlane Holdings, LLC in the amount of US\$600. The Company had not previously accrued for the settlement and has recognized the associated expense in the current year's net loss.

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



## **B. 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.

## **29.SEGMENTED RESULTS**

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Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct, and the operating results are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation decisions and assessing its performance. Reportable segments are operating segments whose revenues, profit (loss), or total assets exceed ten percent or more of those of the combined entity. Key measures used by the CODM's to assess performance and make resource allocation decisions include revenues, gross profit and net (loss) income.

The Company's operating segments consist of (1) Corporate, (2) Distribution, (3) Licensing, (4) Retail and (5) Other.

Comparative revenues, cost of goods before fair value adjustments, fair value adjustments, operating expenses and other expenses have been reclassified to confirm to the current period's financial statement presentation.

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**RED WHITE & BLOOM BRANDS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2024 AND RESTATED 2023**  
(In thousands of Canadian Dollars, except number of shares and per share amounts)

The following exhibits summarize the condensed interim consolidated financial information of the Company's reportable segments for the three months ended June 30, 2024, and restated 2023.

| 3 months ended<br>June 30, 2024                        | Corporate      | Distribution | Licensing    | Retail         | Other        | Consolidated    |
|--|----------------|--------------|--------------|----------------|--------------|-----------------|
| Sales revenue  | -              | 17,983       | -            | 4,039          | -            | 22,022          |
| Cost of goods sold                                     | -              | 11,022       | -            | 4,705          | -            | 15,727          |
| <b>Gross profit before fair value adjustments</b>      | -              | <b>6,961</b> | -            | <b>(666)</b>   | -            | <b>6,295</b>    |
| Unrealized changes in fair value of biological assets  | -              | 165          | -            | 2,990          | -            | 3,155           |
| Realized fair value amounts included in inventory sold | -              | 1,345        | -            | (450)          | -            | 895             |
| <b>Total Gross Profit (loss)</b>                       | -              | <b>8,471</b> | -            | <b>1,874</b>   | -            | <b>10,345</b>   |
| Total gross Profit (%)                                 | 0%             | 47%          | 0%           | 46%            | 0%           | 47%             |
| Total operating expenses                               | 1,870          | 5,180        | 124          | 4,325          | -            | 11,499          |
| Total other expenses (income)                          | 4,252          | 1,166        | 42           | 2,107          | 134          | 7,701           |
| <b>Profit (loss) before Income Taxes</b>               | (6,122)        | 2,125        | (166)        | (4,558)        | (134)        | (8,855)         |
| Income tax   | -              | (2,415)      | -            | 634            | (21)         | (1,802)         |
| <b>Net profit (loss) from continuing operations</b>    | <b>(6,122)</b> | <b>(290)</b> | <b>(166)</b> | <b>(3,924)</b> | <b>(155)</b> | <b>(10,657)</b> |
| Loss from discontinued operations                      | -              | -            | -            | -              | 4            | 4               |
| <b>Net loss for the year</b>                           | <b>(6,122)</b> | <b>(290)</b> | <b>(166)</b> | <b>(3,924)</b> | <b>(151)</b> | <b>(10,653)</b> |
| Attributed to:   |                |              |              |                |              |                 |
| Shareholders   | (6,122)        | (290)        | (166)        | (3,020)        | (151)        | (9,749)         |
| Non-controlling interests                              | -              | -            | -            | (904)          | -            | (904)           |

