Red White & Bloom Brands Inc.

Management Discussion and Analysis

For the years ended December 31, 2024, and restated 2023

Dated: July 17, 2025

CSE: RWB

NOTICE TO READER

This notice accompanies the enclosed restated Management's Discussion and Analysis ("MD&A") which restates the Management Discussion and Analysis for Red White and Bloom Brands, Inc. for the year ended December 31, 2024, filed on **July 17, 2025.**

In connection with the audit of the consolidated financial statements for the year ended December 31, 2024, by Williams & Partners LLP ("Williams"), the Company restated its previously issued consolidated financial statements for the year ended December 31, 2023 (the "2023 Restatement").

The Company, upon further review by Williams, revisited the methodology for translating foreign operations to the reporting currency in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. As a result of this review, the Company determined that its 2022 financial results, which were previously restated to reflect the translation of select non-monetary assets (including property, plant and equipment, right-of-use assets, intangible assets, and goodwill) using historical exchange rates, did not align with the most common interpretation of IAS 21. The Company concluded that the net assets (and liabilities) of foreign subsidiaries that are defined as self-sustaining, per IAS 21, should be translated using the exchange rate at the reporting date, consistent with the guidance in paragraph 39 of IAS 21. This position was consistent with the Company's original fiscal 2022 reporting methodology. The Company has reverted to this methodology for the fiscal year ended December 31, 2024, and has restated its 2023 financial statements to reflect this correction and reverse the impact of the 2022 restatement.

As part of the 2023 Restatement, the Company reassessed its inventory valuation methodology to ensure further alignment with IFRS IAS 41 *Agriculture* and IAS 2 – *Inventories*. As a result of this reassessment, the Company updated the application of realized and unrealized fair value adjustments to biological asset inventory, resulting in restatements to both inventory values and cost of goods sold for the fiscal years ended 2021 through 2023.

As part of the 2023 Restatement, the Company revised its methodology for calculating expected credit losses ("ECL") under IFRS 9 – *Financial Instruments*, specifically relating to customer receivables where corresponding trade payables were also outstanding. These receivable balances had previously been excluded from the ECL calculation for the year ended December 31, 2023. The Company concluded that this exclusion did not align with the most common interpretation of IFRS 9, despite its commercial practicality, and revised its ECL estimates accordingly.

Details of the above noted restatements and related adjustments are provided in Note 36 – Restatement of the Company's Audited Statements for the year ended December 31, 2024. The Company's audited consolidated financial statements for the relevant periods are available at www.sedarplus.ca.

The Company remains fully committed to the accuracy, transparency, and integrity of its financial reporting and, to the best of its knowledge, has complied with all necessary revisions to its financial statements in accordance with IFRS and applicable audit standards.

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

There can be no assurance that the aforementioned conditions as well as other factors will not affect the accuracy of forward-looking statements made by the Company regarding the anticipated performance of its business. Such factors include, but are not limited to, the Company's ability to obtain financing from external resources in whatever form, the general impact of capital and commercial market conditions that may impact the Company and its consumers, the harvested yield of cannabis biomass realized from cultivation operations, product demand in channels to market that the Company currently services or intends to service in future periods as part of its business initiatives, changes in prices of key manufacturing inputs such as raw materials sourced from various domestic and foreign jurisdictions and services outsourced by the Company to facilitate the production of finished goods, the impact of competition in jurisdictions which the Company operates or is targeting to operate in, and relevant government regulations including the those that enforce tariffs and the potential reclassification or de-scheduling of cannabis as a Schedule 1 narcotic under the US federal Controlled Substances Act.

Readers are encouraged to reference the Company's public filings, overseen by Canadian securities regulators, which can be accessed on Sedar+ (www.sedarplus.ca).

NON-IFRS AND SUPPLEMENTARY FINANCIAL OR OPERATING MEASURES

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

EBITDA, as defined by the Company, means earnings before interest, income taxes, depreciation, and amortization. The Company calculates Adjusted EBITDA as EBITDA less , share based compensation, gains or losses on evaluation of financial instruments, gains or losses on asset disposals, gains or losses on settlement or extinguishment of debt, gains or losses on investments, gains or losses on discontinued operations, (foreign exchange adjusted to eliminate charges associated with intercompany balances required to be realized through profit and loss by IFRS standards), expected credit losses and bad debt expense, acquisition costs, business transaction costs, , and non-recurring expenses such as contract termination costs, costs associated with corporate restructuring of operations, carrying costs associated with dormant tangible assets , penalties and late fees.

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Red White & Bloom Brands Inc. (the "Company" or "RWB") is intended to assist the reader in better understanding the operations and key financial results as of the date of this MD&A and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2024 ("2024-Q4" or "2024-YTD" or "2024-YE"), and the comparative restated year December 31, 2023 ("2023-Q4" or "2023-YTD" or "2023-YE"), collectively referred to as the "Financial Statements" or the "2024 Audited Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The information in this MD&A is current as of July 17, 2025.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors as of July 17, 2025.

All table amounts referred to in this MD&A are expressed in thousands of Canadian dollars, whereas all other amounts are expressed in millions of Canadian dollars, except as indicated otherwise. All references to the Company contained in this MD&A include references to all its subsidiaries, as applicable. The accompanying Financial Statements and MD&A are filed on www.sedarplus.ca ("Sedar+").

COMPANY OVERVIEW AND STRATEGY

Company Overview

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

As of December 31, 2024, the Company has established a robust, multi-faceted operational framework spanning key North American cannabis markets. Our business is strategically positioned across four dynamic channels:

1. **Premium Distribution Network** - Delivering both proprietary and partner premium cannabis products directly to licensed retailers and intermediary distributors across adult-use and medical channels across North America and in the European Union.
2. **Retail Excellence** - Operating customer-centric retail locations and an online dispensary platform offering curated selections of branded and non-branded cannabis products to medical and recreational consumers.
3. **Vertically Integrated Supply Chain** - Maintaining captive cultivation, processing, packaging, and procurement operations that ensure quality control and margin optimization across our distribution, retail, and licensing operating segments.
4. **Brand Licensing Power** - Strategically extending our market-leading Platinum and Platinum Vape brands through arm's length distribution partnerships.

The Company has established strong market positions in the U.S. states of Michigan, Florida, and California, with additional licensing arrangements extending our reach into Missouri and Ohio markets. The acquisition of select entities of Aleafia Health Inc. (the "Aleafia Acquisition") in early 2024 represented a pivotal advancement in our North American growth strategy, enabling immediate expansion of our Platinum brand portfolio into the valuable Canadian market amongst other commercial, operational, and administrative synergies. The Aleafia Acquisition also granted the Company access to an established adult-use distribution infrastructure and a medical retail channel, along with the integration of respected Canadian cannabis brands (EMBLEM and DIVVY) into our product portfolio, offering further diverse, consumer-focused product formats. For comprehensive details on this strategic transaction, please refer to the Acquisitions section of this MD&A.

[i] Reader is referred to Recent Developments for detail on the status of the Company's listing on OTC Markets

Company Strategy

The Company is strategically positioned to accelerate US, Canadian and international expansion of its distribution and retail operations through both organic and acquisitive means.

The Company is pursuing strategic market penetration through:

1. **Vertical Integration** - Establishing a comprehensive and vertically integrated operational footprint in the North American cannabis marketplace.
2. **Asset-Light Licensing Model** - Leveraging our powerful brand equity through arm's length supply and licensing agreements in targeted U.S. markets

At the core of this strategy is our portfolio of premium cannabis brands, and partnered brands, including:

PLATINUM & PLATINUM VAPE ("PV")	ONE PLANT CANNABIS	DIVVY & EMBLEM
Our flagship premium brand recognized for exceptional quality	Distinctive cannabis brands and retail presence in the state of Florida	Market-leading Canadian brands with established consumer loyalty.

Our family of brands has secured a reputation for uncompromising quality across North American and international markets. The Company's product portfolio, encompassing both branded and non-branded offerings, has become the definitive choice for sophisticated cannabis consumers who demand consistency and excellence, delivered through rigorous procurement standards, precision-focused production methodologies, and comprehensive quality assurance protocols.

Platinum's diverse product ecosystem includes:

- **Advanced Vaporization Technology** - Disposable and reusable vape pens, cartridges, and pods available in precision-formulated, strain-specific varieties
- **Culinary Cannabis Innovations** - Artisanal, palate-driven edible creations, including our signature gummy coins featuring classic flavor profiles
- **Premium Flower Program** - Carefully cultivated packaged flower and various sophisticated pre-roll formats

Strategic partnerships

Significant advancements in our brand strategy were achieved at the end of 2024, with the execution of a licensing agreement with One Plant Retail Corporation ("OPRC"); a leading, first mover cannabis operator in Canada and the United States. This strategic partnership grants us exclusive rights to the prestigious and quality renown One Plant brand assets in the Florida market, further strengthening our competitive position in one of the nation's most dynamic cannabis markets.

This licensing agreement aligns with our growth strategy by:

- Securing exclusive rights to utilize One Plant's recognized premium cannabis brand portfolio across our Florida operations
- Enabling immediate rebranding of our retail locations under the established One Plant banner
- Expanding our product offerings to include One Plant's highly regarded product formulations
- Creating a comprehensive digital presence through One Plant branded, Florida-specific social media and website platforms
- Establishing cross-promotional opportunities with One Plant's operations in other markets

The Company remains focused on driving domestic and international growth through a multifaceted strategy built on organic expansion and strategic acquisitions. Central to this approach is the continued development and promotion of the Company's premium Platinum and Platinum Vape brands ("Platinum" or "PV"), One Plant retail banners, and the Emblem and DIVVY brands in Canada. The Company's growth model is underpinned by three complementary pillars: enhancing vertical integration, as demonstrated by the Aleafia Acquisition in Canada and within the Company's Florida operations; an asset-light licensing model, enabling brand penetration in key U.S. markets and avoiding more capital-intensive start-up costs; and strategic brand partnerships, such as the exclusive licensing agreement with One Plant in the Florida operation. Through these initiatives, the Company continues to build a robust, diversified footprint while delivering high-quality cannabis offerings that appeal to discerning consumers. The Company's brand family is recognized for its quality and consistency, with product lines that span vapes, edibles, flower, oils, concentrates, and pre-rolls. By leveraging brand equity, disciplined production standards, and focused market execution, the Company is well-positioned to capture further share in both mature and emerging cannabis markets.

DESCRIPTION OF THE BUSINESS

Distribution

The Company is committed to the production, sale, and distribution of both adult-use and medical cannabis products to licensed retailers and intermediary distributors.

In Michigan, operations are anchored by a state-of-the-art, multifunctional facility located in Warren, with corporate activities centralized in Southfield. The Company primarily distributes its premium Platinum and PV branded cannabis products across both the adult-use and medical markets, serving over 300 licensed retailers throughout the state as of the date of this MD&A. This solidifies the Company's position as a leading supplier within Michigan's challenging first-mover cannabis market.

In California, the Company distributes a full line of Platinum and PV branded cannabis products through partnerships with local, best-in-class contract manufacturers, distributors, and sales agents. The Company's focus in California remains the distribution of primarily Platinum branded adult-use cannabis products to licensed retailers in one of the United States' largest and established cannabis markets.

With the closing of the Aleafia Acquisition[i] on January 12, 2024, the Company was able to expand its presence in Canada. The acquisition added two state-of-the-art licensed cultivation and processing facilities in Ontario, including one of Canada's largest outdoor cannabis cultivation operations. These assets enhance the Company's cultivation, processing, including extraction, capabilities, enabling expanded distribution of both adult-use and medical cannabis products to intermediary distributors and registered patients across the federally regulated Canadian cannabis marketplace.

[i] See Acquisitions

Licensing

The Company complements its core distribution operations with an asset-light licensing model. It partners with third-party, high-value licensed distributors in strategic U.S. markets, supplying non-THC branded inputs such as packaging, hardware, and terpenes, and granting exploitation rights associated with the use of the non-THC inputs which permits licensees with established distribution networks to manufacture, market, and distribute Platinum or PV branded products within defined territories. These arrangements focus on the distribution of PV branded vape cartridges, disposable vapes, and edibles, allowing the Company to expand its brand presence in key states without incurring the capital requirements associated with established in-state physical licensed operations. This strategy supports revenue diversification and leverages the strong reputation of the Platinum and PV brands.

Retail

Florida Operations:

As of the date of this MD&A, the Company is licensed to operate medical cannabis dispensaries in Florida and currently operates five (5) dispensaries under the newly minted "One Plant Cannabis" retail banner.

Our Florida retail operations are supported by an integrated supply chain including a multi-purpose processing, extraction, and packaging facility in Sanderson, Florida, situated on fifteen (15) acres, and a 4,000 square foot freestanding building utilized for edibles manufacturing, extraction, ongoing product development, and administration in addition to a scalable cultivation facility in Apopka, Florida, situated on five (5) acres. The Apopka facility's cannabis biomass outputs are wholly committed to the Sanderson facility ensuring quality control and consistent product delivery across our Florida retail network.

As of the date of this report, the Company has secured leases for a total of twelve (12) medical-use dispensary locations throughout Florida, opening its most recent location in Orange Park in April 2025. Construction has been substantially completed on a profile dispensary in South Miami Beach, with activation expected in 2025-Q3, subject to regulatory and municipal approvals. Additional leased retail locations in Hollywood, North Miami, Brandon, Largo, Citrus Park, Lockhart and Brandon are projected to come online through the end of fiscal 2025 and into the first quarter of fiscal 2026. These locations will benefit from the One Plant brand equity and premium positioning as we continue to execute our aggressive retail expansion strategy in Florida, emphasizing the activation of lower-fixturing cost, high volume, high visibility "white-box" dispensary formats.

Michigan Operations:

As at the date of this report, the Company is licensed, within the state of Michigan, to operate adult-use and/or medical cannabis dispensaries and wholesale distribution operations in the state of Michigan. Following a strategic review conducted during fiscal 2024, the Company made the decision to shift away from retail dispensary operations in the state to focus primarily on continuing to capitalize on its leadership position in the wholesale distribution market; a market management believes there are greater opportunities for sustainable growth and profitability.

At December 31, 2024, the Company operated three retail dispensaries through its subsidiary, RWB Michigan LLC. Subsequent to year-end and in alignment with the aforementioned strategic focus on wholesale distribution, the Company closed two of these retail locations. As at the date of this report, the Company operates one retail dispensary, showcasing the Company's curated portfolio of premium cannabis products.

Through its wholesale distribution business, the Company can ensure a consistent supply of best-in-class cannabis products to its retail partners while maintaining strong brand presence in Michigan's competitive and rapidly evolving cannabis market. The Company continues to focus on commercial initiatives that optimize market share in the wholesale segment and enhancing operational efficiencies to maximize ongoing profitability.

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

As a result of the Company's 2023-year end impairment analysis, management assessed the carrying value of all tangible and intangible assets held by the Company in the state of Michigan; specifically, those held by the Company's subsidiary, Pharmaco, Inc. These assets included dormant cultivation facilities and unoccupied real property that were acquired as part of the Pharmaco, Inc. acquisition in February 2022. As a result of the analysis, $36.3 million in licenses relating to medical use retail operations in Michigan were impaired along with $34 million of property, plant and equipment with the majority. At the end of fiscal year 2023, the Company also impaired goodwill relating to Pharmaco, Inc. amounting to $24.3 million. At the end of 2024, operations in Pharmaco Inc. were discontinued (see *Recent Developments*). Details of these impairments, and results of discontinued operations can be found in the 2024 Audited Financial Statements found on Sedar+.

The following sets out the Company's total licensed cannabis retail locations within the United States as of the date of this report.

Jurisdiction	Licensed, Active Cannabis Retail Stores	Cannabis Retail Stores available to be Activated	Total Available Retail Locations
Florida	5	7	12
Michigan	1	-	1

As of January 12, 2024, following the closing of the Aleafia Acquisition, the Company enhanced its Canadian operations by adding a prominent online medical retail storefront serving approximately ~13,300 registered patients across Canada. The Company is recognized for its wide range of high-quality cannabis products, including cultivar-specific oils and capsules, and topicals and has expanded its offerings to include Platinum branded edibles, vapes, and vape carts. Patients can access these products at their convenience, with home delivery available. Supported by a dedicated patient care team with extensive years of experience, the Company provides comprehensive support, education, and personalized treatment plans through a network of specialized physicians and nurse practitioners, continuously aligning product development with evolving patient needs.