| 3 months ended<br>June 30, 2023 restated               | Corporate      | Distribution | Licensing    | Retail         | Other        | Consolidated   |
|--|----------------|--------------|--------------|----------------|--------------|----------------|
| Sales revenue  | -              | 14,362       | 2,309        | 5,056          | -            | 21,727         |
| Cost of goods sold                                     | -              | 10,462       | 735          | 3,982          | -            | 15,179         |
| <b>Gross profit before fair value adjustments</b>      | -              | <b>3,900</b> | <b>1,574</b> | <b>1,074</b>   | -            | <b>6,548</b>   |
| Unrealized changes in fair value of biological assets  | -              | -            | -            | (1,288)        | -            | (1,288)        |
| Realized fair value amounts included in inventory sold | -              | -            | -            | 617            | -            | 617            |
| <b>Total Gross Profit</b>                              | -              | <b>3,900</b> | <b>1,574</b> | <b>403</b>     | -            | <b>5,877</b>   |
| Total Gross Profit (%)                                 | 0%             | 27%          | 68%          | 8%             | 0%           | 27%            |
| Total Operating Expenses                               | 1,108          | 2,374        | 76           | 5,314          | -            | 8,872          |
| Total other expenses                                   | 4,378          | 48           | -            | 1,066          | -            | 5,492          |
| <b>Loss before Income Taxes</b>                        | (5,486)        | 1,478        | 1,498        | (5,977)        | -            | (8,487)        |
| Income tax   | -              | -            | -            | (139)          | -            | (139)          |
| <b>Net loss from continuing operations</b>             | <b>(5,486)</b> | <b>1,478</b> | <b>1,498</b> | <b>(6,116)</b> | -            | <b>(8,626)</b> |
| Loss from discontinued operations                      | -              | -            | -            | -              | (842)        | (842)          |
| <b>Net gain (loss) for the year</b>                    | <b>(5,486)</b> | <b>1,478</b> | <b>1,498</b> | <b>(6,116)</b> | <b>(842)</b> | <b>(9,468)</b> |
| Attributed to:   |                |              |              |                |              |                |
| Red White and Bloom                                    | (5,486)        | 1,478        | 1,498        | (4,996)        | -            | (7,506)        |
| Non-controlling interests                              | -              | -            | -            | (1,120)        | -            | (1,120)        |



**RED WHITE & BLOOM BRANDS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 30, 2024 AND RESTATED 2023**  
(In thousands of Canadian Dollars, except number of shares and per share amounts)

The following exhibits summarize the condensed interim consolidated financial information of the Company's reportable segments for the six months ended June 30, 2024, and restated 2023.

| 6 months ended<br>June 30, 2024                        | Corporate      | Distribution  | Licensing    | Retail          | Other        | Consolidated    |
|--|----------------|---------------|--------------|-----------------|--------------|-----------------|
| Sales revenue  | -              | 34,049        | 269          | 10,255          | -            | 44,573          |
| Cost of goods sold                                     | -              | 20,445        | 159          | 9,805           | -            | 30,409          |
| <b>Gross profit before fair value adjustments</b>      | -              | <b>13,604</b> | <b>110</b>   | <b>450</b>      | -            | <b>14,164</b>   |
| Unrealized changes in fair value of biological assets  | -              | 80            | -            | 7               | -            | 87              |
| Realized fair value amounts included in inventory sold | -              | 1,089         | -            | (1,127)         | -            | (38)            |
| <b>Total Gross Profit (loss)</b>                       | -              | <b>14,773</b> | <b>110</b>   | <b>(670)</b>    | -            | <b>14,213</b>   |
| Total gross Profit (%)                                 | 0%             | 43%           | 41%          | -7%             | 0%           | 32%             |
| Total operating expenses                               | 3,578          | 9,976         | 570          | 9,468           | -            | 23,592          |
| Total other expenses (income)                          | (1,710)        | 1,605         | 42           | 4,636           | 134          | 4,707           |
| <b>Profit (loss) before Income Taxes</b>               | (1,868)        | 3,192         | (502)        | (14,774)        | (134)        | (14,086)        |
| Income tax   | -              | (3,136)       | (23)         | 1,012           | (48)         | (2,195)         |
| <b>Net profit (loss) from continuing operations</b>    | <b>(1,868)</b> | <b>56</b>     | <b>(525)</b> | <b>(13,762)</b> | <b>(182)</b> | <b>(16,281)</b> |
| Loss from discontinued operations                      | -              | -             | -            | -               | (463)        | (463)           |
| <b>Net loss for the year</b>                           | <b>(1,868)</b> | <b>56</b>     | <b>(525)</b> | <b>(13,762)</b> | <b>(645)</b> | <b>(16,744)</b> |
| Attributed to:   |                |               |              |                 |              |                 |
| Red White and Bloom                                    | (1,868)        | 57            | (525)        | (10,974)        | (182)        | (13,492)        |
| Non-controlling interests                              | -              | -             | -            | (2,789)         | -            | (2,789)         |
| <b>As at June 30, 2024</b>                             |                |               |              |                 |              |                 |
| Intercompany Balances                                  | 322,693        | (203,100)     | (2,833)      | (72,880)        | (43,880)     | -               |
| Total Assets   | 529,244        | (111,105)     | (917)        | 358,358         | (505,936)    | 269,644         |
| Total non-current assets                               | 1,679          | 29,774        | -            | 109,653         | 36,992       | 178,097         |
| Total liabilities                                      | 246,077        | 40,351        | 411          | 121,947         | 22,788       | 431,573         |
| Total non-current liabilities                          | -              | 1,466         | -            | 37,348          | 14,964       | 53,778          |
| % of sales revenue                                     | 0%             | 76%           | 1%           | 23%             | 0%           | 100%            |
| % of loss for the period                               | 11%            | 0%            | 3%           | 84%             | 2%           | 100%            |
| % of income for the period                             | 0%             | 100%          | 0%           | 0%              | 0%           | 100%            |

| 6 months ended<br>June 30, 2023 restated               | Corporate       | Distribution  | Licensing    | Retail          | Other          | Consolidated    |
|--|-----------------|---------------|--------------|-----------------|----------------|-----------------|
| Sales revenue  | -               | 34,695        | 2,309        | 11,176          | -              | 48,180          |
| Cost of goods sold                                     | -               | 23,309        | 735          | 8,178           | -              | 32,222          |
| <b>Gross profit before fair value adjustments</b>      | -               | <b>11,386</b> | <b>1,574</b> | <b>2,998</b>    | -              | <b>15,958</b>   |
| Unrealized changes in fair value of biological assets  | -               | -             | -            | (1,738)         | -              | (1,738)         |
| Realized fair value amounts included in inventory sold | -               | -             | -            | 10              | -              | 10              |
| <b>Total Gross Profit</b>                              | -               | <b>11,386</b> | <b>1,574</b> | <b>1,270</b>    | -              | <b>14,230</b>   |
| Total Gross Profit (%)                                 | 0%              | 33%           | 68%          | 11%             | 0%             | 30%             |
| Total Operating Expenses                               | 3,337           | 4,299         | 90           | 10,360          | -              | 18,086          |
| Total other expenses                                   | 8,334           | 90            | -            | 3,648           | -              | 12,072          |
| <b>Loss before Income Taxes</b>                        | (11,671)        | 6,997         | 1,484        | (12,738)        | -              | (15,928)        |
| Income tax   | -               | (1,879)       | -            | 1,461           | -              | (418)           |
| <b>Net loss from continuing operations</b>             | <b>(11,671)</b> | <b>5,117</b>  | <b>1,484</b> | <b>(11,277)</b> | -              | <b>(16,347)</b> |
| Loss from discontinued operations                      | -               | -             | -            | -               | (2,517)        | (2,517)         |
| <b>Net loss for the year</b>                           | <b>(11,671)</b> | <b>5,117</b>  | <b>1,484</b> | <b>(11,277)</b> | <b>(2,517)</b> | <b>(18,864)</b> |
| Attributed to:   |                 |               |              |                 |                |                 |
| Shareholders   | (11,671)        | 5,117         | 1,484        | (8,956)         | -              | (14,026)        |
| Non-controlling interests                              | -               | -             | -            | (2,321)         | -              | (2,321)         |
| <b>As at December 31, 2023</b>                         |                 |               |              |                 |                |                 |
| Intercompany Balances                                  | 283,724         | (174,136)     | (2,405)      | (64,391)        | (42,792)       | -               |
| Total Assets   | 475,606         | 51,886        | (360)        | 68,558          | (369,785)      | 225,905         |
| Total non-current assets                               | -               | 2,715         | -            | 113,318         | 33,992         | 150,025         |
| Total liabilities                                      | 191,129         | 31,266        | 391          | 117,145         | 16,361         | 356,292         |
| Total non-current liabilities                          | -               | 1,211         | -            | 37,922          | 8,998          | 48,131          |
| % of sales revenue                                     | 0%              | 72%           | 5%           | 23%             | 0%             | 100%            |
| % of loss for the period                               | 46%             | 0%            | 0%           | 44%             | 10%            | 100%            |
| % of income for the period                             | 0%              | 78%           | 22%          | 0%              | 0%             | 100%            |