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

The table below provides an overview of the Company's subsidiaries and their respective ownership as of the date of this MD&A:

Subsidiary	Source Currency	Jurisdiction	% Ownership As at 31-Dec-24	% Ownership As at 31-Dec-23 *Restated*
Continuing Operations				
Red White & Bloom Brands Inc. (Parent)	**CAD**	**British Columbia, Canada**	**100%**	**100%**
[i]RWB (PV) Canada, Inc.	CAD	Alberta and Ontario, Canada	100%	100%
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
[ii]Aleafia Inc.	CAD	Ontario, Canada	100%	-
[ii]Aleafia Farms Inc.	CAD	Ontario, Canada	100%	-
[ii] Aleafia Retail Inc.	CAD	Ontario, Canada	100%	-
[ii] Canabo Medical Corporation	CAD	Ontario, Canada	100%	-
[ii] Emblem Cannabis Corporation	CAD	Ontario, Canada	100%	-
[ii] Growwise Health Ltd.	CAD	Ontario, Canada	100%	-
[iii]Emblem Lands LP	CAD	Ontario, Canada	100%	-
[iv]Emblem Lands GP	CAD	Ontario, Canada	100%	-
MichiCann Medical Inc.	CAD	Ontario, Canada	100%	100%
PV CBD, LLC	USD	California, United States	100%	100%
[v]RWB California, Inc.	USD	California, United States	100%	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%
[vi]Red White & Bloom Michigan (2024), Inc.	USD	Michigan, United States	100%	-
RWB Michigan LLC	USD	Michigan, United States	100%	100%
RWB (PV) Licensing, LLC	USD	Nevada, United States	100%	100%
Discontinued Operations				
Vista Prime Management, LLC	USD	California, United States	100%	100%
[vii]Vista Prime 3, Inc.	USD	California, United States	100%	100%
[viii]Vista Prime 2, Inc.	USD	California, United States	100%	100%
Mid-American Growers, Inc.	USD	Delaware, United States	100%	100%
Pharmaco, Inc.	USD	Michigan, 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%
[ix]GC Ventures 2, LLC	USD	Michigan, United States	100%	100%

[i]Incorporated March 7, 2023
[ii]Acquired January 12, 2024 (note 7)
[iii] Established April 29, 2024
[iv]Incorporated April 29, 2024
[v]Incorporated February 7, 2023
[vi] Incorporated December 17, 2024
[vii] Dissolved November 6, 2024
[viii] Dissolved November 6, 2024
[ix] Dissolved November 19, 2024

OUTLOOK

The Company is executing well-defined strategic growth initiatives focused on expanding market presence, optimizing operations, and enhancing product offerings across key jurisdictions. Our forward-looking strategy encompasses several high-priority initiatives:

- **Leveraging Canadian Market Acquisition:** The transformative Aleafia Acquisition positions the Company as a premier licensed producer in Canada with enhanced market penetration capabilities and broader consumer reach. This strategic acquisition establishes a strong foundation for North American cannabis marketplace opportunities ahead of potential US federal legalization. The acquisition also delivers immediate cross-functional synergies in research and development, procurement, sales channel optimization, and administrative efficiencies.
- **Accelerating Licensing Expansion:** With the Aleafia Acquisition successfully completed, our licensing segment can strategically target multiple high-value North American markets simultaneously. Beyond our established US presence in Missouri and Ohio, we are pursuing opportunities in Canada and international bulk flower distribution markets. By forging premium partnerships with vertically integrated operators, we continue to expand revenue streams while maintaining a capital-efficient growth model that maximizes shareholder returns.
- **Florida Market Penetration:** The ongoing expansion of our medical-use dispensary footprint in Florida will represent a significant milestone within this cornerstone US market. This expanded retail footprint will strengthen our competitive position amongst incumbents and elevate our ability to meet our valued patients' needs throughout the state with consistent, premium product offerings supported by a tailored customer service experience.
- **Manufacturing Innovation:** Strategic investments in manufacturing capabilities in Florida, Michigan, and Canada - including extraction technologies and edibles production facilities as well as optimized cultivation facilities - will enable us to diversify our product portfolio and capture increasing consumer demand across emerging product categories while allowing for further cost optimization. These operational enhancements strengthen our vertically integrated model and support sustainable growth objectives.
- **Optimizing Operations in California:** Through strategic third-party partnerships focused on procurement, manufacturing, distribution, sales fulfillment, and marketing in California, we have optimized our distribution operations, resulting in streamlined costs and accelerated speed-to-market capabilities. These efficiencies enhance profitability metrics while supporting the continued evolution of our product portfolio in this trendsetting market.

The Company continues to expand its portfolio of branded cannabis products across all operating jurisdictions. Our product innovation strategy emphasizes premium concentrate formats, including Live Resin and Live Rosin vape offerings, curated edible products such as our signature branded gummy coins, and advanced disposable vape hardware platforms.

The Aleafia Acquisition[i] has enabled the successful launch of Platinum branded vape cartridges, disposable vape products, gummy coins, and various flower and pre-roll formats in Canada's federally legal cannabis market. These offerings complement established Emblem and DIVVY brands, with distribution through provincial channels and direct-to-patient access through our medical retail channel. Opportunities to exploit the Emblem and DIVVY brands in our US channels have also presented themselves with the Aleafia Acquisition.

As of this MD&A's publication date, the Company remains strategically positioned to capitalize on its competitive advantages, expand market reach, and optimize operations to deliver sustainable growth and enhanced shareholder value.

[i] See Acquisitions

RECENT DEVELOPMENTS

Pharmaco Receivership

On March 5, 2025, the Company's subsidiary, Red White & Bloom Michigan (2024), Inc., an entity under common control, was ruled the successful bidder for the assets of Pharmaco Inc. ("Pharmaco") which were mandated for sale in a state sponsored and court-supervised receivership. On March 28, 2025, Red White & Bloom Michigan (2024), Inc. was duly confirmed as the successful acquirer of the Pharmaco assets on the expiry of an appeal period mandated by the Pharmaco receiver. Pharmaco, previously acquired by the Company on February 7, 2022, and classified as a disposal group as of December 31, 2024, had been placed under receivership on December 26, 2024, following uncured defaults under its senior secured loan agreement. On April 29, 2025, net proceeds from the sale of the Pharmaco assets were applied as a principal repayment, under the direction of the Pharmaco court appointed receiver, against Pharmaco's outstanding obligations under the senior secured RGR Credit Facility. The remaining outstanding balance of the senior secured RGR Credit Facility (principal, interest and applicable fees) was discharged by the senior secured lender effective March 28, 2025 in concert with the confirmation of the bidder proceeds. The discharge of the remainder of the outstanding obligation was recognized as a gain on debt settlement by Pharmaco. On June 9, 2025, a motion to terminate the Pharmaco receivership was filed with the presiding court authority by the receiver-in-charge confirming that the receiver had, in its opinion, completed its mandate of liquidating substantially all Pharmaco's assets with the proceeds distributed to RGR. In addition, as of the motion filing date, substantially all Pharmaco's contracts and agreements have been terminated. On June 25, formal approval was issued by the presiding court to terminate the receivership. The financial impact of the termination of the receivership will be reflected in the Company's 2025-Q2 consolidated financial statements. As at December 31, 2024, the RGR Credit Facility was included in Liabilities Available for Sale (note 15 of the 2024 Audited Financial Statements found on Sedar+).

This Pharmaco receivership and the associated sale of its assets represents the completion of a strategic realignment of the Company's Michigan resident retail operations which were deemed to no longer be aligned with the Company's core business objectives. The Company remains focused on continuing to build and invest in its first mover distribution operations in the state of Michigan backstopped by the premium Platinum Vape branded product family.

Debt Restructuring

The Company successfully concluded negotiations with various lenders to renew multiple previously issued notes payable and convertible debentures that had matured during the fiscal year ended December 31, 2024 (the "Matured Debt"). Originally scheduled to mature on September 12, 2024, the Matured Debt was formally amended on February 1, 2025, with the amendments retroactively effective as of September 15, 2024. This debt renewal represents a significant financial milestone for the Company, providing continued confidence in the Company from its lenders, enhanced liquidity through the deferral of cash debt service requirements, and discounts on select debt with the associated lender group. The renewed debt includes revised terms that align with the Company's growth strategy, allowing management to maintain adequate cash flow while continuing to pursue strategic expansion initiatives in active markets in Canada and the United States. The effect of the February 1, 2025, amendments will be reflected in the Company's first quarter results. The Matured Debt consisted of the following notes payable and convertible debentures:

- CAD$2,710,000 BJMDSD Note (renewed as the "BJSD Note")
- USD$25,885,000 RGR Note (renewed as the "RGR Note A")
- USD$6,349,000 SDIL Note (renewed as the "SDIL Note A")
- USD$269,000 SIL Note (renewed as the "SIL Note")
- USD$2,887,000 TAII Note (renewed as the "TAII Note")
- CAD$ RGR Grid Note (renewed as the "RGR CAD Grid Note")
- USD$ RGR Grid Note (renewed as the "RGR CAD Grid Note")
- CPIL Convertible Note (renewed as the "CPIL Note")
- DICL Convertible Note (renewed as the "DICL Note")
- SDIL Convertible Note (renewed as the "SDIL Note B")

Each of the above Matured Debt were amended to extend the maturity date to September 12, 2027, re-align the annual interest rate to 12% and remove expired convertible debt features where applicable. Original terms of the Matured Debt can be found in note 20 of the 2024 Audited Financial Statements found on Sedar+ (www.sedarplus.ca).

Financing Activities

Subsequent to year ended December 31, 2024, the Company was advanced USD $11,046 and CAD $2,500, under the RGR USD Grid Note and the RGR CAD Grid Note, respectively. Proceeds of the USD advance were primarily used to fund the successful bid for the assets of Pharmaco as noted in the Pharmaco Receivership section above, with the remaining proceeds used to fund other working capital requirements.

Florida Retail

On April 24, 2025, the Company received official approval from the Florida Department of Health's Office of Medical Marijuana Use (the “OMMU”) to commence operations at our newest medical cannabis dispensary in Orange Park, Florida and on April 26, 2025, successfully launched this location, further expanding its operational footprint in the state's growing medical cannabis market. This profile retail location enhances the Company's presence in northeast Florida, complementing the Company’s existing retail network and strengthening its position in this key market. The Orange Park dispensary features a full product portfolio and implements an enhanced customer service model, whose implementation within the existing retail network has proven successful across our other Florida locations. The addition of this location advances the Company’s ongoing penetration strategy with the objective of achieving an increased retail footprint in high-traffic, highly visible, demographically favorable areas throughout the state of Florida.

The Company will continue to execute additional retail activations throughout fiscal 2025 across the state of Florida in addition to further advancing product quality and development capabilities and enhancing operating efficiencies at its captive cultivation and processing facilities to support the targeted larger retail footprint within the state in advance of a potential transformation of the Florida cannabis marketplace.

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 services provider to complete the aforementioned audit engagements.

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

As of the date of this report, the Company and its auditors have substantially progressed the aforementioned audit engagements and are working diligently to complete the scope of work including the accompanying SEC consent requirements, which will lift the Section 12(j) order. The Company will continue to provide its shareholders with timely updates on the status of this engagement as it develops. The Company is also concurrently working to reactivate its OTC marketplace listing. As stated prior, once compliance issues with the SEC and OTC have been resolved, the Company plans to seek approval to cancel its SEC registration given that it is not required to sustain its status as a foreign private issuer on OTC Markets.

ACQUISITIONS

Aleafia Acquisition

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

Total consideration for the Transaction totaled $30.6 million consisting of (1) a release of $24.2 million outstanding and the obligations payable by the Aleafia Group under the AH Note Receivable[i] and the AH DIP Note[i], along with, (2) cash consideration of $6.4 million, funded through a combination of cash on hand held by the Purchase Entities and a drawdown under RWB's CAD RGR Grid Note[i], to be utilized by Aleafia Health Inc. to extinguish outstanding obligations under an existing credit agreement and to fund closing costs and expenses of the Monitor and its legal counsel after the closing date.

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

	$ '000
AH DIP Note allocated to purchase of shares	7,241
AH Note Receivable allocated to purchase of shares	16,954
Cash consideration	6,370
Total consideration	**30,565**
Identifiable assets (liabilities) acquired	
Cash and equivalents	1,009
Receivables	2,230
Prepaids and deposits	1,722
Inventory	7,267
Biological assets	692
Land	11,700
Property, plant and equipment	9,686
Right of use assets	36
Intangible assets	4,681
Investments	1,837
Payables	(2,360)
Taxes payable	(72)
Accrued liabilities	(843)
Other payables	(65)
Lease obligations	(41)
Total identifiable net assets	**37,479**
Excess consideration over net identifiable assets	**(6,914)**
Total consideration	**30,565**

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

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

During 2024-YE, the Company expensed $0.5 million in acquisition costs relating to the Aleafia Acquisition ($0.5 million; restated 2023).

Revenue of the Purchased Entities post-acquisition for 2024-YE amounted to $19.4 million and net income totaled $3.0 million Had the Aleafia Acquisition closed on January 1, 2024, the Company estimates it would have recorded consolidated revenues of $80.7 million and a consolidated net loss of $33.6 million for the year, resulting in an increase in revenue of $0.5 million and an increase in net loss of $0.5 million for the year, including the impact of a bargain purchase amounting to $6.9 million recorded by the Company to gain on investments.

DISCONTINUED OPERATIONS

As a result of Management's assessment of discontinued operations under IFRS 5, as at 2024-YE, the Company had discontinued operations of its wholly owned subsidiaries; Mid-American Growers, Inc, Real World Business Integrations, LLC, Vista Prime Management, LLC, GC Ventures 2, LLC, Vista Prime 3, Inc, Royalty USA Corp, Pharmaco Inc. and RWB Illinois, Inc.

In accordance with the aforementioned classification, the results of operations for 2024-Q4 and 2024-YTD and prior year comparatives are as follows:

	2024-Q4	2023-Q4 restated	Variance	2024-YTD	2023-YTD restated	Variance
	$	$	$	$	$	$
Revenue	4,694	18,603	(13,909)	4,694	19,385	(14,691)
Cost of Sales	3,786	11,766	(7,980)	3,786	12,230	(8,444)
Gross profit	**908**	**6,837**	**(5,929)**	**908**	**7,155**	**(6,247)**
Fair market value adjustments	-	-	-	-	(736)	736
Total operating expenses	6,696	12,063	(5,367)	7,048	15,014	(7,966)
Loss from operations	(5,788)	(5,226)	(562)	(6,140)	(7,123)	2,455
Total other expense (income)	1,196	94,091	(92,894)	1,431	94,086	(92,658)
Net profit (loss) before taxes from discontinued operations	**(6,984)**	**(99,317)**	**92,332**	**(7,571)**	**(102,682)**	**95,113**
Current income tax expense	(151)	1,515	(1,665)	(151)	1,514	(1,664)
Deferred income tax (recovery) expense	(366)	(10,755)	10,389	(366)	(10,755)	10,389
Net profit (loss) from discontinued operations	**(6,467)**	**(90,077)**	**83,608**	**(7,054)**	**(93,441)**	**86,388**
Net profit (loss) per share, basic and diluted on discontinued	(0.01)	0.01	(0.02)	(0.02)	(0.20)	0.18

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

FINANCIAL HIGHLIGHTS

Consolidated Highlights

The following summarizes results from operations for 2024-Q4 and 2024-YTD, and 2023-Q4 and 2023-YTD.

	2024-Q4	2023-Q4 restated	Variance	2024-YTD	2023-YTD restated	Variance
	$	$	$	$	$	$
Revenue	18,669	15,865	2,804	80,165	69,568	10,597
Cost of goods sold, before fair value adjustments	18,026	9,843	8,183	59,856	45,292	14,564
Gross profit before fair value adjustments	643	6,022	(5,379)	20,309	24,276	(3,967)
Gross profit before fair value adjustments (%)	3%	38%	-35%	25%	35%	-10%
Unrealized changes in fair value of biological assets	14,216	9,761	4,455	14,117	7,653	6,464
Realized fair value amounts included in inventory sold	(9,410)	(5,228)	(4,182)	(5,981)	(6,886)	905
Gross Profit	5,449	10,555	(5,106)	28,445	25,043	3,402
Gross profit (%)	29%	67%	-37%	35%	36%	-1%
General and administration	6,563	4,746	1,817	28,429	18,255	10,174
Marketing expenses	1,286	401	885	4,831	1,575	3,256
Share-based compensation	30	145	(115)	195	752	(557)
Depreciation and amortization	(258)	683	(941)	2,407	2,675	(268)
Bad debt expense	1,459	6,822	(5,363)	4,538	7,777	(3,239)
Total operating expenses	9,080	12,797	(3,717)	40,400	31,034	9,366
Loss from operations before other expenses or income	(3,631)	(2,242)	(1,389)	(11,955)	(5,991)	(5,964)
Total other (income) expenses	(3,958)	6,361	(10,319)	14,035	22,504	(8,469)
Loss before income taxes	327	(8,603)	8,930	(25,990)	(28,495)	2,505
Current income tax expense	(6,171)	(798)	(5,373)	(2,021)	(2,681)	660
Deferred income tax recovery	348	(14,202)	14,550	1,968	(15,101)	17,069
Net loss from continuing operations	(5,496)	(23,603)	18,107	(26,043)	(46,277)	20,234
Profit (loss) from discontinued operations	(4,724)	(91,305)	86,581	(7,054)	(93,441)	86,387
Loss for the period	(10,220)	(114,908)	104,688	(33,097)	(139,718)	106,621
EBITDA	6,347	(91,266)	97,613	10,770	(88,991)	99,761
Adjusted EBITDA	12,240	11,076	1,164	6,848	11,254	(4,406)

- **Revenues** were $18.7 million for 2024-Q4, a $2.8 million increase from restated 2023-Q4 revenues of $15.9 million. Revenues for 2024-YTD were $80.2 million, reflecting a $10.6 million increase from restated 2023-YTD revenues of $69.6 million.
- **Gross profit, before fair value adjustments,** was $0.6 million for 2024-Q4, a $5.4 million decrease from restated 2023-Q4 gross profit before fair value adjustments of $6.0 million. Gross profit before fair value adjustments for 2024-YTD was $20.3 million, a $4.0 million decrease from restated 2023-YTD gross profit before fair value adjustments of $24.3 million.
- **Gross profit, after fair value adjustments,** was $5.4 million for 2024-Q4, a decrease of $5.1 million from restated 2023-Q4 gross profit after fair value adjustments of $10.6 million. Gross profit after fair value adjustments for 2024-YTD was $28.4 million, compared to restated 2023-YTD gross profit after fair value adjustments of $25.0 million, marking an increase of $3.4 million.
- **Operating expenses** were $9.1 million for 2024-Q4, a decrease of $3.7 million compared to restated 2023-Q4 operating expenses of $12.8 million. Operating expenses for 2024-YTD were $40.4 million, an increase of $9.4 million compared to restated 2023-YTD operating expenses of $31.0 million.
- **Losses from operations before other expenses** were $3.6 million for 2024-Q4, a $1.4 million increase from restated 2023-Q4 losses from operations before other expenses of $2.2 million. Losses from operations before other expenses for 2024-YTD were $12.0 million, a $6.0 million increase from restated 2023-YTD losses from operations before other expenses of $6.0 million.
- **EBITDA** was $6.3 million for 2024-Q4, an increase of $97.6 million from restated 2023-Q4 EBITDA of ($91.3) million. For 2024-YTD, EBITDA was $10.8 million, an increase of $99.8 million compared to restated 2023-YTD EBITDA of ($89.0) million (refer to page 30 for further details)

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

RESULTS OF OPERATIONS

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

(1) ***Corporate segment*** includes the publicly traded parent company which operates as a cost center for related public reporting and administrative costs amongst other captive functions that benefit its subsidiaries.

(2) ***Distribution segment*** includes subsidiaries that are licensed to cultivate, manufacture, process and/or distribute Company branded and non-branded cannabis and non-cannabis products directly to licensed retailers or intermediary distributors in the legal U.S. states of Michigan and California, and throughout Canada and internationally.

(3) ***Licensing segment*** includes subsidiaries that are licensed to exploit intellectual property owned by the Company associated with the Company's PV and Platinum Vape trademarks and brands. The Company contracts with arm's length, vertically integrated distributor partners in legal states for the sale of non-THC branded products and the licensing for use of these products.

(4) ***Retail segment*** sells both Company and third party branded and non-branded cannabis products and accessories to the adult-use and medical use markets in the legal U.S. states of Florida and Michigan, and across Canada.

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

Segmented revenues to gross profit, for 2024-Q4 and restated 2023-Q4, are as follows:

2024-Q4	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Revenue					
Sales revenue	-	12,445	1,200	5,024	18,669
Cost of goods sold before fair value adjustments	-	15,422	302	2,302	18,026
Gross profit before fair value adjustments	-	(2,977)	898	2,722	643
Unrealized gains (losses) in fair value of biological assets	-	9,348	-	4,868	14,216
Realized fair value gains (losses) included in inventory sold	-	(2,022)	-	(7,388)	(9,410)
Gross profit after fair market value adjustments	-	4,349	898	202	5,449
% of consolidated revenue	0%	67%	6%	27%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	86%	2%	13%	100%
Gross profit before fair value adjustments (%)	0%	-24%	75%	54%	3%
Gross profit (%)	0%	35%	75%	4%	29%
2023-Q4 restated	Corporate	Distribution	Licensing	Retail	Consolidated
Revenue					
Sales revenue	-	14,043	656	1,166	15,865
Cost of goods sold before fair value adjustments	-	7,332	(32)	2,543	9,843
Gross profit before fair value adjustments	-	6,711	688	(1,377)	6,022
Unrealized gains (losses) in fair value of biological assets	-	-	-	9,761	9,761
Realized fair value gains (losses) included in inventory sold	-	-	-	(5,228)	(5,228)
Gross profit after fair market value adjustments	-	6,711	688	3,156	10,555
% of consolidated revenue	0%	89%	4%	7%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	74%	0%	26%	100%
Gross profit before fair value adjustments (%)	0%	48%	105%	-118%	38%
Gross profit (%)	0%	48%	105%	271%	67%
Variance	Corporate	Distribution	Licensing	Retail	Consolidated
Change in revenue	-	(1,598)	544	3,858	2,804
Change in cost of goods sold before fair value adjustment	-	8,090	334	(241)	8,183
Change in gross profit before fair value adjustment	-	(9,688)	210	4,099	(5,379)
Change in gross profit after fair market value adjustments	-	(11,060)	(1,586)	(3,358)	(16,004)

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

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

2024-YTD	Corporate	Distribution	Licensing	Retail	Consolidated
	$	$	$	$	$
Revenue					
Sales revenue	-	58,539	4,666	16,960	80,165
Cost of goods sold before fair value adjustments	-	45,014	1,236	13,606	59,856
Gross profit before fair value adjustments	-	13,525	3,430	3,354	20,309
Unrealized gains (losses) in fair value of biological assets	-	11,156	-	2,961	14,117
Realized fair value gains (losses) included in inventory sold	-	(536)	-	(5,445)	(5,981)
Gross profit after fair market value adjustments	-	24,145	3,430	870	28,445
% of consolidated revenue	0%	314%	25%	91%	429%
% of consolidated cost of goods sold before fair value adjustments	0%	250%	7%	75%	332%
Gross profit before fair value adjustments (%)	0%	23%	74%	20%	25%
Gross profit (%)	0%	41%	74%	5%	35%
2023-YTD restated	**Corporate**	**Distribution**	**Licensing**	**Retail**	**Consolidated**
Revenue					
Sales revenue	-	61,671	3,351	4,546	69,568
Cost of goods sold before fair value adjustments	-	39,141	841	5,310	45,292
Gross profit before fair value adjustments	-	22,530	2,510	(764)	24,276
Unrealized gains (losses) in fair value of biological assets	-	-	-	7,653	7,653
Realized fair value gains (losses) included in inventory sold	-	-	-	(6,886)	(6,886)
Gross profit after fair market value adjustments	-	22,530	2,510	3	25,043
% of consolidated revenue	0%	89%	5%	7%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	86%	2%	12%	100%
Gross profit before fair value adjustments (%)	0%	37%	75%	-17%	35%
Gross profit (%)	0%	37%	75%	0%	36%
Variance	**Corporate**	**Distribution**	**Licensing**	**Retail**	**Consolidated**
Change in revenue	-	(3,132)	1,315	12,414	10,597
Change in cost of goods sold before fair value adjustment	-	5,873	395	8,296	14,564
Change in gross profit before fair value adjustment	-	(9,006)	920	4,118	(3,967)
Change in gross profit after fair market value adjustments	-	(46,676)	(5,940)	(873)	(53,488)

Revenue

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

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

- **Licensing Revenue**: Revenue from sales to distributors of non-THC, branded inputs and licensing for the use of these branded inputs by third party distribution partners.

- **Retail Revenue**: Revenue from sales through the Company’s various retail or dispensary channels is revenue that is generally recognized, net of promotional discounts, and sales taxes, on the date the goods are sold to the consumer at point of sale.

Sales of products are in cash or credit, in the case of retail revenues, or for otherwise agreed-upon credit terms, in the case of distribution and licensing revenues. The Company’s payment terms for distribution customers vary by location and customer and are tailored in accordance with the Company’s strategic objectives in each of its respective markets. The Company does not offer a warranty on its products in any channel.

Revenue for 2024-Q4

Consolidated revenue for 2024-Q4 increased by $2.8 million to $18.7 million from $15.9 million in restated 2023-Q4.

- **Distribution revenue** for 2024-Q4 decreased by $1.6 million to $12.4 million from $14.0 million in restated 2023-Q4, reflecting continuing price compression and competitive pressures within the certain geographical regions within the distribution channel. Revenue from the Purchased Entities acquired through the Aleafia Acquisition, contributed to approximately $6.5 million of the revenues for 2024-Q4 in the Canadian market offset by a decline of $8.4 million in fourth quarter sales within the Company's Michigan operations when compared its restated 2023-Q4 due to price compression within what continues to be a fluid cannabis marketplace.

- **Licensing revenue** for 2024-Q4increased by $0.5 million to $1.2 million from $0.7 million in restated 2023-Q4. This increase is the result of expanded licensing partnerships within the Company's Michigan operations, increasing licensing revenue in 2024-Q4 by $1.0 million. This increase is offset by a $0.5 million reduction of licensing revenue in the Company's Canadian operations which represented revenues earned by the Company from a licensing arrangement with Aleafia Health Inc. prior to the Aleafia Acquisition. The Company continues to work closely with its segment licensing partners to optimize order cycles and align future revenue streams with market opportunities.

- **Retail revenue** for 2024-Q4 increased by $3.9 million to $5.0 million from $1.2 million in restated 2023-Q4. This increase was driven by a $2.5 million increase in the Company's Florida and Michigan retail operations in addition to a $1.4 million contribution by the retail channel in the Canadian marketplace which was acquired by virtue of the Aleafia Acquisition. The Company continues to deploy customer and patient acquisition and retention strategies including leveraging new product activations and progressive pricing strategies.

Revenue for 2024-YTD

Consolidated revenue for 2024-YTD amounted to $80.2 million, a $10.6 million increase compared to $69.6 million for restated 2023-YTD. .

- ***Distribution revenue for 2024-YTD*** decreased by $3.1 million to $58.5 million from $61.7 million in restated 2023-YTD. The decline is the result of a $15.7 million reduction in distribution revenue within the Company's Michigan operations when compared to its restated 2023-YTD due to price compression and continuing competitive pressures within the marketplace offset by a $12.1 million increase in revenue realized by the Purchased Entities acquired through the Aleafia Acquisition. The California distribution operations also contributed to offset the decrease in revenues in Michigan by $0.5 million as it continues to garner market share.

- ***Licensing revenue for 2024-YTD*** increased by $1.3 million to $4.7 million from $3.4 million in restated 2023-YTD. This increase is the result of expanded licensing partnerships increasing licensing revenue in 2024-YTD by $2.2 million offset by a reduction of $0.9 million in licensing revenue realized in a licensing arrangement with Aleafia Health Inc. prior to the Aleafia Acquisition.

- ***Retail revenue for 2024-YTD*** increased by $12.4 million to $17.0 million from $4.5 million in restated 2023-YTD. This increase was primarily the result of the $7.4 million in additional medical retail revenue generated by the Purchased Entities acquired as part of the Aleafia Acquisition in 2024-YTD. Additionally, the Company generated retail sales revenues of $4.5 million in 2024-YTD within continuing retail operations in Michigan, triggering corresponding costs of goods sold before fair value adjustments for which there is no comparative in restated 2023-YTD. This reflects the Company's strategic continuation of retail operations under its subsidiary, RWB Michigan, LLC, as the previous year's retail activities in Michigan were conducted through Pharmaco Inc., which has been reclassified to discontinued operations (refer to Recent Events). Sales also increased by $0.5 million in its Florida retail operations moving from $4.5 million in restated 2023-YE to $5.0 million for 2024-YE.

The Company continues to proactively adapt the mix of its premium branded product offerings based on the maturing customer tastes defined by licensed retailers and key consumers within its key markets which now include Canada and international jurisdictions such as the emerging German cannabis market. This product focus is the basis for building ultimate consumer awareness and loyalty to the Company's Platinum and other branded product lines.

Cost of goods sold

Cost of goods sold for 2024-Q4

Consolidated cost of goods sold before fair value adjustments for 2024-Q4 increased by $8.2 million to $18.0 million from $9.8 million in restated 2023-Q4.

- ***Distribution cost of goods sold before fair value adjustments for 2024-Q4*** increased by $8.1 million to $15.4 million from $7.3 million in restated 2023-Q4. This increase is primarily the result of $5.1 million in additional costs resulting from the addition of the Purchased Entities acquired in the Aleafia Acquisition and higher input costs across the Company's supply chain.
- ***Licensing cost of goods sold before fair value adjustments for 2024-Q4*** increased by $0.3 million to $0.3 million from ($0.03) million in restated 2023-Q4, reflecting higher direct costs associated with expanded licensing activities and support for new partnership agreements.
- ***Retail cost of goods sold before fair value adjustments for 2024-Q4*** decreased by $0.2 million to $2.3 million from $2.5 million in restated 2023-Q4. This reduction is primarily the result of 2023-YTD inventory adjustments within the Company's Florida operations resulting from the 2023 Restatement (refer to the 2024 Audited Financial Statements found on Sedar+) offset by $0.5 million in additional costs of goods sold before fair value adjustments resulting from the addition of the Purchased Entities operating within the Retail segment acquired in the Aleafia Acquisition.

Cost of goods sold for 2024-YTD

Consolidated cost of goods sold before fair value adjustments for 2024-YTD was $59.9 million, a $14.6 million increase when compared to $45.3 million for restated 2023-YTD. Further analysis of cost of goods sold before fair value adjustments reported for 2024-YTD is provided in the discussion of the respective operating segments results below.

- ***Distribution cost of goods sold before fair value adjustments for 2024-YTD*** increased by $5.9 million to $45.0 million from $39.1 million in restated 2023-YTD. The increase is largely the result of the addition of the Purchased Entities resulting from the Aleafia Acquisition which contributed to an additional $11.5 million on costs of goods sold before fair value adjustments in 2024-YTD. $0.5 million is also attributed to increased costs in the Company's California distribution segment, in line with the increase in revenues within this state. This increase was offset by a $6.3 million reduction in costs of goods sold before fair value adjustments relating to the Company's Michigan distribution operations in direct correlation to the reduction in distribution sales.
- ***Licensing cost of goods sold before fair value adjustments for 2024-YTD*** increased by $0.4 million to $1.2 million from $0.8 million in restated 2023-YTD, primarily due to increased infrastructure costs associated with managing a larger portfolio of licensing relationships.
- ***Retail cost of goods sold before fair value adjustments for 2024-YTD*** increased by $8.3 million to $13.6 million from $5.3 million in restated 2023-YTD. The most significant driver of the increase was the addition of the Purchased Entities resulting from the Aleafia Acquisition, which contributed an additional $3.6 million in costs of goods sold before fair value adjustments during 2024-YTD. This increase represents the incremental cost structure associated with the expanded retail footprint and inventory requirements of the newly acquired operations. Additionally, the Company generated retail sales revenues of $4.5 million in 2024-YTD within continuing retail operations in Michigan, triggering corresponding costs of goods sold before fair value adjustments for which there is no comparative in restated 2023-YTD. This reflects the Company's strategic continuation of retail operations under its subsidiary, RWB Michigan LLC, as the previous year's retail activities in Michigan were conducted through Pharmaco Inc., which has been reclassified to discontinued operations (refer to *Recent Events*). The Company's Florida operations also experienced a year-over-year increase of $1.3 million, which was partially attributable to a $0.5 million

increase in sales volume compared to the prior year. The remaining $0.8 million increase relates to timing differences in the recognition of inventory costs and adjustments to costing methodologies implemented as a result of the 2023 Restatement to enhance accuracy in cost allocation and inventory valuation processes. These operational improvements ensure more precise matching of costs with corresponding revenue recognition in our retail operations.

Gross profit before fair market value adjustments

Gross profit before fair market value adjustments for 2024-Q4

Consolidated gross profit before fair value adjustments for 2024-Q4 totaled $0.6 million, a $5.3 million decrease when compared to a consolidated gross profit before fair value adjustments of $6.0 million for 2023-Q4.

- ***Distribution gross profit before fair value adjustments for 2024-Q4*** decreased by $9.7 million to ($3.0) million from $6.7 million in restated 2023-Q4, reflecting margin compression as increased cost of goods sold ($8.1 million increase) more than offset the revenue decline ($1.6 million decrease) .
- ***Licensing gross profit before fair value adjustments for 2024-Q4*** Increased by $0.2 million to $0.9 million from $0.7 million in restated 2023-Q4, maintaining strong margins of 75% and demonstrating the segment's ability to scale profitably with minimal incremental costs despite higher direct costs from expanded licensing activities.
- ***Retail gross profit before fair value adjustments for 2024-Q4*** increased by $4.1 million to $2.7 million from ($1.4) million in restated 2023-Q4, as the segment achieved positive margins through revenue growth ($3.9 million increase) and cost control (cost of goods sold decreased $0.2 million despite higher volumes).

Gross profit before fair market value adjustments for 2024-YTD

Consolidated gross profit before fair value adjustments for 2024-YTD totaled $20.3 million, a $4.0 million decrease when compared to $24.3 million for 2023-YTD.

- ***Distribution gross profit before fair value adjustments for 2024-YTD*** decreased by $9.0 million to $13.5 million from $22.5 million in restated 2023-YTD, reflecting ongoing margin compression as cost of goods sold increased $5.9 million while revenue declined $3.1 million. The decrease in Distribution gross profit margin before fair value adjustments is due to primarily to the factors indicated above.
- ***Licensing gross profit before fair value adjustments for 2024-YTD*** increased by $0.9 million to $3.4 million from $2.5 million in restated 2023-YTD.

  Retail gross profit before fair value adjustments for 2024-YTD increased by $4.1 million to $3.4 million from ($0.8) million in restated 2023-YTD, representing the benefits of revenue growth ($12.4 million increase) while effectively managing cost increases ($8.3 million) relative to sales expansion.

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

OPERATING EXPENSES

The Company incurs ongoing expenses to operate its Distribution, Licensing and Retail operations, along with various costs related to its public company standing.