Revenues and total assets/liabilities by geographic region for the three and six months ended June 30, 2024, and restated 2023, are as follows:

|                   | Canada                       | USA           | Canada                       | USA           |
|-------------------|------------------------------|---------------|------------------------------|---------------|
|                   | 3 months ended June 30, 2024 |               | 3 months ended June 30, 2023 |               |
|                   | <b>\$'000</b>                | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| Total revenues    | 4,031                        | 17,991        | -                            | 21,727        |
|                   | 6 months ended June 30, 2024 |               | 6 months ended June 30, 2023 |               |
|                   | <b>\$'000</b>                | <b>\$'000</b> | <b>\$'000</b>                | <b>\$'000</b> |
| Total revenues    | 7,622                        | 36,951        | -                            | 48,180        |
|                   | Canada                       | USA           | Canada                       | USA           |
|                   | As at June 30, 2024          |               | As at December 31, 2023      |               |
| Total assets      | 80,697                       | 188,948       | 191,882                      | 34,023        |
| Total liabilities | 244,439                      | 187,134       | 189,539                      | 166,753       |

### 30. 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 the three and six months ended June 30, 2024, and restated 2023 are as follows:

|   | 3 months ended<br>30-Jun-24 | 3 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> | 6 months ended<br>30-Jun-24 | 6 months ended<br>30-Jun-23<br><i>Restated (note 32)</i> |
|---|-----------------------------|--|-----------------------------|--|
|   | \$                          | \$   | \$                          | \$   |
| Revenue   | -                           | 189  | -                           | 782  |
| Cost of sales   | -                           | (130)  | -                           | 463  |
| Gross profit (loss)   | -                           | 319  | -                           | 319  |
| General and administration  | 70                          | 604  | 212                         | 1,868  |
| Sales and marketing   | -                           | 17   | -                           | 88   |
| Depreciation and amortization   | -                           | 12   | -                           | 31   |
| Bad debt expense (recovery)   | 8                           | 334  | 4                           | 667  |
| <b>Loss from operations before other expenses</b>                       | <b>(78)</b>                 | <b>(648)</b>   | <b>(216)</b>                | <b>(2,335)</b>   |
| Other expenses (income)   | -                           | 0  | 233                         | 0  |
| Finance expense   | 13                          | 42   | 25                          | 30   |
| (Gain) loss on disposal - capital assets                                | (95)                        | 144  | (11)                        | 144  |
| <b>Net loss before taxes from discontinued operations</b>               | <b>4</b>                    | <b>(834)</b>   | <b>(463)</b>                | <b>(2,509)</b>   |
| Current income tax (recovery) expense                                   | -                           | 8  | -                           | 8  |
| <b>Net loss from discontinued operations</b>                            | <b>4</b>                    | <b>(842)</b>   | <b>(463)</b>                | <b>(2,517)</b>   |
| Net loss per share, basic and diluted on discontinued                   | <b>0.00</b>                 | <b>0.00</b>  | <b>0.00</b>                 | <b>(0.01)</b>  |
| Weighted average number of outstanding common shares, basic and diluted | <b>470,221,901</b>          | <b>469,521,901</b>                                       | <b>470,221,901</b>          | <b>469,521,901</b>                                       |



## **31. RECLASSIFICATIONS**

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

- The Company's CDOM's reassessed the classification of operating segments to better reflect how the Company services its customers and respective legal markets in the United States. For the year ending December 31, 2023, and onward, the Company has segregated its operations into four main operating segments (i) Retail, (ii) Distribution, (iii) Licensing and (iv) Corporate, with all other non-reporting operations to a fifth segment; Other.

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

## **32. RESTATEMENT OF FINANCIAL RESULTS**

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

As a consequence of the 2022 Restatement, the Company was required to restate its condensed interim consolidated financial statements for the six months ended June 30, 2023, due to changes in the opening balances of property, plant and equipment, intangible assets, right-of-use assets and goodwill. The restated condensed interim consolidated financial statements for the period ended June 30, 2023 included in these Financial Statements, should be considered to replace the condensed interim consolidated financial statements for the period ended June 30, 2023, previously filed on August 29, 2023.