Operating Expenses for 2024-Q4 and restated 2023-Q4 are as follows:

2024-Q4	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
General and administration	1,497	865	39	4,062	100	6,563
Marketing expenses	4	231	103	948	-	1,286
Share-based compensation	30	-	-	-	-	30
Depreciation and amortization	-	(216)		(176)	134	(258)
Bad debt expense	-	1,524	(94)	29	-	1,459
Total operating Expenses	1,531	2,404	48	4,863	234	9,080
2023-Q4 restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
General and administration	1,480	2,214	132	920	-	4,746
Marketing expenses	8	297	23	73	-	401
Share-based compensation	145	-	-	-	-	145
Depreciation and amortization	-	121	-	562	-	683
Bad debt expense	-	3,909	2,913	-	-	6,822
Total operating expenses	1,633	6,541	3,068	1,555	-	12,797
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in General and administration	17	(1,349)	(93)	3,142	100	1,817
Change in marketing expenses	(4)	(66)	80	875	-	885
Change in share-based compensation	(115)	-	-	-	-	(115)
Change in depreciation and amortization	-	(337)	-	(738)	134	(941)
Change in in bad debt expense	-	(2,385)	(3,007)	29	-	(5,363)
Change in total operating expenses	(102)	(4,137)	(3,020)	3,308	234	(3,717)

Operating Expenses for 2024-YTD and 2023-YTD are as follows:

2024-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
General and administration	6,685	10,158	304	11,135	147	28,429
Marketing expenses	26	2,285	516	2,004	-	4,831
Share-based compensation	195	-	-	-	-	195
Depreciation and amortization	-	142	-	2,132	133	2,407
Bad debt expense	-	4,465	44	29	-	4,538
Total operating expenses	**6,906**	**17,050**	**864**	**15,300**	**280**	**40,400**
2023-YTD restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
General and administration	5,691	7,679	341	4,544	-	18,255
Marketing expenses	16	1,362	82	115	-	1,575
Share-based compensation	752	-	-	-	-	752
Depreciation and amortization	-	546	-	2,129	-	2,675
Bad debt expense	-	4,864	2,913	-	-	7,777
Total operating expenses	**6,459**	**14,451**	**3,336**	**6,788**	**-**	**31,034**
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in General and administration	994	2,479	(37)	6,591	147	10,174
Change in marketing expenses	10	923	434	1,889	-	3,256
Change in share-based compensation	(557)	-	-	-	-	(557)
Change in depreciation and amortization	-	(404)	-	3	133	(268)
Change in bad debt expense	-	(399)	(2,869)	29	-	(3,239)
Change in total operating expenses	**447**	**2,599**	**(2,472)**	**8,512**	**280**	**9,366**

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

Consolidated operating expenses for 2024-Q4 and 2024-YTD totaled $9.1 million and $40.4 million, a decrease of $4.0 million and an increase of $9.1 million respectively when compared to consolidated operating expenses of $12.8 million and $31.0 million for restated 2023-Q4 and 2023-YTD.

General and administrative expenses ("G&A")

General and Administrative ("G&A") expenses encompass a range of costs essential to the operation and management of the Company that are not directly tied to the production or indirect costs of production. These expenses include burdened headcount costs, which cover salaries and related employee expenses for personnel whose roles are not allocated to specific production activities. Additionally, G&A expenses cover facility-related costs, such as rent and utilities, and expenses associated with maintaining dedicated security personnel at our retail locations. The Company also incurs regional cannabis licensing fees necessary for maintaining compliance across various jurisdictions. Furthermore, professional and advisory fees, including legal, accounting, and consulting services, form a significant part of G&A expenses, alongside insurance premiums incurred to mitigate operational risks. Finally, corporate costs associated with the oversight and strategic management of the Company's operations are also included within G&A expenses.

The following summarizes G&A expenses incurred by the Company for 2024-Q4 and 2024-YTD, and 2023-Q4 and restated 2023-YTD:

	2024-Q4	2023-Q4 *restated*	Variance	2024-YTD	2023-YTD *restated*	Variance
	$	$	$	$	$	$
Salaries and wages	1,961	2,808	(847)	14,841	10,631	4,210
Facilities expense	856	197	659	1,638	840	798
Professional fees	1,508	1,139	369	5,841	4,010	1,831
Office and administrative fees	196	145	50	1,761	855	906
Travel expense	169	100	69	521	330	191
Licenses and permits	1,519	51	1,468	1,703	55	1,648
Insurance	633	195	438	1,895	1,239	656
Penalty and late fees	(279)	111	(390)	229	295	(66)
Total general and administrative expenses	6,563	4,746	1,817	28,429	18,255	10,174

General and Administrative for 2024-Q4

Total G&A expenses for 2024-Q4 were $6.6 million, an increase of $1.8 million compared to $4.7 million for restated 2023-Q4. The net increase is the result of changes in the various categories below.

- ***Salaries and wages for 2024-Q4*** amounted to $2.0 million, a decrease of $0.8 million when compared to $2.8 million for restated 2023-Q4. The decrease can be primarily attributed to the addition of key management roles to the Company in restated 2023-Q4.

- ***Facilities expenses for 2024-Q4*** totaled $0.9 million, an increase of $0.7 million compared to $0.2 million for restated 2023-Q4 due to increases in select costs associated with the regulated operation of the Company's retail locations.

- ***Professional fees for 2024-Q4*** totaled $1.5 million, reflecting a $0.4 million increase when compared to $1.1 million in restated 2023-Q4. The increase was primarily driven by an increase in audit fees associated with the SEC re-registration process in the United States [i] offset by reduction in other professional fees.

- ***Office and administrative fees for 2024-Q4*** totaled $0.1 million, comparative to $0.1 million for restated 2023-Q4.

- ***Licenses and permits costs for 2024-Q4*** were $1.5 million within the quarter, an increase of $1.5 million compared to $nil reported for restated 2023-Q4 due to an increase in licensing fees associated with the Company's retail operations and Aleafia Acquisition[i].

- ***Insurance for 2024-Q4*** was $0.6 million, an increase of $0.4 million when compared to $0.2 million reported for restated 2023-Q4 primarily due to timing differences recorded within the Company's Florida retail operations and the addition of coverage related to the Aleafia Acquisition[i].

- ***Penalty and late fees for 2024-Q4*** were a recovery of $0.3 million, a decrease of $0.4 million compared to $0.1 million in restated 2023-Q4. This decrease reflects the Company's proactive engagement with government authorities to reassess previously assessed penalties and late fees. Through comprehensive documentation and collaboration with regulatory bodies, management successfully demonstrated compliance with applicable regulations and obtained reductions or reversals of certain penalty assessments that had been recorded in prior periods.

General and Administrative for 2024-YTD

Total G&A expenses for 2024-YTD were $28.4 million, a $10.2 million increase compared to $18.2 million for restated 2023-YTD. The net increase is the result of changes in various categories as detailed below.

- ***Salaries and wages in 2024-YTD*** totaled $14.8 million, reflecting a $4.2 million increase when compared to $10.6 million for restated 2023-YTD. This increase is primarily due to the increase in burdened headcount associated with the Aleafia Acquisition[i].

- ***Facilities expenses in 2024-YTD*** totaled $1.6 million, a decrease of $0.8 million when compared to $0.8 million for restated 2023-YTD.

- ***Professional fees for 2024-YTD*** totaled $5.8 million, an increase of $1.8 million compared to $4.0 million in restated 2023-YTD. This rise is primarily related to $1.1 million in costs associated with audit fees, a $0.5 million increase in consulting fees and $0.3 million increase in legal fees tied to the Company's ongoing corporate matters offset by reductions in indemnity fees in the prior period.

- ***Office and administrative fees for 2024-YTD*** totaled $1.8 million, an increase of $0.9 million compared to $0.9 million for restated 2023-YTD. This increase is attributed to additional costs incurred as a result of the Aleafia Acquisition[i].

- ***Licenses and permits costs incurred in 2024-YTD*** were $1.7 million, an increase of $1.7 million compared to $nil for restated 2023-YTD due to increase in licensing fees associated with retail stores and Aleafia Acquisition[i].

- ***Insurance in 2024-YTD*** was $1.9 million, representing a $0.7 million increase compared to $1.2 million for restated 2023-YTD. This increase is directly attributable to additional insurance requirements necessitated by the Aleafia Acquisition[i].

- ***Penalty and late fees for 2024-YTD*** were $0.2 million, comparative to $0.2 million in restated 2023-YTD.

Bad Debt Expense

Expected credit loss and bad debt expense *for* 2024-Q4 was $1.5 million, a $5.4 million decrease compared to $6.8 million for restated 2023-Q4 due primarily to the realignment of expense policies associated with the 2023 Restatement across the Company and management of key customer accounts' working capital requirements as the Company continues to expand its presence in key markets.

Expected credit loss and bad debt expense *for* 2024-YTD was $4.5 million, a $3.2 million decrease compared to $7.8 million for restated 2023-YTD. The decrease is primarily due to the aforementioned realignment of policies associated with the 2023 Restatement and Company's commitment to maintaining prudent financial reporting and risk management practice.

[i] See Acquisitions

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

OTHER EXPENSES (INCOME)

Other expenses (income) for 2024-Q4 and restated 2023-Q4 are as follows:

2024-Q4	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	-	(542)	-	-	(60)	(602)
Other income	(1,158)	(5,797)	(246)	5,276	(43)	(1,968)
Finance expense	618	12	-	1,897	58	2,585
Interest on credit facilities	(736)	-	-	-	-	(736)
Interest on convertible notes	715	-	-	1,719	-	2,434
Interest on promissory notes	5,653	-	-	922	95	6,670
Acquisition costs	-	-	293	-	-	293
Business transaction costs	1	245	-	(22)	41	265
Accreted interest, leases	-	50	-	602	-	652
(Gain) loss on disposal of assets	-	(396)	-	(233)	-	(629)
Loss on debt extinguishment	-	-	-	67	-	67
(Gain) loss on settlement of debt	(888)	-	-	131	-	(757)
Gain on investments	-	-	89	-	-	89
Foreign exchange	(12,426)	70	22	13	-	(12,321)
Total other expenses (income)	(8,221)	(6,358)	158	10,372	91	(3,958)

2023-Q4 restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(1,298)	-	-	-	-	(1,298)
Other income	(1,941)	842	1,317	83	-	301
Finance expense	132	-	-	41	-	173
Interest on credit facilities	576	-	-	-	-	576
Interest on convertible notes	821	-	-	644	-	1,465
Accreted interest on convertible notes	419	-	-	798	-	1,217
Interest on promissory notes	4,155	-	-	1,038	-	5,193
Acquisition costs	-	-	492	-	-	492
Business transaction costs	68	(523)	531	-	-	76
Accreted interest, leases	(1,750)	177	(133)	2,340	-	634
(Gain) loss on disposal of assets	(1)	-	-	1	-	-
Gain (loss) on valuation of financial instruments	(51)	1,296	-	(1,244)	-	1
Gain on settlement of debt	-	(130)	-	-	-	(130)
Gain on debt modification	(518)	-	-	-	-	(518)
Foreign exchange	(5,241)	3,428	(7)	(1)	-	(1,821)
Total other expenses (income)	(4,629)	5,090	2,200	3,700	-	6,361

Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in Interest earned on promissory notes	1,298	(542)	-	-	(60)	696
Change in Other income	783	(6,639)	(1,563)	5,193	(43)	(2,269)
Change in Finance expense	486	12	-	1,856	58	2,412
Change in Interest on credit facilities	(1,312)	-	-	-	-	(1,312)
Change in Interest on convertible notes	(106)	-	-	1,075	-	969
Change in Accreted interest on convertible notes	(419)	-	-	(798)	-	(1,217)
Change in Interest on promissory notes	1,498	-	-	(116)	95	1,477
Change in Acquisition costs	-	-	(199)	-	-	(199)
Change in Business transaction costs	(67)	768	(531)	(22)	41	189
Change in Accreted interest, leases	1,750	(127)	133	(1,738)	-	18
Change in (Gain) loss on disposal of assets	1	(396)	-	(234)	-	(629)
Change in Gain (loss) on valuation of financial instruments	51	(1,296)	-	1,244	-	(1)
Change in Loss on debt extinguishment	-	-	-	67	-	67
Change in (Gain) loss on settlement of debt	(888)	130	-	131	-	(627)
Change in Gain loss on debt modification	518	-	-	-	-	518
Change in Gain on investments	-	-	89	-	-	89
Change in Foreign exchange	(7,185)	(3,358)	29	14	-	(10,500)
Change in total other expenses (income)	(3,592)	(11,448)	(2,042)	6,672	91	(10,319)

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

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

2024-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(209)	(822)	-	-	(149)	(1,180)
Other income	(2,481)	(4,262)	(45)	4,944	(31)	(1,875)
Finance expense	896	85	-	1,964	180	3,125
Interest on credit facilities	1,082	-	-	-	-	1,082
Interest on convertible notes	3,497	-	-	4,152	-	7,649
Accreted interest on convertible notes	1,135	-	-	1,505	-	2,640
Accreted interest on promissory notes	248	-	-	-	-	248
Interest on promissory notes	20,991	-	-	4,056	218	25,265
Acquisition costs	-	-	468	-	-	468
Business transaction costs	82	300	-	-	41	423
Accreted interest, leases	-	208	-	2,368	-	2,576
Loss on disposal of assets	-	(404)	-	129	-	(275)
Gain on valuation of financial instruments	(691)	-	-	-	-	(691)
Loss on debt extinguishment	100	-	-	67	-	167
(Gain) or loss on settlement of debt	(888)	-	-	11	-	(877)
Gain loss on debt modification	-	-	-	-	-	-
Gain loss on investments	-	-	(6,915)	(641)	-	(7,556)
Foreign exchange	(17,309)	98	29	28	-	(17,154)
Total other expenses (income)	6,453	(4,797)	(6,463)	18,583	259	14,035
2023-YTD restated	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Interest earned on promissory notes	(3,039)	-	-	-	-	(3,039)
Other income	(2,132)	837	689	179	-	(427)
Finance expense	627	5	-	54	-	686
Interest on credit facilities	2,187	-	-	-	-	2,187
Interest on convertible notes	3,188	-	-	3,699	-	6,887
Accreted interest on convertible notes	1,645	-	-	2,850	-	4,495
Accreted interest on promissory notes	-	-	-	-	-	-
Interest on promissory notes	12,626	-	-	3,912	-	16,538
Acquisition costs	-	-	492	-	-	492
Business transaction costs	68	-	531	-	-	599
Accreted interest, leases	-	177	-	2,340	-	2,517
Loss on disposal of assets	-	-	-	1	-	1
Gain on valuation of financial instruments	(1,295)	-	-	(1,244)	-	(2,539)
Loss on debt extinguishment	-	-	-	-	-	-
(Gain) or loss on settlement of debt	-	(130)	-	-	-	(130)
Gain loss on debt modification	(518)	-	-	-	-	(518)
Gain loss on investments	-	-	-	-	-	-
Foreign exchange	(5,237)	-	(7)	-	-	(5,244)
Total other expenses (income)	8,120	889	1,705	11,791	-	22,505
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	$	$	$	$	$	$
Change in Interest earned on promissory notes	2,830	(822)	-	-	(149)	1,859
Change in Other income	(349)	(5,099)	(734)	4,765	(31)	(1,448)
Change in Finance expense	269	80	-	1,910	180	2,439
Change in Interest on credit facilities	(1,105)	-	-	-	-	(1,105)
Change in Interest on convertible notes	309	-	-	453	-	762
Change in Accreted interest on convertible notes	(510)	-	-	(1,345)	-	(1,855)
Change in Accreted interest on promissory notes	248	-	-	-	-	248
Change in Interest on promissory notes	8,365	-	-	144	218	8,727
Change in Acquisition costs	-	-	(24)	-	-	(24)
Change in Business transaction costs	14	300	(531)	-	41	(176)
Change in Accreted interest, leases	-	31	-	28	-	59
Change in Loss on disposal of assets	-	(404)	-	128	-	(276)
Change in Gain on valuation of financial instruments	604	-	-	1,244	-	1,848
Change in Loss on debt extinguishment	100	-	-	67	-	167
Change in (Gain) or loss on settlement of debt	(888)	130	-	11	-	(747)
Change in Gain loss on debt modification	518	-	-	-	-	518
Change in Gain loss on investments	-	-	(6,915)	(641)	-	(7,556)
Change in Foreign exchange	(12,072)	98	36	28	-	(11,910)
Change in total other expenses (income)	(1,667)	(5,686)	(8,168)	6,792	259	(8,470)

Consolidated other expenses (income) for 2024-Q4 decreased by $10.3 million year-over-year, moving from $6.4 million in expenses in restated 2023-Q4 to $4.0 million in income in 2024-Q4 This variance year-over-year was primarily driven by:

- **Interest earned on promissory notes for 2024-Q4** was $0.6 million, a decrease of $0.7 million compared to the restated 2023-Q4 balance of $1.3 million. This decrease in interest earnings is the result of the extinguishment of the AH Note and AH DIP Note for consideration for the Aleafia Acquisition. The decrease is offset by interest earned on newly issued notes receivable (refer to *Notes Receivable* section).
- **Finance expenses for 2024-Q4** were $2.6 million, an increase of $2.4 million compared to the restated 2023-Q4 balance of $0.2 million in expense. This increase was largely the result of the extended renewal of the USD$18,300,000 RGR Note which was scheduled to mature on February 12, 2024, and negotiated and amended on November 29, 2024 (refer to *Debt* section).
- **Interest on convertible notes for 2024-Q4** was $2.4 million, an increase of $1.0 million compared to the restated 2023-Q4 balance of $1.5 million in expense. The increase reflects the compounding effect of interest accrual over the term of our existing convertible note obligations (refer to *Debt* section for additional details).
- **Accreted interest on convertible notes for 2024-Q4** was nil, a decrease of $1.2 million compared to the restated 2023-Q4 balance of $1.2 million. This decrease is the result of convertible notes reaching maturity prior to 2024-Q4.
- **Accreted interest on promissory notes for 2024-Q4** was nil, a decrease $5.2 million compared to the restated 2023-Q4 balance of $5.2 million in expense. This decrease is the result of the notes payable, previously modified, reaching maturity prior to 2024-Q4 (refer to *Debt* section).
- **Interest on promissory notes for 2024-Q4** was $6.7 million, a $1.5 million increase from the restated 2023-Q4 balance of $5.2 million. This increase directly correlates with the substantial growth in our outstanding notes payable, which increased by $140.6 million from $145.1 million for restated 2023-YE to $246.6 million for 2024-YE as noted in the *Statement of Financial Position* section below. The expansion of our debt portfolio was strategically implemented to support several key growth initiatives, including the funding requirements for the Aleafia Acquisition.
- **Foreign exchange for 2024-Q4** was $12.3 million in income, an increase of $10.5 million compared to the restated 2023-Q4 balance of $1.8 million in loss. This increase reflects the natural effect of currency movements on the US dollar. Foreign exchange is largely triggered by USD held financial instruments including the Company's convertible and notes payable (refer to *Debt* section).
- **Gain loss on debt modification for 2024-Q4** was nil, a decrease of $0.5 million when compared to the restated 2023-Q4 gain loss on debt modification of $0.5 million. This decrease is due to the lack of debt modification occurring within the 2024-Q4 quarter.
- **Gain on settlement of debt for 2024-Q4** was $0.8 million, a decrease of $0.6 million compared to the restated 2023-Q4 balance of $0.1 million.
- The remaining variances when comparing 2024-Q4 to restated 2023-Q4 have relatively modest changes year-over-year. Acquisition costs relating to the Aleafia Acquisition for 2024-Q4 was $0.3 million a decrease of $0.2 million compared to 2023-Q4 of $0.5 million. Business transaction costs for 2024-Q4 balance of $0.3 million, an increase of $0.2 million compared to 2023-Q4 of $0.1 million. Accreted interest on leases had a 2024-Q4 balance of $0.7 million with a minimal unfavorable variance of $0.02 million compared to 2023-Q4 of $0.6 million. Other items including gains and losses on disposal of assets, debt extinguishment, valuation of financial instruments, and investments showed various minor fluctuations but remained within normal operational ranges, collectively contributing minimal impact.

Consolidated other expenses (income) for 2024-YTD was $14.0 million in expenses for 2024-YTD, representing a net decrease in expenses of $8.5 million compared to the restated 2023-YTD balance of $22.5 million in expenses. This decrease year-over-year was primarily driven by:

- **Interest earned on promissory notes for 2024-YTD** was income of $1.2 million, decrease of $1.9 million compared to the restated 2023-YTD balance of $3.0 million in income. As indicated above, this decrease in interest earnings is the result of the extinguishment of the AH Note and AH DIP Note for consideration for the Aleafia Acquisition. The decrease was partially offset by interest income from newly issued notes during fiscal 2024, including the PD Note, OPRC Note and KMI Note Receivables (refer to *Notes Receivable* section).

- **Finance expense for 2024-YTD** was $3.1 million in expense, an increase of $2.4 million compared to the restated 2023-YTD balance of $0.7 million in expense. As indicated above, this increase was largely attributed to the extended renewal of the USD$18,300,000 RGR Note which was originally scheduled to mature on February 12, 2024 and subsequently renegotiated and amended on November 29, 2024 (refer to *Debt* section).

- **Interest on credit facilities for 2024-YTD** was $1.1 million, a decrease of $1.1 million compared to 2.2 million in restated 2023-YTD. This decrease in interest on credit facilities within continuing operations is due to the assignment of the RGR Credit Facility to Pharmaco, Inc., a discontinued operation, after the Company was put into receivership (see *Recent* Events). While interest on credit facilities in continuing operations decreased for 2024-YTD when compared to restated 2023-YE, the Company accrued an $1.4 million in interest related to the RGR Credit Facility within discontinued operations. Total interest incurred relating to interest on credit facilities, within continuing and discontinued operations for 2024-YTD amounted to $2.5 million, an increase of $0.3 million from restated 2023-YTD. This increase is a result of compounded interest over the course of time. The RGR Credit Facility was discharged for a settlement of $8.85 million on March 29, 2025 (refer to *Recent Events* for details on the Pharmaco Receivership and the settlement of the RGR Credit Facility).

- **Interest on convertible notes for 2024-YTD** was $7.6 million in expense, an increase of $0.8 million compared to the restated 2023-YTD balance of $6.9 million. The increase reflects the compounding effect of interest accrual over the term of our existing convertible note obligations (refer to *Debt* section for additional details).

- **Accreted interest on convertible notes for 2024-YTD** was $2.6 million, a decrease of $1.9 million compared to restated 2023-YTD. This reduction primarily reflects the maturity of certain convertible note instruments during 2024-YTD, which eliminated the ongoing interest accrual on those obligations.

- **Interest on promissory notes for 2024-YTD** was $25.3 million, a $8.7 million increase when compared to the restated 2023-YTD balance of $16.5 million. As indicated above, this increase directly correlates with the substantial growth in our outstanding notes payable, which increased by $140.6 million from $145.1 million for restated 2023-YE to $246.6 million for 2024-YE as noted in the *Statement of Financial Position* section below. The expansion of our debt portfolio was strategically implemented to support several key growth initiatives and operational requirements. Most notably, a significant portion of the additional borrowings was utilized to fund the Aleafia Acquisition, which required substantial capital deployment to complete the transaction and integrate the acquired operations. The increased interest expense reflects both the higher principal balances outstanding throughout 2024-YTD and the associated carrying costs of maintaining this expanded debt structure to support our strategic growth objectives. This increase in interest expense is consistent with our deliberate capital allocation strategy to leverage debt financing for value-accretive acquisitions and growth opportunities, while the corresponding increase in our asset base and operational capabilities is expected to generate returns that justify the additional interest costs over time.

- **Accreted interest on promissory notes for 2024-YTD** was $0.2 million, with a nil comparative to 2023-YTD. This increase in accredit interest on promissory notes was triggered due to the December 31, 2023 amendments to existing notes payable which were assessed under IFRS 9 resulting in debt modification (refer to *Debt* for more details on the December 31, 2023 amendments).

- **Gain loss on investments for 2024-YTD** was $7.6 million in income, with no comparative in the restated 2023-YTD. This gain primarily resulted from a bargain purchase allocation recognized in connection with the Aleafia Acquisition, where the fair value of net assets acquired exceeded the purchase price paid, generating a one-time accounting gain under applicable business combination standards. As part of the Aleafia Acquisition transaction, the Company acquired an 8.94% minority interest position in the equity of One Plant Retail Corporation ("OPRC"). This investment represents a strategic minority stake that complements our core business operations and provides exposure to additional market opportunities within the retail sector. At year-end 2024, the Company recognized an additional gain of $0.6 million relating to the fair value adjustment of our OPRC investment. This gain reflects the positive performance of our minority investment and demonstrates the value creation potential of strategic equity positions acquired through our acquisition activities.

- **Foreign exchange for 2024-YTD** was $17.2 million in income, an increase of $11.9 million compared to the restated 2023-YTD balance of $5.2 million in income. This significant increase reflects the natural effect of currency movements on the US dollar relative to the Canadian dollar, which is the Company's functional currency. The foreign exchange gains are largely attributed to the translation impact of our USD-denominated financial instruments, including the Company's convertible notes and notes payable as detailed in the Debt section. As the Canadian dollar strengthened against the US dollar during 2024-YTD, our USD-denominated liabilities effectively decreased in CAD terms, resulting in unrealized foreign exchange gains. The magnitude of the foreign exchange impact correlates directly with our expanded USD debt portfolio, which grew significantly during 2024-YTD as outlined in the Interest on Promissory Notes section above. The larger USD-denominated liability base amplifies the translation effects of currency fluctuations, creating more pronounced foreign exchange gains or losses depending on the direction of currency movements. This foreign exchange volatility is an inherent characteristic of maintaining USD-denominated obligations while operating with a CAD functional currency, and such gains or losses may fluctuate materially in future periods based on prevailing exchange rates.

Several additional variances contributed to the overall favorable decrease in consolidated other expenses (income). Other income improved by $1.4 million, primarily reflecting variations in miscellaneous income streams across business segments. Business transaction costs decreased by $0.2 million year-over-year. The Company recognized a gain on valuation of financial instruments that was $1.8 million less favorable than the prior year, reflecting changes in fair value assessments of derivative instruments and other financial assets. Additionally, the gain on settlement of debt decreased $0.7 million when compared to 2023-YTD, and while gain on debt modification decreased $0.5 million, both reflecting the comparative impact of debt restructuring activities that occurred in the prior year period. Loss on disposal of assets increased by $0.3 million, primarily due to asset disposals within the Distribution segment, while accreted interest on leases increased marginally by $0.1 million due to the natural progression of lease amortization schedules across our Retail operations.

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

EBITDA AND ADJUSTED EBITDA

Below is a reconciliation net loss and Adjusted EBITDA for 2024-Q4 and 2024-YTD, and restated 2023-Q4 and 2023-YTD:

	2024-Q4	2023-Q4 restated	Variance	2024-YTD	2023-YTD restated	Variance
Net Income (Loss) for the Period	(10,220)	(114,909)	104,689	(33,097)	(139,719)	106,622
Depreciation and amortization	(258)	683	(941)	2,407	2,675	(268)
Interest income	(602)	(1,298)	696	(1,180)	(3,039)	1,859
Accreted interest, leases	652	634	18	2,577	2,517	60
Current income tax expense/(recovery)	6,171	798	5,373	2,021	2,681	(660)
Deferred income tax expense/(recovery)	(348)	14,202	(14,550)	(1,968)	15,101	(17,069)
Finance expenses	2,585	173	2,412	3,125	686	2,439
Interest on credit facilities	(736)	576	(1,312)	1,082	2,187	(1,105)
Interest on convertible notes	2,434	1,466	968	7,649	6,887	762
Accreted interest on convertible notes	-	1,217	(1,217)	2,640	4,495	(1,855)
Accreted interest on promissory notes	-	-	-	248	-	248
Interest on promissory notes	6,669	5,192	1,477	25,266	16,538	8,728
EBITDA	**6,347**	**(91,266)**	**97,613**	**10,770**	**(88,991)**	**99,761**
Bad debt expense	1,459	6,822	(5,363)	4,538	7,777	(3,239)
Acquisition costs	293	492	(199)	468	492	(24)
Business transaction costs	265	76	189	422	599	(177)
(Gain) loss on evaluation of financial instruments	-	1	(1)	(691)	(2,539)	1,848
(Gain) Loss on disposal of assets	(629)	-	(629)	(275)	1	(276)
Foreign exchange	80	3,289	(3,209)	(16,258)	(3,227)	(13,031)
Loss on debt extinguishment	67	-	67	167	-	167
Gain on investment	89	-	89	(7,556)	-	(7,556)
Other expenses (income)	(1,968)	300	(2,268)	(1,875)	(427)	(1,448)
Share based compensation	30	145	(115)	195	752	(557)
(Gain) or loss on settlement of debt	(757)	(130)	(627)	(878)	(130)	(748)
(Gain) or loss on debt modification	-	(518)	518	-	(518)	518
Non recurring expenses[ii]	2,240	560	1,680	10,767	4,024	6,743
(Gain) loss on discontinued operations	4,724	91,305	(86,581)	7,054	93,441	(86,387)
Adjusted EBITDA[i]	**12,240**	**11,076**	**1,164**	**6,848**	**11,254**	**(4,406)**

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

This item is a non-IFRS measure. The reader is referred to Non-IFRS and Supplementary Financial or Operating Measures on page 3 of this MD&A for further details and reconciliation to the Company's IFRS measures.

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

STATEMENT OF FINANCIAL POSITION

Assets

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

'000's	2024-YTD	2023-YE *Restated*	Variance
	$	**$**	**$**
Assets			
Current assets			
Cash and cash equivalents	7,285	2,253	5,032
Accounts receivable	16,112	14,036	2,076
Notes receivable	11,397	24,705	(13,308)
Prepaid expenses	1,993	477	1,516
Deposits	11,186	7,234	3,952
Inventory	47,556	20,608	26,948
Biological assets	1,728	829	899
Assets held for Sale	13,192	18,988	(5,796)
Other assets	913	971	(58)
Total current assets	**111,362**	**90,101**	**21,261**
Non-current assets			
Property, plant and equipment, net	43,644	23,032	20,612
Intangible assets, net	100,709	86,723	13,986
Right-of-use assets, net	17,976	17,126	850
Long-term notes receivable	4,439	-	4,439
Investments	2,479	-	2,479
Goodwill	13,782	12,668	1,114
Total non-current assets	**183,029**	**139,549**	**43,480**
Total assets	**294,391**	**229,650**	**64,741**

As at 2024-YE, the Company had total assets of $294.4 million, an increase of $64.7 million compared to $229.7 million at restated 2023-YE.

- ***Cash and equivalents as at 2024-YE*** was $7.3 million, an increase of $5 million when compared to $2.3 million as at restated 2023-YE. The increase was primarily driven by the timing of cash flows from operations and including advances in relation to the USD and CAD RGR Grid Notes.
- ***Accounts receivable as at 2024-YE*** totaled $16.1 million, representing an increase of $2.1 million from $14.0 million as at restated 2023-YE. This increase was primarily attributable to the assets associated with the Aleafia Acquisition; $2.3 million at closing. As at 2024-YE, accounts receivable for the entities acquired through the Aleafia Acquisition totaled $3.9 million. On a normalized basis, excluding the impact of acquired entities, the Company's accounts receivable would have decreased by $1.8 million year-over-year. The Company maintains a provision for expected credit losses of $9.2 million as at 2024-YE, compared to $7.3 million as at 2023-YE. This provision is calculated in accordance with IFRS 9 methodology and reflects management's assessment of expected credit losses on outstanding receivables.
- ***Short-term and long-term notes receivable as at 2024-YE*** totaled $15.8 million, representing a decrease of $8.9 million compared to $24.7 million at restated 2023-YE. The primary driver of this variance was the application of $24.7 million in combined AH Note Receivable and AH DIP Note balances as at 2023-YE toward the purchase consideration for the Aleafia Acquisition. This decrease was partially offset by additional notes receivable issued during fiscal 2024, including a $3.0 million secured note receivable with One Plant Retail Corporation, the USD PD Note Receivable totaling $12.1 million (representing an USD $8.0 million revolving line of credit facilitating working capital investments by the Company in the form of cannabis biomass), and a $0.7 million secured note receivable due from Kase Manufacturing Inc., a contract manufacturing and distribution services provider in California. The reader is referred to the Notes Receivable section in the recently filed Annual Financial Statements, published at SEDAR+, for more details.

- ***Prepaids expenses at 2024-YE*** totaled $2.0 million, representing an increase of $1.5 million from $0.5 million as at restated 2023-YE. This increase was primarily driven by a $1.8 million prepaid arising from the Company's regulatory licensing requirements with the OMMU for operations in the state of Florida, partially offset by $0.3 million in prepaids being expensed during the year.

- ***Deposits at 2024-YE*** totaled $11.2 million as at 2024-YE, representing an increase of $4.0 million from $7.2 million as at restated 2023-YE. This increase was primarily driven by a $3.4 million increase in deposits provided to secure a cannabis biomass commitment, and $1.6 million in deposits held by entities acquired through the Aleafia Acquisition, partially offset by the application of $1.0 million in deposits against cannabis biomass commitments delivered.

- ***Inventory as at 2024-YE*** totaled $47.6 million as at 2024-YE (including $14.6 million in fair value adjustments), representing an increase of $26.9 million from $20.6 million as at 2023-YE. This growth was primarily driven by $7.3 million in gross inventory acquired through the Aleafia Acquisition (see *Acquisitions* section). As at 2024-YE, inventory of the acquired entities totaled $19.6 million including $10.4 million in fair value adjustments applied in accordance with IAS 41 *Agriculture* and IAS 2 *Inventories*. On a normalized basis, excluding the entities acquired through the Aleafia Acquisition, the Company's inventory increased $7.4 million, resulting from additional processing and manufacturing activities as the Company built up stock to meet anticipated demand.

- ***Biological assets as at 2024-YE*** were $1.7 million, an increase of $0.8 million when compared to $0.8 million as at restated 2023-YE. The increase is primarily related to the addition of biological assets associated with the Aleafia cultivation operations located in Port Perry, Ontario; one of the largest outdoor cultivation operations in Canada. Additional details on the assumptions utilized to account for biological assets for 2024-YE and restated 2023-YE can be found in note 14 of the Company's most recently filed Annual Financial Statements published at SEDAR+.

- ***Investments as at 2024-YE*** were $2.5 million, compared to nil as at restated 2023-YE. This increase resulted from the Company's acquisition of an 8.94% minority interest in One Plant Retail Corporation ("OPRC") as part of the Aleafia Acquisition. The investment in OPRC was initially valued at $1.8 million upon acquisition, and the Company recorded a $0.6 million gain on this equity investment during 2024, reflecting a fair value adjustment, mandated by IFRS standards at 2024-YE.

- ***Property, plant and equipment as at 2024-YE*** was $43.6 million, an increase of $20.6 million compared to $23.0 million restated at 2023-YE. This growth was primarily driven by $21.4 million in property, plant, and equipment acquired through the Aleafia Acquisition, supplemented by $5.5 million in capital expenditures focused on construction in progress projects ($2.5 million), building improvements ($1.8 million), and machinery and equipment upgrades ($0.7 million). The increase was partially offset by asset disposals of $1.1 million net book value (primarily construction in progress write-offs of $1.2 million), annual depreciation expense of $4.6 million (concentrated in machinery and equipment at $2.0 million and leasehold improvements at $1.3 million), and unfavorable net foreign currency translation impacts of $0.6 million. The net increase of $20.6 million demonstrates significant asset base expansion through strategic acquisition while maintaining disciplined capital allocation for organic growth initiatives.

- ***Assets Held for Sale as at 2024-YE*** decreased to $13.2 million from $19.0 million at 2023-YE, representing a decline of $5.8 million. The decrease was primarily attributable to the depreciation of property, plant and equipment prior to Pharmaco Inc., a wholly owned subsidiary of the Company, entering into receivership in December 2024. Property, plant and equipment held for sale declined by $1.4 million from $12.9 million at restated 2023-YE to $11.5 million at 2024-YE. An elimination of $1.6 million in right-of-use assets following lease modifications during 2024 also contributed to the decrease. Current assets within the disposal group also decreased by $3.2 million, mainly due to the reduction of $1.6 million in inventory and the elimination of prepaid expenses and other assets, partially offset by the recognition of $1.6 million in lease receivables.

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

Liabilities

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

As at	2024-YTD	2023-YE	Variance
	$	$	$
Current liabilities			
Accounts payable and accrued liabilities	24,074	20,153	3,921
Short-term notes payable	207,419	145,093	62,326
Short-term credit facility	-	19,430	(19,430)
Short-term convertible notes	45,187	73,724	(28,537)
Short-term Derivative liabilities	-	673	(673)
Short-term lease obligations	701	423	278
Income taxes payable	18,313	16,382	1,931
Liabilities held for Sale	46,199	27,793	18,406
Other current liabilities	1,140	1,207	(67)
Total current liabilities	**343,033**	**304,878**	**38,155**
Non-current liabilities			
Long-term lease obligations	22,028	20,081	1,947
Long-term convertible notes (note 20)	44,071	0	44,071
Long-term notes payable	39,157	0	39,157
Deferred tax liability	19,009	19,960	(951)
Other non-current liabilities	122	0	123
Total non-current liabilities	**124,387**	**40,041**	**84,347**
Total liabilities	**467,420**	**344,919**	**122,502**

Total liabilities increased by $122.5 million from $344.9 million at restated 2023-YE to $467.4 million at 2024-YE, primarily driven by increased financing activities as described below.

- ***Accounts payable and accrued liabilities as at 2024-YE*** increased by $3.9 million to $24.1 million from $20.2 million at restated 2023-YE. Entities acquired in the Aleafia Acquisition account for $6.1 million of this increase. Excluding the impact of the Aleafia Acquisition, accounts payable and accrued liabilities would have decreased by $2.2 million ($3.9 million total increase less $6.1 million acquisition impact), reflecting improved working capital management and the timing of supplier payments, partially offset by accrued expenses related to ongoing business activities.

- ***Short-term and long-term notes payable as at 2024-YE*** increased by $140.6 million to $246.6 million at 2024-YE from $145.1 million at restated 2023-YE, consisting of $207.4 million in short-term notes payable and $39.2 million in long-term notes payable. The short-term portion increased by $62.3 million from the prior year. This increase is primarily the result of $57.7 million in additional advances drawn by the Company through the CAD and USD RGR Grid Notes (collectively, the "RGR Grid Notes") and accrued interest on short-term notes during 2024-YE. Of these advances, $8.2 million was allocated to closing costs associated with the Aleafia Acquisition, $3.0 million was advanced to fund a note receivable to OPRC (the "OPRC Note"), and USD $26.4 million (CAD $38 million) was advanced directly to Michigan and Florida operations to facilitate the PD Note Receivable and address working capital requirements. The remaining portion was used to support Canadian operations and corporate expenses. Long-term notes payable increased by $39.2 million from nil at restated 2023-YE. The increase in long-term notes payable reflects the issuance of a $5.8 million note payable (the "ELL Note"), and due to the renewal of the RGR USD $18,300,000 Note (renamed the "RGR Note C") which extended the maturity on the RGR Note C to November 30, 2026 (refer to *Debt* section for details). The overall increase in short- and long-term notes payable is also attributed to $25.5 million in interest accrued during 2024-YE. $1.9 million in transaction costs related to restructuring of debt and $12.9 million in foreign exchange impacts. The overall increase reflects additional borrowings undertaken during 2024 to support the Company's operational and strategic initiatives, as well as reclassifications of debt between short-term and long-term based on revised maturity profiles and new long-term debt financing obtained to support capital requirements (refer to the *Notes Receivable* section for details on the Company's outstanding notes payable).

- ***Credit facility as at 2024-YE*** decreased by $19.4 million to nil at 2024-YE from $19.4 million at restated 2023-YE. This decrease was due to the RGR Credit Facility being allocated to the Company's subsidiary, Pharmaco, Inc. which was placed into discontinued operations in December 2024 as noted below in Liabilities Held for Sale.

- ***Short-term and long-term convertible notes as at 2024-YE*** increased by $15.5 million to $89.3 million at 2024-YE from $73.7 million at restated 2023-YE, consisting of $45.2 million in short-term convertible notes and $44.1 million in long-term convertible notes. The short-term portion decreased by $28.5 million from $73.7 million at restated 2023-YE as a result of $43.2 million in renewed convertible debt extending the terms beyond one year, classifying the renewed debt as long-term offset by $7.7 million in interest accrued during 2024-YE and impacts of foreign exchange. This extension of maturity dates is the direct cause for the increase in long-term convertible notes which increased to $44.1 million from nil at restated 2023-YE. Subsequent to 2024-YE, the Company renewed the convertible debt remaining classified as short-term at 2024-YE, extending their terms to exceed twelve months' maturity and, as such, reclassified the convertible notes to long-term (refer to *Recent Events*). The reader is referred to the *Debt* section for more information on the Company's convertible note.

- ***Liabilities Held for Sale as at 2024-YE*** increased to $46.2 million from $27.8 million at 2023-YE, representing an increase of $18.4 million. The increase, represented by the liabilities held by Pharmaco Inc., a discontinued operation (see *Recent Events*), was primarily driven by a $21.9 million RGR Credit Facility allocation to Pharmaco, Inc. during 2024. Additionally, accounts payable and accrued liabilities increased by $1.6 million to $23.6 million. These increases were partially offset by reductions in notes payable, which decreased by $0.8 million to $0.8 million, and the elimination of $1.8 million in lease obligations and $2.4 million in other liabilities.

Shareholders' Equity

As at 2024-YE, total shareholders' equity was in a deficit of $173.0 million, which includes the impact of $330 million in non-cash impairments realized through 2024-YE. This represents an increase of $57.7 million compared to a deficit of $115.3 million as at 2023-YE. The decrease in shareholders' equity was due to an increase of $24.9 million in cumulative translation adjustments due to foreign currency translation into the Company's functional currency, an increase in accumulated deficit of $26.2 million related net losses from continuing and discontinued operations, a decrease of $6.8 million non-controlling interest, offset by a $0.2 million increase in contributed surplus as a result of stock-based compensation.

SUMMARY OF QUARTERLY RESULTS

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

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

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

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

Quarter	Revenue	Cost of Goods Sold	Gross profit before FMV adjustments	Gross profit after FMV adjustments	Net loss	Earnings per share
	$	$	$	$	$	$
31-Dec-24	18,669	18,026	643	5,449	(10,220)	(0.00)
30-Sep-24	21,205	14,327	6,878	10,157	(6,624)	(0.00)
30-Jun-24	20,757	14,808	5,949	9,998	(9,456)	(0.02)
31-Mar-24	19,534	12,695	6,839	2,841	(6,797)	(0.01)
31-Dec-23 restated	15,865	9,843	6,022	10,554	(114,909)	(0.05)
30-Sep-23 restated	15,122	9,516	5,606	4,359	(7,024)	(0.01)
30-Jun- 23 restated	17,573	12,914	4,659	3,919	(8,231)	(0.02)
31-Mar-23 restated	21,008	13,019	7,990	6,211	(9,555)	(0.02)

SUMMARY OF OUTSTANDING SHARE DATA

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

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

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

Securities Outstanding as at 2024-YTD	Number of Securities	Weighted Average Exercise/ Conversion Price
	#	$
Common Shares	470,221,901	N/A
Stock Options	13,691,429	0.37

As at the date of this MD&A, the Company had 470.2 million Common Shares issued and outstanding.

Common Shares

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

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

Share Capital transactions the during the year ended December 31, 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 class of preferred shares. The preferred shares are unlimited, issuable in series, without par value and have special rights and restrictions. Directors may determine dividend entitlements, redemption terms and conversion rights provided that no other 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.

In conjunction with the creation of the new class of preferred shares, 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 restated:

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.

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.

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

The following assumptions were used by the Company to value the stock options outstanding as at December 31, 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
3-Oct-24	3-Oct-25	3-Oct-29	0.07	0.10	150.63%	3.28%	$nil

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

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

	Options	Weighted average exercise price
	#	$
Balance Outstanding, December 31, 2022	**17,783,456**	**0.95**
Issued	[i]1,250,000	0.10
Expired	(2,009,192)	2.07
Forfeited	(63,333)	0.68
Balance Outstanding, December 31, 2023	**16,960,931**	**0.80**
Issued	1,925,000	0.12
Expired	(3,197,002)	2.70
Forfeited	(102,500)	0.21
Balance Outstanding, December 31, 2024	**15,586,429**	**0.33**
Exercisable		
Exercisable as at December 31, 2024	12,828,097	0.38
Exercisable as at December 31, 2023	11,967,182	1.07

[i] Includes amounts issued to an officer of the Company.

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

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 twelve months ended December 31, 2024, the Company had share-based compensation expenses relating to stock options amounting to $30 and $195, respectively (restated 2023; 145 and 752, respectively).

The following reflects remaining contractual life for outstanding and exercisable options as at December 31, 2024:

Outstanding				Exercisable	
Expiry date	**Exercise price**	**Options**	**Remaining contractual life**	**Options**	**Remaining contractual life**
	$	**#**	**(years)**	**#**	**(years)**
11-Jan-25	1.00	371,429	0.03	371,429	0.03
1-Apr-25	1.00	125,000	0.25	125,000	0.25
6-Jul-25	1.10	75,000	0.51	75,000	0.51
10-Sep-25	0.66	15,000	0.69	15,000	0.69
1-Oct-25	0.65	3,400,000	0.75	3,400,000	0.75
12-Oct-25	0.65	50,000	0.78	50,000	0.78
18-Nov-25	0.67	150,000	0.88	150,000	0.88
3-Dec-25	0.75	800,000	0.92	800,000	0.92
12-Nov-26	0.63	400,000	1.87	400,000	1.87
26-Nov-26	0.63	75,000	1.90	75,000	1.90
7-Oct-27	0.14	6,500,000	2.77	6,500,000	2.77
7-Oct-27	0.20	200,000	2.77	200,000	2.77
7-Oct-27	0.50	250,000	2.77	250,000	2.77
03-Mar-29	0.10	1,925,000	4.76	-	-
15-Mar-33	0.10	1,250,000	8.21	416,668	8.21
Total		**15,586,429**	**2.76**	12,828,097	2.11

RELATED PARTY TRANSACTIONS

Key Management

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

	2024-YE	2023-YE *Restated*
	$	**$**
Management salaries, bonuses, and other benefits	1,062	1,199
Consulting fees by a company controlled by a director of the company	20	308
Share-based payments – officers	40	57
Share-based payments – directors	66	219
Total	**1,188**	**1,783**

Amounts due to/from Related parties

- Included in accounts payable and accrued liabilities is $1.1 million in management salaries, bonuses, and other benefits to be paid out in future periods (restated 2023; $1.9 million)
- The CPIL Convertible Note represents an obligation to an entity controlled by the Company's President. This note was issued with a two-year term, scheduled to mature on September 15, 2024, bearing interest at 8% per annum. Upon initial recognition, the Company valued the CPIL Convertible Note using the residual method, allocating $14.9 million to long-term convertible debt liability and $2.1 million to convertible debt reserve. The liability portion amortized over the two-year loan term at an effective interest rate of 16.43%. At maturity, due to non-conversion to common shares, the Company transferred the convertible debt reserve to contributed surplus. Subsequent to the December 31, 2024 fiscal year-end, the Company and the noteholder renegotiated the instrument, transforming the CPIL Convertible Note into a standard note payable (the “CPIL Note”). For complete details regarding outstanding amounts and additional terms of the CPIL Convertible Note, refer to *Debts*, and for the CPIL Note refer to *Recent Events*.
- The VMOS Convertible Note represents an obligation to an entity controlled by a member of the Company's Board of Directors. Originally scheduled to mature on April 22, 2024, the note was formally amended on December 31, 2024, with the amendment retroactively effective as of June 4, 2024. The amendment extended the maturity date to November 30, 2026, and increased the annual interest rate from 8% to 12%. Upon amendment, the Company reassessed the note's value using the Binomial lattice method based on the Cox-Ross-Rubinstein market model, resulting in no derivative liability. For complete details regarding outstanding amounts and additional terms of the VMOS Convertible Note, refer to *Debts*.
- The Company has identified other close family members of key management personnel that currently represent lenders to the Company (refer to *Debts*) during its review of related party disclosures in accordance with IFRS and Securities and Exchange Commission protocols. The list of family members 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.

Related Party Transactions

Related party transactions during 2024-YTD

- Officers and Directors of the Company held an aggregate of 37.2 million common shares and 6.5 million stock options. As at December 31, 2024, $5.2 million of these stock options are fully vested.
- 0.02 million stock options held by Directors of the Company expired.
- The Company expensed $0.1 million in stock-based compensation related to stock options held by directors and officers.
- The ELL Note 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 ELL Note as is standard practice within capital markets (refer to *Debts* for information on the ELL Note).
- Refer to the following tables below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

Related party transactions during the 2023-YTD

- 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 2023-YTD, 1.0 million stock options stock options held by Directors of the Company expired.
- Officers and Directors of the Company hold an aggregate of 37.2 million common shares and 6.5 million stock options. As at 2023-YE, 3.6 million of these stock options were fully vested.
- During 2023-YTD, the Company expensed $0.3 million in stock-based compensation related to stock options held by directors and officers.
- The reader is referred to the following continuity schedules of notes payable and convertible debentures payable to the individuals or entities identified.