The following tables summarize the impacts of discontinued operations (note 30), reclassifications (note 31) and prior period adjustments resulting in restatement of the Company's condensed interim consolidated financial statements for the period ended June 30, 2023.

## A. Changes in Consolidated Statements of Profit and Loss and Comprehensive Profit and Profit and Loss

|   | Three months ended 30-Jun-23 |                         |                   |                 |
|---|------------------------------|-------------------------|-------------------|-----------------|
|   | As previously reported       | Discontinued operations | Reclassifications | As restated     |
|   | \$                           | \$                      | \$                | \$              |
| <b>Revenue</b>  |                              |                         |                   |                 |
| Sales revenue (note 23)   | 21,916                       | 189                     | -                 | 21,727          |
| Cost of goods sold, before fair value adjustments                                 | 15,049                       | (129)                   | -                 | 15,180          |
| <b>Gross Profit before fair market value adjustments</b>                          | <b>6,866</b>                 | <b>318</b>              | <b>-</b>          | <b>6,548</b>    |
| Unrealized changes in fair value of biological assets                             | (1,288)                      | -                       | -                 | (1,288)         |
| Realized fair value amounts included in inventory sold                            | 617                          | -                       | -                 | 617             |
| <b>Gross profit after fair market value adjustments</b>                           | <b>6,196</b>                 | <b>319</b>              | <b>-</b>          | <b>5,877</b>    |
| <b>Operating Expenses</b>   |                              |                         |                   |                 |
| General and administration (note 24)  | 7,332                        | 600                     | -                 | 6,732           |
| Marketing expenses  | 579                          | 17                      | -                 | 562             |
| Share-based compensation (note 21)  | 142                          | -                       | -                 | 142             |
| Depreciation and amortization (note 15, 16)                                       | 1,403                        | 12                      | -                 | 1,391           |
| Bad debt expense (note 9)   | 380                          | 334                     | -                 | 45              |
| <b>Total Operating Expenses</b>   | <b>9,835</b>                 | <b>963</b>              | <b>-</b>          | <b>8,872</b>    |
| <b>Loss from operations before other expenses (income)</b>                        | <b>(3,639)</b>               | <b>(645)</b>            | <b>-</b>          | <b>(2,995)</b>  |
| <b>Other expense (income)</b>   |                              |                         |                   |                 |
| Interest earned on promissory notes (note 10)                                     | -                            | -                       | (337)             | (337)           |
| Other income  | (337)                        | -                       | 337               | -               |
| Finance expense (note 20)   | 7,504                        | 8                       | (7,978)           | (482)           |
| Interest on credit facilities   | -                            | -                       | 539               | 539             |
| Interest on convertible notes   | -                            | -                       | 2,630             | 2,630           |
| Accreted interest on convertible notes  | -                            | -                       | 1,099             | 1,099           |
| Interest on promissory notes  | -                            | -                       | -                 | -               |
| Accreted interest, leases (note 18)   | 664                          | 33                      | 3,710             | 3,677           |
| Loss on disposal of assets (note 15)  | 144                          | 144                     | -                 | -               |
| Gain on valuation of financial instruments (note 20)                              | (1,277)                      | -                       | -                 | (1,277)         |
| Foreign exchange  | (1,021)                      | -                       | -                 | (1,021)         |
| <b>Total other expenses (income)</b>  | <b>5,677</b>                 | <b>185</b>              | <b>-</b>          | <b>5,492</b>    |
| <b>Profit (loss) before income taxes</b>  | <b>(9,317)</b>               | <b>(830)</b>            | <b>-</b>          | <b>(8,487)</b>  |
| Current income tax (expense)/recovery   | (147)                        | (8)                     | -                 | (139)           |
| Deferred income tax recovery  | -                            | -                       | -                 | -               |
| <b>Net loss from continuing operations</b>  | <b>(9,464)</b>               | <b>(838)</b>            | <b>-</b>          | <b>(8,626)</b>  |
| Loss from discontinued operations (note 31)                                       | (4)                          | 838                     | -                 | (842)           |
| <b>Net loss for the period</b>  | <b>(9,468)</b>               | <b>-</b>                | <b>-</b>          | <b>(9,468)</b>  |
| Translation adjustment  | (4,601)                      | -                       | -                 | (4,601)         |
| <b>Net loss and Comprehensive loss</b>  | <b>(14,069)</b>              | <b>-</b>                | <b>-</b>          | <b>(14,069)</b> |
| <b>Net loss attributable to:</b>  |                              |                         |                   |                 |
| Shareholders  | (7,506)                      | -                       | -                 | (7,506)         |
| Non-controlling interests (note 26)   | (1,120)                      | -                       | -                 | (1,120)         |
| <b>Net loss and comprehensive loss attributable to:</b>                           |                              |                         |                   |                 |
| Shareholders  | (12,949)                     | -                       | -                 | (12,949)        |
| Non-controlling interests (note 26)   | (1,120)                      | -                       | -                 | (1,120)         |
| Net loss per share, basic and diluted (note 22)                                   | (0.02)                       | -                       | -                 | (0.02)          |
| Weighted average number of outstanding common shares, basic and diluted (note 22) | 469,521,901                  | -                       | -                 | 469,521,901     |