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

Related Party Notes Payable Continuity Schedule

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

	Balance, 31-Dec-23 *Restated*	Additions	Interest accretion	Interest	Principal payments	Interest payments	Debt modification	(Gain)/Loss on debt modification	Transaction costs	Extinguish ment	Gain/(Loss) on extinguishment	FX (gain)/loss	Balance 31-Dec-24
	$	$	$	$	$	$	$	$	$	$	$	$	$
USD$18,300,000 RGR Note	25,138	-	-	1,847	(27)	-	-	-	1,842	(30,460)	(67)	1,728	-
[i]RGR Note C	-	-	-	2,198	-	-	30,460	-	-	-	-	883	33,541
USD$25,885,000 RGR Note	41,454	-	124	6,490	-	-	-	-	-	-	-	3,970	52,038
USD$6,349,000 SDIL Note	9,366	-	73	1,323	(1,032)	(460)	-	-	-	-	-	821	10,091
USD$ RGR Grid Note	30,293	-	-	97	-	-	-	-	50	(30,390)	(50)	-	-
[ii]USD$ RGR Grid Note	-	34,648	-	6,092	-	-	30,390	-	-	-	-	4,772	75,902
CAD$ - RGR Grid Note	31,098	-	-	100	-	-	-	-	50	(31,198)	(50)	-	0
[ii]CAD$ - RGR Grid Note	-	23,062	-	5,701	(3,000)	(15)	31,198	-	-	-	-	-	56,946
CAD$2,710,000 BJMDSD Note	3,029	-	12	461	(150)	(138)	-	-	-	-	-	0	3,213
Balance, end of year	**140,378**	**57,710**	**209**	**24,309**	**(4,209)**	**(613)**	**92,049**	**-**	**1,942**	**(92,049)**	**(167)**	**12,172**	**231,732**

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

	Balance, 31-Dec-22 *Restated*	Additions	Interest accretion	Interest	Principal payments	Interest payments	Debt modification	(Gain)/Loss on debt modification	Transaction costs	Extinguish ment	Gain/(Loss) on extinguishment	FX (gain)/loss	Balance 31-Dec-23
	$	$	$	$	$	$	$	$	$	$	$	$	$
USD$25,885,000 RGR Note	36,678	-	155	5,870	-	-	-	(265)	(7)	-	(265)	(977)	41,454
USD$6,349,000 SDIL Note	8,664	-	87	1,356	-	(360)	-	(150)	(7)	-	(150)	(225)	9,366
USD$18,300,000 VRT Note	24,849	-	-	2,996	-	(3,001)	-	-	-	(24,139)	-	(705)	-
USD$ RGR Grid Note	10,765	18,757	-	2,638	(1,293)	-	-	-	-	-	-	(574)	30,293
USD$18,300,000 RGR Note	-	-	-	949	-	-	24,139	-	-	-	-	49	25,138
CAD$2,210,000 BJMD Note	2,227	-	-	30	-	(25)	-	-	-	(2,231)	-	-	-
CAD$2,710,000 BJMDSD Note	-	500	13	395	-	(86)	2,231	(20)	(5)	-	(20)	-	3,029
CAD$ - RGR Grid Note	-	32,705	-	1,538	(3,145)	-	-	-	-	-	-	(0)	31,098
Balance, end of year	**83,184**	**51,962**	**255**	**15,773**	**(4,438)**	**(3,471)**	**26,371**	**(436)**	**(18)**	**(26,371)**	**(436)**	**(2,432)**	**140,378**

[i] Amended USD$18,300,000 RGR Note
[ii] Result of January 1, 2024 amendment

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

Related Party Convertible Debenture Continuity Schedule

A continuity schedule for related party convertible debentures for 2024-YTD, and restated 2023-YTD:

	VMOS Convertible Note	DICL Convertible Note	SDIL Convertible Note	CPIL Convertible Note	Total
	$	**$**	**$**	**$**	**$**
Carrying Value, January 1, 2023	1,608	7,756	7,756	15,617	32,737
Interest accrued	118	644	644	1,360	2,766
Interest Accretion	52	176	176	1,053	1,457
Effects of foreign exchange	(39)	(198)	(198)	-	(435)
Carrying Value, December 31, 2023, restated	**1,739**	**8,378**	**8,378**	**18,030**	**36,525**
Interest accrued	37	829	829	1,672	3,367
Interest Accretion	20	153	153	737	1,063
Extinguishment	(1,860)	-	-	-	(1,860)
Amendment	1,860	-	-	-	1,860
Interest accrued post-amendment	129	-	-	-	129
Effects of foreign exchange	158	783	783	-	1,724
Carrying Value, December 31, 2024	**2,083**	**10,143**	**10,143**	**20,439**	**42,808**
Short-term	-	10,143	10,143	20,439	40,725
Long-term	2,083	-	-	-	2,083

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

	DICL Convertible Note	SDIL Convertible Note	Total
	$	**$**	**$**
Balance, January 1, 2023	(981)	(981)	(1,962)
Gain/loss on FMV adjustments of derivative liability	647	647	1,294
Effects of Foreign exchange	(3)	(3)	(6)
Balance, December 31, 2023, restated	**(337)**	**(337)**	**(674)**
Gain on FMV adjustments of derivative liability	345	345	690
Effects of Foreign exchange	(8)	(8)	(16)
Balance, December 31, 2024	**-**	**-**	**-**

See note 22 Debt of the 2024 Audited Financial Statements for corresponding terms and conditions of each of the debt related notes, and valuation methods used for embedded derivatives, along with inputs used in the annual valuations.

Commitments and Contingencies

Claims and Litigation

On August 19, 2022, Greenlane Holdings, LLC filed a lawsuit against Red White & Bloom Brands, Inc.; RWB Platinum Vape, Inc.; Platinum Vape, LLC; and Vista Prime Management, LLC (collectively, the "RWB Entities") in the Superior Court of California, County of Orange (the "Greenlane Lawsuit"). The RWB entities answered the complaint, generally denying Greenlane's allegations and claims, on October 7, 2022. On November 16, 2022, the RWB Entities filed a motion to dismiss the Lawsuit on the grounds of inconvenient forum. Shortly thereafter, the parties agreed to voluntarily submit their dispute to binding arbitration before the American Arbitration Association in Florida (the "Arbitration"). The Greenlane Lawsuit is stayed pending the outcome of the Arbitration. An Arbitration hearing had been set for July 19-20, 2023; however, the hearing was continued to a later date pending resolution of a motion by Greenlane to join additional parties in the Arbitration. On November 11, 2023, the Greenlane Lawsuit was formally dismissed by the Superior Court of California, County of Orange, on the request of Greenlane Holdings, LLC, without recourse to the RWB Entities, in consideration for a monetary settlement paid by the Company to Greenlane Holdings, LLC in the amount of US$0.6 million. The Company had not previously accrued for the settlement and recognized the associated expense net loss for the year ended December 31, 2023.

On April 1, 2025, RWB Michigan, LLC ("RWBM") was served a summons by Skybar Vapor, LLC ("Skybar"), an entity representing a former vendor of RWBM. The summons addresses a contractual dispute, raised by Skybar, between RWBM and Skybar relating to the supply of raw materials to RWBM by Skybar. The summons also details damages in excess of $1million being sought by Skybar regarding the contractual dispute. The Company's position is that Skybar's claims are without merit, including the associated damages being sought, and has commenced a vigorous defense of the claim.

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

Contingencies

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

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of licenses and permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with presiding municipal and state regulations, cannabis and other regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

The 2024 Audited Financial Statements have been prepared on a going concern basis, which assumes the Company will continue operations for the foreseeable future, realizing assets and discharging liabilities in the ordinary course of business.

The Company's ability to continue as a going concern depends on several factors: increasing revenues, reducing costs, improving cash flows, and securing adequate funding through debt facilities and capital market resources, including sources of equity financing. As of 2024-YE, the Company had cash and cash equivalents of $7.3 million, compared to $2.3 million at 2023-YE. However, the Company reported a working capital deficit (current assets less current liabilities) of $231.6 million, compared to $214.8 million for the corresponding years. This significant deficit is primarily attributable to the majority of the Company's long-term debt maturing or becoming due within the next 12 months as of 2024-YE.

To address these factors, management has:

- Successfully restructured the majority of issued and outstanding debt, extending maturities and modifying terms to benefit both lenders and the Company (refer to *Recent Events*)
- Continued to explore various financing options through debt and equity markets
- Investigated opportunities to monetize both tangible and intangible assets
- Implemented measures to improve cash flow by prioritizing high-return operating initiatives
- Aggressively targeted reductions in operating and administrative costs through streamlined operations and support functions

Management continuously monitors and evaluates the Company's liquidity position by reviewing near-term capital requirements, including debt obligations, and ensures that planning and budgeting controls are in place to confirm sufficient resources are available for ongoing operations. The Company's primary sources of liquidity are revenues from Retail, Distribution, Licensing, and debt and equity financing.

Management acknowledges that current capital resources may be insufficient to service ongoing cash requirements for the next twelve months. Consequently, the Company has secured additional capital resources to ensure continued pursuit of strategic objectives across its Distribution, Licensing, and Retail operations, fund corporate overheads, service existing debt (as applicable), and capitalize on select organic and acquisitive growth opportunities.

As at 2024-YE, the Company had no off-balance sheet arrangements (2023-YE: $nil).

The Company remains vigilant in monitoring current economic and financial market conditions, including evolving tariff regulations, and evaluating their impact on liquidity. Management has assessed the going concern assumption by considering all relevant information available for the 12-month period following 2024-YE and anticipates continued reliance on debt financing during this term to meet ongoing operating obligations.

The 2024 Audited Financial Statements do not reflect adjustments to carrying values of assets and liabilities, reported expenses, and balance sheet classifications that would be necessary if the Company were unable to continue as a going concern in the normal course of operations. Such adjustments could be material.

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

Cash flow Highlights

The following is the cash flow from operating, investing, and financing activities by the Company for the periods ended 2024-YE, and 2023-YE is as follows:

	2024-YTD	2023-YTD *Restated*	Variance
	$	$	$
Net income for the year	(33,097)	(139,718)	106,621
Items not involving cash	33,862	59,397	(25,535)
Cash used in operating activities before changes in non-cash working	(12,240)	(526)	(11,714)
Net cash used in operating activities	**(11,475)**	**(80,847)**	**69,372**
Net cash provided by (used in) investing activities	**(26,935)**	**70,911**	**(97,846)**
Net cash provided by financing activities	**53,934**	**17,746**	**36,188**

Net cash used by operating activities for 2024-YE, including the change in non-cash working capital, was $11.5 million, a decrease of $69.4 million compared to $80.8 million of net cash used in operating activities for restated 2023-YE. Net cash used by operating activities is impacted by the net change in non-cash working capital items and items not involving cash as described below.

Items Not Involving Cash: Non-cash items totaled $33.9 million for 2024-YE compared to $59.4 million for restated 2023-YE, resulting in a favorable variance of $25.5 million. Key contributors include:

- **Addition to leases:** non-cash additions to leases increased by $4.6 million to $2.8 million for 2024-YE from $1.7 million for restated 2023-YE. The increase was due to higher capital deployment in lease arrangements, reflecting expansion activities in the Company's Florida operations to support business growth initiatives.
- **Depreciation of property, plant and equipment**: non-cash depreciation expense increased by $1.3 million to $4.6 million for 2024-YE from $3.3 million for restated 2023-YE. This increase reflects a larger depreciable asset base resulting from the $9.7 million in property, plant and equipment acquired on closing of the Aleafia Acquisition (refer to Acquisitions).
- **Disposal of property, plant and equipment:** non-cash disposal adjustments increased by $2.0 million to $2.0 million for 2024-YE from a nominal value for restated 2023-YE. This increase resulted from an arm's length sale of assets owned by the Company's Michigan operations.
- **Disposal of right-of-use assets:** non-cash disposal adjustments increased by $2.2 million to $2.1 million for 2024-YE from ($0.1) million for restated 2023-YE. This variance represents lease terminations, modifications, and early exits from lease agreements as part of comprehensive operational restructuring following the discontinuation of the Company's Michigan retail operations that operated under its subsidiary, Pharmaco Inc. (refer to Recent Events).
- **Revaluation of financial instruments:** non-cash revaluation gains decreased by $1.9 million to $0.7 million for 2024-YE from $2.5 million for restated 2023-YE. This decrease resulted from the maturation of convertible debts during 2024-YE that previously contained derivative liability features (refer to Debts).
- **Impairment of Goodwill:** non-cash changes to goodwill within assets available for sales decreased by $24.5 million to nil for 2024-YE from $24.5 million for 2023-YE. This decrease was the result of an impairment in 2023-YE on the Company's subsidiary, Pharmaco, Inc., a discontinued operation.
- **Accrued interest on notes:** non-cash interest accrual increased by $8.8 million to $25.3 million for 2024-YE from $16.5 million for restated 2023-YE. This increase is attributable to higher outstanding notes payable balances as the Company expanded its debt financing to fund growth initiatives, fund the Aleafia Acquisition, and assist with working capital needs.

- **Accreted interest on convertible debentures:** non-cash interest accretion decreased by $1.9 million to $2.6 million for 2024-YE from $4.5 million for restated 2023-YE. This decrease resulted from the renewal of convertible notes that reached maturity during 2024-YE, which were renewed with more favorable terms including lower interest rates, reflecting active management of the convertible debt portfolio and the Company's improved credit profile that enabled strategic refinancing at reduced borrowing costs.
- **Accrued interest on interest receivable:** non-cash interest accrual decreased by $0.9 million to $1.1 million for 2024-YE from $2.1 million for restated 2023-YE. This decrease resulted from the extinguishment of the AH Note and the AH DIP note, which were utilized as consideration for the Aleafia Acquisition, effectively eliminating the associated interest receivable balances and improving the Company's overall receivables position.
- **Gain on investment:** non-cash investment gains increased by $7.6 million to $7.6 million for 2024-YE from nil for restated 2023-YE. This new gain is the result of the $7.0 million bargain purchase obtained on the Aleafia Acquisition and a $0.6 million unrealized gain, accounted for in accordance with IFRS, on the Company's investment in One Plant Retail Corporation, which was acquired as part of the Aleafia Acquisition.
- **Realized (gain) loss in cost of sales:** non-cash inventory adjustments resulted in a realized loss of $6.0 million for 2024-YE compared to a realized gain of $6.9 million for restated 2023-YE, representing an unfavorable variance of $12.9 million. This variance reflects the application of IAS 2 (Inventories) which requires inventory to be measured at the lower of cost and net realizable value, with the variance indicating changed inventory valuation outcomes due to market conditions, inventory management practices, or changes in net realizable value calculations during the measurement period.
- **Fair value adjustment on biological assets:** non-cash fair value adjustments resulted in an unrealized loss of $14.1 million for 2024-YE compared to an unrealized gain of $7.7 million for restated 2023-YE, representing an unfavorable variance of $21.8 million. This negative variance indicates significant deterioration in biological asset valuations due to market price declines, with the measurement and recognition of these fair value adjustments following the requirements of IAS 41 (Agriculture) under IFRS, which mandates that biological assets be measured at fair value less costs to sell at each reporting date, resulting in the recognition of unrealized losses when market conditions deteriorate.
- **Other variances:** The remaining non-cash variances totaling $5.4 million comprise several individually immaterial items including accreted interest on leases ($0.06 million), depreciation of right-of-use assets ($0.13 million), accreted interest on notes ($0.05 million), accrued interest on convertible debentures ($0.76 million), amendment fees on credit facility ($0.18 million), accrued interest on credit facility ($0.28 million), stock-based compensation ($0.56 million), finance fees ($3.13 million), amortized discount on note receivable ($0.91 million), and gain/(loss) on debt modification ($0.35 million). These variances primarily reflect routine operational adjustments, timing differences in interest accruals, normal course variations in credit facility terms, and debt restructuring activities that do not, individually, materially impact the Company's overall financial performance or cash flow generation capabilities.

Changes in Non-Cash Working Capital Items: increased by $11.7 million to a net outflow of $12.2 million in 2024-YE compared to an outflow of $0.5 million in restated 2023-YE. Key drivers include:

- **Accounts receivable:** changes in accounts receivable resulted in a $10.9 million year-over-year change, moving from ($7.6) million for restated 2023-YE to $3.3 million for 2024-YE. This change indicates increased outstanding receivables, reflecting expanded sales activities and due to the impact of new business relationships established through the Aleafia Acquisition, resulting in higher trade receivables balances. The entities acquired in the Aleafia Acquisition accounted for $3.9 million of the Company's accounts receivable balances at 2024-YE.
- **Prepaid expenses:** changes in prepaid expenses resulted in a $0.6 million increase to $0.7 million for 2024-YE from $0.1 million for restated 2023-YE. This increase represents a decrease in advanced payments related to operating activities, and strategic initiatives requiring a reduction of upfront payments.

- **Inventory:** changes in inventory resulted in a $24.1 million year-over-year change, increasing to ($22.1) million for 2024-YE from $2.0 million for restated 2023-YE. This increase includes a $2.8 million change in fair value adjustments applied in accordance with IAS 41 Agriculture and IAS 2 Inventories, and the addition of $19.2 million in in inventory acquired through the Aleafia Acquisition, inclusive of $10.4 million in fair value adjustments, applied in accordance with IAS 41 Agriculture and IAS 2 Inventories. The remaining 2.1 million can be attributed increased stock levels to meet growing demand across the Company's distribution channels.
- **Biological Assets:** changes in biological assets resulted in an $18.9 million year-over-year change, moving to $14.0 million for 2024-YE from ($4.8) million for restated 2023-YE. This change in biological assets is largely the result of $10.7 million increase in unrealized changes in fair value included in inventory resulting from the Purchased Entities as a result of the Aleafia Acquisition during 2024-YE. The additional 8.1 million increase is the result of the 2023 Restatement.
- **Income tax payable:** changes in current income tax payable resulted in a $3.7 million decrease to $0.4 million for 2024-YE from $4.1 million for restated 2023-YE.
- **Deferred income taxes:** changes in deferred income taxes resulted in a $7.0 million year-over-year change, moving from $4.3 million for restated 2023-YE to ($2.7) million for 2024-YE. This change indicates changes in temporary differences between accounting and tax bases, reflecting timing differences in the recognition of income and expenses for tax versus financial reporting purposes.
- **Other assets:** changes in other assets resulted in a $1.6 million year-over-year change, moving to $0.6 million for 2024-YE from ($1.0) million for restated 2023-YE. This change represents the natural expiration and amortization of insurance policies over their respective coverage periods, reflecting the systematic recognition of insurance expenses as the underlying policy terms approach maturity.
- **Other liabilities:** changes in other liabilities resulted in a $7.9 million year-over-year change, moving from $3.6 million for restated 2023-YE to ($4.2) million for 2024-YE. This change reflects the settlement of various operational liabilities and adjustments to accrued obligations, representing the normal course reduction of outstanding commitments and liability settlements during the reporting period.
- **Other working capital variances:** The remaining variances totaling $0.3 million comprise deposits ($0.19 million) and accounts payable and accrued liabilities ($0.15 million). The deposits variance reflects changes in security deposits and other advance payments made in the normal course of business operations. The accounts payable and accrued liabilities variance represents routine timing differences in supplier payment cycles and accrual adjustments that do not materially impact the Company's overall liquidity position or working capital management.