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|   | Six months ended 30-Jun-23 |                         |                   |                 |
|---|----------------------------|-------------------------|-------------------|-----------------|
|   | As previously reported     | Discontinued operations | Reclassifications | As restated     |
|   | \$                         | \$                      | \$                | \$              |
| <b>Revenue</b>  |                            |                         |                   |                 |
| Sales revenue   | 48,962                     | 782                     | -                 | 48,180          |
| Cost of goods sold, before fair value adjustments                       | 32,685                     | 463                     | -                 | 32,222          |
| <b>Gross Profit before fair market value adjustments</b>                | <b>16,277</b>              | <b>319</b>              | <b>-</b>          | <b>15,958</b>   |
| Unrealized changes in fair value of biological assets                   | (1,738)                    | -                       | -                 | (1,738)         |
| Realized fair value amounts included in inventory sold                  | 10                         | -                       | -                 | 10              |
| <b>Gross profit after fair market value adjustments</b>                 | <b>14,549</b>              | <b>319</b>              | <b>-</b>          | <b>14,230</b>   |
| <b>Operating Expenses</b>   |                            |                         |                   |                 |
| General and administration  | 16,106                     | 1,829                   | -                 | 14,277          |
| Marketing expenses  | 1,132                      | 88                      | -                 | 1,044           |
| Share-based compensation  | 459                        | -                       | -                 | 459             |
| Depreciation and amortization   | 2,069                      | 31                      | -                 | 2,038           |
| Bad debt expense  | 935                        | 667                     | -                 | 268             |
| <b>Total Operating Expenses</b>   | <b>20,701</b>              | <b>2,615</b>            | <b>-</b>          | <b>18,086</b>   |
| <b>Loss from operations before other expenses (income)</b>              | <b>(6,152)</b>             | <b>(2,296)</b>          | <b>-</b>          | <b>(3,856)</b>  |
| <b>Other expense (income)</b>   |                            |                         |                   |                 |
| Interest earned on promissory notes                                     | -                          | -                       | (315)             | (315)           |
| Other income  | (385)                      | -                       | 315               | (70)            |
| Finance expense   | 14,422                     | 8                       | (14,185)          | 229             |
| Interest on credit facilities   | -                          | -                       | 1,055             | 1,055           |
| Interest on convertible notes   | -                          | -                       | 3,993             | 3,993           |
| Accreted interest on convertible notes                                  | -                          | -                       | 2,134             | 2,134           |
| Interest on promissory notes  | -                          | 22                      | 7,003             | 6,981           |
| Accreted interest, leases   | 1,345                      | -                       | -                 | 1,345           |
| Loss on disposal of assets  | 144                        | 144                     | -                 | -               |
| Gain on valuation of financial instruments                              | (2,284)                    | -                       | -                 | (2,284)         |
| Foreign exchange  | (996)                      | -                       | -                 | (996)           |
| <b>Total other expenses (income)</b>                                    | <b>12,246</b>              | <b>174</b>              | <b>-</b>          | <b>12,072</b>   |
| <b>Profit (loss) before income taxes</b>                                | <b>(18,398)</b>            | <b>(2,470)</b>          | <b>-</b>          | <b>(15,928)</b> |
| Current income tax (expense)/recovery                                   | (2,123)                    | (8)                     | -                 | (2,114)         |
| Deferred income tax recovery  | 1,696                      | -                       | -                 | 1,696           |
| <b>Net loss from continuing operations</b>                              | <b>(18,825)</b>            | <b>(2,478)</b>          | <b>-</b>          | <b>(16,347)</b> |
| Loss from discontinued operations                                       | (39)                       | 2,478                   | -                 | (2,517)         |
| <b>Net loss for the period</b>  | <b>(18,864)</b>            | <b>-</b>                | <b>-</b>          | <b>(18,864)</b> |
| Translation adjustment  | (4,780)                    | -                       | -                 | (4,780)         |
| <b>Net loss and Comprehensive loss</b>                                  | <b>(23,644)</b>            | <b>-</b>                | <b>-</b>          | <b>(23,644)</b> |
| <b>Net loss attributable to:</b>  |                            |                         |                   |                 |
| Shareholders  | (14,026)                   |                         |                   | (14,026)        |
| Non-controlling interests   | (2,321)                    |                         |                   | (2,321)         |
| <b>Net loss and comprehensive loss attributable to:</b>                 |                            |                         |                   |                 |
| Shareholders  | (21,323)                   |                         |                   | (21,323)        |
| Non-controlling interests   | (2,321)                    |                         |                   | (2,321)         |
| Net loss per share, basic and diluted                                   | (0.04)                     |                         |                   | (0.04)          |
| Weighted average number of outstanding common shares, basic and diluted | 469,521,901                |                         |                   | 469,521,901     |



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**B. Changes in Consolidated Statement of Changes in Statement Cashflow**

|  | As at 30-Jun-23        |             |                |
|--|------------------------|-------------|----------------|
|  | As previously reported | Adjustments | As restated    |
| <b>Cash flow from operating activities:</b>                |                        |             |                |
| <b>Net loss for the period</b>                             | (18,864)               | -           | (18,864)       |
| <b>Items not involving cash:</b>                           |                        |             |                |
| Accreted interest on leases                                | 1,345                  | -           | 1,345          |
| Adjustments to lease obligations                           | (77)                   | 72          | (5)            |
| Depreciation of right-of-use assets                        | 815                    | (31)        | 784            |
| Adjustment to right-of-use assets                          | (72)                   | 72          | -              |
| Depreciation of property, plant and equipment              | 2,325                  | -           | 2,325          |
| Disposal of property, plant and equipment                  | (311)                  | -           | (311)          |
| Gain on valuation of financial instruments                 | (2,284)                | -           | (2,284)        |
| Accrued interest on notes                                  | 7,063                  | (22)        | 7,041          |
| Accreted interest on notes                                 | -                      | -           | -              |
| Accrued interest on convertible debentures                 | 2,746                  | -           | 2,746          |
| Accreted interest on convertible debentures                | 2,134                  | -           | 2,134          |
| Amendment fees on credit facility                          | 137                    | -           | 137            |
| Accrued interest on credit facility                        | 1,055                  | -           | 1,055          |
| Accrued interest on interest receivable                    | (162)                  | -           | (162)          |
| Additions on note receivable                               | -                      | -           | -              |
| Amortized discount on note receivable                      | (153)                  | -           | (153)          |
| Stock based compensation                                   | 459                    | -           | 459            |
| Realized (gain) loss in cost of sales                      | 10                     | -           | 10             |
| Fair value adjustment on biological assets                 | (1,738)                | -           | (1,738)        |
| <b>Changes in non-cash working capital items:</b>          | -                      | -           | -              |
| Accounts receivable  | (7,230)                | -           | (7,230)        |
| Prepaid expenses   | 125                    | -           | 125            |
| Deposits   | (2,325)                | -           | (2,325)        |
| Inventory  | (3,259)                | -           | (3,259)        |
| Biological Assets  | 4,154                  | -           | 4,154          |
| Accounts payable and accrued liabilities                   | 1,479                  | -           | 1,479          |
| Current Income tax payable                                 | 3,031                  | -           | 3,031          |
| Deferred income taxes                                      | (2,627)                | -           | (2,627)        |
| Other assets   | (772)                  | -           | (772)          |
| Other liabilities  | 5,227                  | -           | 5,227          |
| <b>Net cash provided by (used in) operating activities</b> | <b>(7,769)</b>         | <b>91</b>   | <b>(7,678)</b> |
| <b>Cash flows from investing activities</b>                |                        |             |                |
| Acquisition of property, plant and equipment               | (1,460)                | -           | (1,460)        |
| Acquisition of right-of-use assets                         | 153                    | -           | 153            |
| <b>Net cash provided by (used in) investing activities</b> | <b>(1,307)</b>         | <b>-</b>    | <b>(1,307)</b> |
| <b>Cash flow from financing activities:</b>                |                        |             |                |
| Exercise of stock options                                  | -                      | -           | -              |
| Issuance of short-term note                                | 11,013                 | -           | 11,013         |
| Amendment of short-term notes payable                      | 5,979                  | -           | 5,979          |
| Principal payments on short-term notes                     | (1,331)                | -           | (1,331)        |
| Interest payments on short-term notes                      | (1,863)                | -           | (1,863)        |
| Advances on short-term notes                               | -                      | -           | -              |
| Interest payments on credit facility                       | (354)                  | -           | (354)          |
| Amendment fee payments on credit facility                  | (91)                   | -           | (91)           |
| Addition to leases   | 152                    | -           | 152            |
| Principal payments on lease obligations                    | (157)                  | -           | (157)          |
| Interest payments on lease obligations                     | (1,345)                | -           | (1,345)        |
| <b>Net cash provided by (used in) financing activities</b> | <b>12,003</b>          | <b>-</b>    | <b>12,003</b>  |
| Foreign exchange affecting cash equivalents                | (1,789)                | -           | (1,789)        |
| Change in cash during the period                           | 1,137                  | 91          | 1,229          |
| Cash equivalents, beginning of year                        | 2,747                  | -           | 2,747          |
| <b>Cash, end of period</b>                                 | <b>3,885</b>           | <b>91</b>   | <b>3,976</b>   |



## 33.SUBSEQUENT EVENTS

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

In September 2023, the U.S. Securities and Exchange Commission (SEC) initiated proceedings to de-register the Company's common stock under Section 12(j) of the Securities Exchange Act of 1934 due to past filing deficiencies by prior management. The Company does not currently trade on exchanges requiring SEC registration and does not intend to seek such listings in the near term. Given the SEC's stance against allowing a right to cure after de-registration proceedings have commenced, the Company chose to settle and agree to the de-registration rather than engage in costly and uncertain litigation. Following this decision, the Company intends to re-file a registration statement on Form 20-F to reinstate its securities registration.

On account of the settlement, the SEC order suspending trading became effective on November 7, 2023, preventing U.S. resident shareholders from trading on the OTCQX, which had already been suspended in March 2023.

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. Subsequent to the settlement date and as of the date of this report, its former auditors have not complied with the terms of the settlement in the opinion of the Company. The Company is currently assessing its recourse options associated with non-performance under the terms of the documented settlement. Given the state of the matters with its former auditors, and for the benefit of the shareholders being impacted by this matter, the Company has proactively engaged another leading audit firm to complete the aforementioned audit engagements.

As of the date of this report, the Company and its newly engaged auditors have not been able to accurately determine a final date for completion of the aforementioned audit and accompanying SEC consent requirements given the scope of work being assumed by the current auditors. The Company intends to provide guidance on the status of this engagement as it develops.

The Company is actively working towards lifting the Section 12(j) order and reactivating its OTC marketplace listing. In addition, once compliance issues with the SEC and OTC are resolved, the Company plans to seek approval to deregister from SEC requirements to reduce administrative costs and obligations.

### B. Financing Activities

#### ***CAD RGR Grid Note Advances***

Subsequent to six months ended June 30, 2024, RGR provided the Company with additional advances under the CAD RGR Grid Note amounting to \$750. Proceeds were used to fund general corporate requirements.

#### ***Guarantee Fee***

Subsequent to the period ended June 30, 2024, the Company recorded a guarantee fee due to a related party lender, DICL, in relation to the CAD\$5,750,000 ELL Note (note 20). The fee was calculated based on a percentage of the principal of the CAD\$5,750,000 ELL Note as is standard practice within capital markets.