Net cash used in investing activities for 2024-YE totaled $26.9 million, representing a $97.8 million year-over-year decrease compared to $70.9 million in cash provided by investing activities for restated 2023-YE. This change primarily reflects $74.8 million in reduced cash flows from asset activities, comprising a $38.3 million directional change in acquisition of property, plant and equipment (moving from $34.2 million in proceeds from asset disposals in 2023 to $4.1 million in capital expenditures during 2024-YE, with cash used due to the Aleafia Acquisition (see *Acquisitions*) and in the normal business operations) and a $36.5 million reduction in acquisition of intangible assets (decreasing from $36.5 million in disposal proceeds in 2023-YE to nil in 2024-YE due to the acquisition of the Aleafia intangibles being funding by a draw against the RGR CAD Grid Note, and as cash was used for intangible assets acquired through the Aleafia Acquisition), contrasted with the prior year when the Company executed significant strategic asset disposals as part of its capital optimization initiatives. Additionally, the increase in cash used is attributable to $22.0 million in notes receivable issued during 2024-YE, comprising $14.7 million in the issuance of new notes receivable and $7.3 million in advances on existing short-term notes receivable, as detailed in the *Notes Receivable* section. The remaining variances of $2.6 million are comprised of acquisition of right-of-use assets ($2.3 million increase in cash outflows reflecting increased facility requirements for business expansion, including facilities acquired through the Aleafia Acquisition), principal receipts on notes receivable ($0.1 million), and interest receipts on notes receivable ($0.1 million).

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

Net cash provided by financing activities for 2024-YE totaled $53.9 million, representing a $36.2 million increase compared to $17.7 million in restated 2023-YE. This increase primarily reflects debt financing activities through increases to notes payable of $57.2 million during 2024-YE, partially offset by the absence of short-term note amendment activities that provided $19.3 million in 2023-YE with no comparable activity in 2024-YE. Key debt service activities included principal payments on short-term notes increasing to $7.3 million in 2024-YE from $1.3 million in restated 2023-YE (representing a $5.9 million increase in cash outflows), while interest payments on short-term notes decreased to $0.9 million from $3.6 million in the prior year (representing a $2.7 million reduction in cash outflows), reflecting changes in outstanding debt balances and interest rate structures following debt portfolio optimization activities. Other financing variances totaling $2.7 million comprise the elimination of various prior year activities including interest payments on credit facility ($0.4 million reduction), amendment fee payments on credit facility ($0.1 million reduction), interest payments on convertible debt ($1.2 million reduction), principal payments on lease obligations ($0.1 million reduction), and interest payments on lease obligations ($0.3 million increase), reflecting the completion of prior year debt restructuring activities and normal course variations in lease obligations that do not materially impact the Company's overall financing strategy or debt management capabilities.

Notes Receivable

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

'000	Date of Issue	Maturity date	Interest	As at 2024-YE	As at 2023-YE *Restated*
			%	**$**	**$**
AH Note Receivable	2023-06-06	2023-12-24	Prime + 9%	-	16,778
AH DIP Note	2023-07-24	2023-11-23	12.50%	-	7,927
OPRC Note	2024-05-17	2027-05-31	8.00%	3,000	-
PD Note	2024-05-15	2027-05-15	20.00%	12,095	-
KMI Note	2024-12-19	On Demand	12.00%	741	-
Total notes receivable				**15,836**	**24,705**
Short-term				11,397	24,705
Long-term				4,439	-

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

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

	$
Balance, January 1, 2023	-
Issuance of AH Note Receivable	14,000
Advances on AH DIP Note	10,811
Coupon Interest	2,068
Amortization of discount	971
Principal Payments	(3,145)
Balance, December 31, 2023	**24,705**
Short-term	24,705
Long-term	-
Balance, January 1, 2024	**24,705**
Advances on AH DIP Note	7,330
Addition of PD Note	10,973
Addition of OPRC Note	3,000
Addition of KMI Note	723
Coupon Interest	1,123
Amortization of discount	60
Principal payments	(149)
Interest payments	(149)
Aleafia Acquisition (note 7)	(30,565)
Acquisition of Aleafia trademarks and tradenames (note 17)	(1,679)
Foreign exchange	464
Balance, December 31, 2024	**15,836**
Short-term	11,397
Long-term	4,439

During 2024-YTD, the Company accrued interest amounting to $1.1 million and amortized discounts of $0.05 million (restated 2023; $2.1 million and $1 million, accordingly) to other income relating to interest income earned and amortization of discounts on its note receivables.

AH Note Receivable

On June 6, 2023, the Company and Aleafia entered into a binding letter agreement ("the Letter Agreement") whereby the Company agreed to acquire Aleafia and its subsidiaries in a business combination transaction. Concurrent with the execution of the Letter Agreement, the Company was assigned and acquired an arm's length senior secured debt owed by Aleafia to an arm's length lender (the "AH Note Receivable"). The Company acquired the AH Note Receivable at a discounted purchase price of $12.5 million. An advance of $1,500 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 million advance under the Company's existing CAD RGR Grid Note (refer to debt section) to facilitate the aforementioned purchase of the AH Note Receivable and the funding of the $1.5 million advance under the AH Note Receivable.

The AH Note Receivable garnered a coupon interest rate 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 $1.03 million, was recognized by the Company over its expected life using the effective interest method and included other income on the consolidated statement of profit and loss and other comprehensive profit and loss.

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

Up to January 12, 2024, the Company accrued interest amounting to $0.1 million (restated 2023; $1.8 million) and amortized $0.06 million of the discount received on the purchase price (restated 2023; $0.97 million) to other income on its 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 Note Receivable amounting to $16.95 million, 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 $6.6 million (the "AH DIP Note"). Interest on the principal outstanding 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 $6.6 million available to be advanced under the terms of the AH DIP Note (the "AH Commitment Fee"). The AH Commitment Fee had been included in Other Income on the statement of financial position. The continued availability of the AH DIP Note was conditional upon, among other things, certain conditions under the Aleafia CCAA Proceedings being satisfied. A copy of the AH DIP Note term sheet was filed on Sedar+ on August 17, 2023. Concurrent with approval of the AH DIP Note, The Company secured a commitment from RGR to meet its financing commitment to Aleafia under the AH DIP Note.

On November 3, 2023, a principal repayment of $3.1 million was made by Aleafia. Funding for the principal repayment was secured by Aleafia through the sale of its greenhouse facility located in Grimsby, Ontario (Canada).

On October 31, 2023, the Court granted an ancillary relief order, as part of the Aleafia CCAA Proceedings, approving, among other matters, amendments to the AH DIP Note to increase the financing available to the Aleafia group of companies from $6.6 million to $8 million.

Up to January 12, 2024, the Company advanced $7.3 million (restated 2023; $10.8 million) under the AH DIP Note and received principal repayments of $nil (restated 2023; $3.1 million). The Company also accrued $0.03millon in related interest income to other income on the consolidated statement of profit and loss and other comprehensive profit and loss (restated 2023; $0.3 million).

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

PD Note

On May 15, 2024, the Company extended a US$8,000 revolving line of credit note to a Michigan cultivation operation (the "Borrower") bearing interest at 20% per annum to facilitate an arm's length crop commitment that will reduce the cost of raw material (cannabis biomass) inputs used in the Company's finished goods sold in the state of Michigan. The note matures on May 15, 2027, and allows for borrowing, repayment, and reborrowing of principal up to the maximum principal limit, subject to the Company's approval. Annual repayments are required to reduce the outstanding balance, including interest, to USD $1.0 million by May 15 of each year unless this condition is waived by the Company. The Company has secured a first-priority security interest on substantially all of the Borrower's operating assets excluding inventory on hand at the inception of the loan agreement and may accelerate repayment in the event of default.

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

OPRC Note

On May 17, 2024, the Company entered into a $3 million secured note receivable agreement with One Plant Retail Corporation ("OPRC"), (the "OPRC Note"). OPRC is a legal entity in which the Company retains an 8.94% minority investment (note 19). The 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.

KMI Note

On December 19, 2024, the Company entered into a first priority, secured note receivable agreement with Kase Manufacturing Inc. ("KMI"), a vendor providing contract manufacturing and distribution services to the Company in the state of California. The KMI Note bears an interest rate of 12% per annum, compounded monthly until repaid in full. Default interest shall be at 20% after default, compounded monthly. The KMI Note is secured by all present and future right, title, and interest of Borrower's assets.

Debt

Notes Payable

As at 2024-YE, and restated 2023-YE the Company had the following outstanding payable:

'000's	Purpose of Note	Note Value (Source Currency)	Date of Issue/ Amendment	Maturity date	Interest	As at 31-Dec-24	As at 31-Dec-23 *Restated*
		$			%	$	$
USD $3M Oakshire Note	Debt settlement	USD 3,000	19-Jul-24	28-Feb-25	0.00%	1,665	-
FL Ops Note	Operations	USD 1,130	4-Jun-24	4-Dec-25	12.00%	1,637	-
[i] USD$18,300,000 RGR Note	Debt Restructure	USD 18,300	29-Dec-23	12-Feb-24	12.9%+PIK	-	25,141
[i], [ii]RGR Note C	Debt Restructure	USD 21,742	29-Nov-24	30-Nov-26	12.00%	33,541	-
[i] USD$25,885,000 RGR Note	Debt Restructure	USD 25,885	15-Sep-22	12-Sep-24	15.00%	52,038	41,454
USD$2,887,000 TAII Note	Debt Restructure	USD 2,887	1-Jan-24	12-Sep-24	15.00%	5,278	4,303
[i] USD$6,349,000 SDIL Note	Debt Restructure	USD 6,349	15-Sep-22	12-Sep-24	15.00%	10,091	9,365
USD$269,000 SIL Note	Debt Restructure	USD 269	15-Sep-22	12-Sep-24	15.00%	521	411
[i] USD$ RGR Grid Note	Debt Restructure	USD 7,850	1-Jan-24	12-Sep-24	12.00%	75,902	30,293
[i] CAD$ - RGR Grid Note	Debt Restructure	USD 31,198	1-Jan-24	12-Sep-24	12.00%	56,946	-
[i] CAD$2,710,000 BJMDSD Note	Debt Restructure	CAD 2,710	1-Feb-23	12-Sep-24	15.00%	3,214	3,029
CAD$5.8M ELL Note	Working Capital	CAD 5,750	5-Jun-24	1-Jul-29	6.72%	5,743	-
Balance, end of period						**246,576**	**145,093**

Notes payable transactions during 2024-YTD:

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, compounding monthly, 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 $0.1 million loss on extinguishment related to the RGR Grid Notes amendment.

The RGR Grid Notes were renewed, post maturity, on February 1, 2025 (refer to *Recent Events*).

[i] Refer to *Related Party*
[ii] Amendment of USD$18,300,000 RGR Note

b) FL Ops Note

On June 4, 2024, the Company's subsidiaries, Red White & Bloom Florida Inc. and RWB Florida LLC (as joint borrowers), entered into an operating loan agreement with Red White and Bloom Brands Inc. and a consortium of arm's-length lenders, for an aggregate principal amount of up to USD $6.0 million (the "FL Ops Note"). The FL Ops Note carries a 12% annual interest rate (increasing to 15% in the event of default), compounds monthly, and matures on December 4, 2025. The arm's-length lenders advanced $1.6 million (USD $1.1 million) of the total principal while Red White and Bloom Brands, Inc. advanced $6.7 million (USD $4.7 million). For the purpose of these Financial Statements, amounts advanced by Red White and Bloom Brands, Inc. have been eliminated on consolidation. The FL Ops Note was issued to fund ongoing operating costs and fixturing of the Florida retail stores to be activated through fiscal 2025.

c) ELL Note

On June 4, 2024, the Company completed a mortgage financing with a third-party Canadian lender in the amount of $5.8 million (the "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 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 ELL Note is supported by a guarantee provided by an existing related party lender.

d) Oakshire Note (Due to Oakshire)

On July 19, 2024, under the terms of the Oakshire Settlement (see Debt Settlement below), the Company entered into a promissory note for $3.4 million (the "Oakshire Note") to resolve a series of financial obligations and claims, including the extinguishment of $1.1 million due under the amount Due to Oakshire. . The Oakshire Note is non-interest bearing and is required to be settled, in full, by February 28, 2025 unless this condition is otherwise waived by the applicable lender. Payments are structured in installments, with specific deadlines outlined in the Oakshire Settlement Agreement. If payments are not made as scheduled, an 18% default interest rate will apply (at the discretion of the lender, and the total outstanding balance will become immediately due unless this condition is otherwise waived by the applicable lender. The Oakshire Note is secured by specific operating assets held by the Company.

e) RGR Note C (amendment of the USD$18,300,000 RGR Note)

On November 29, 2024, the Company and RGR executed an agreement, effective June 4, 2024, to amend the USD$18,300,000 RGR Note resulting in RGR Note C. Prior to the amendment, the Company incurred USD$1,339 in penalties and interest in accordance with the default terms of the USD$18,300,000 RGR Note. Under the terms of the amendment, RGR Note C will bear interest of 12% per annum, compounded monthly, with interest and principal payable on the maturity date, defined as November 30, 2026. The amendment was subject to review under IFRS 9 and as a result, the USD$18,300,000 RGR Note was extinguished resulting in $67 loss on extinguishment. Details of the transaction are included in the notes payable continuity schedule below..

Notes payable transactions during restated 2023-YE:

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

On February 1, 2023, the Company amended the secured CAD$2,210,000 BJDM Note to update the principal from $2.2 million to $2.7 million, with all other terms and conditions remaining the same. The amendment was subjected to review under IFRS 9 and as a result, the CAD$2,210,000 BJDM Note was extinguished resulting in $nil gain or loss on extinguishment. $0.5 million in additional funding was received by the Company on amendment and the loan was renamed from the “CAD$2,210,000 BJDM Note” to the “CAD$2,710,000 BJDMSD Note.”

b) USD RGR Grid Note

On March 10, 2023, the Company entered into a secured note payable amending the agreement with RGR to document US dollar advances made by RGR to the Company (the “USD RGR Grid Note”). The USD RGR Grid Note initially provides for an amendment to an existing USD$5.9 million note and an additional $2.0 million in funding, for a change in principle with all other terms and conditions remaining the same. The USD RGR Grid Note bears an interest rate of 12% per annum with interest payments due on the last day of each month and all future advances to be documented as part of the USD RGR Grid Note.

f) CAD RGR Grid Note

On March 27, 2023, the Company entered into a secured note payable agreement with RGR to document Canadian dollar advances made by RGR to the Company (the “CAD RGR Grid Note”), maturing on September 12, 2024; secured by a first priority security interest in, and pledge of the equity ownership interest of the Company’s subsidiary; RWB Michigan, LLC. The CAD RGR Grid Note will bear interest at an aggregate rate of 12% per annum with interest payments due on the last day of each month.

c) VRT Note Purchase Agreement

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

On December 29, 2023, VRT and RGR entered into an assignment agreement (the “VRT Note Purchase Agreement”) in relation to the USD$18,300,000 VRT Note. The VRT Note Purchase Agreement resulted in the assignment, from VRT to RGR, of 100% of VRT’s interest in the rights and obligations as set out in the USD$18,300,000 VRT Note and a renaming of the note to the “USD$18,300,000 RGR Note”.

All terms and conditions of the USD$18,300,000 RGR Note remain the same as initially set out in the USD $18,300,000 VRT Note. The USD$18,300,000 RGR Note remains to be secured by select assets of the Florida operations. Interest continues to be calculated as the greater of a minimum 12.90% base interest rate or 7.40% plus prime. Base interest is payable monthly, with principal and interest above base due on February 12, 2024. The change in lenders was insignificant and did not initiate debt modification analysis under IFRS 9.

d) The December 31, 2023 Amendments

On December 31, 2023, the Company and the lenders agreed to amend the below listed Notes Payable. Under the terms of the amendments, the Company agreed to pay unpaid principal amounts on September 12, 2024, until the full and final payment of the principal amount becomes due, with accrued PIK interest added to principal effective January 1, 2023. Interest is to calculate on a compounded monthly basis at 15% per annum, and payable on the original maturity date; September 12, 2024, in arrears and on the date of any prepayment or repayment. All other terms and conditions remain unchanged. The amendment was subjected to review under IFRS 9 and as a result, the Company recognized a $0.5 million gain on debt modifications related to the December 31, 2023 Amendments.

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

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

During the 2024-YE, and restated 2023-YE, the Company satisfied all financial and non-financial covenants associated with the notes payable.

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

The continuity of notes payable for 2024-YTD are as follows:

Name of Loan	Balance 31-Dec-23 Restated	Additions	Interest Accretion	Interest	Interest Payments	Principal Payments	Debt Modification	Transaction costs	Extinguish -ment	Extinguishment Gain/(loss)	FX (gain)/loss	Balance 31-Dec-24	Short -term	Long -term
	$	$	$	$	$	$	$	$	$	$	$	$		
Oakshire Note	-	4,608	-	-	-	(3,005)	-	-	-	-	62	1,665	1,665	-
MV Ops Note	-	1,626	-	11	-	-	-	-	-	-	-	1,637	1,637	-
[i]USD$18,300,000 RGR Note	25,138	-	-	1,847	-	(27)	-	1,842	(30,460)	(67)	1,727	-	-	-
[I, ii]RGR Note C	-	-	-	2,198	-	-	30,460	-	-	-	883	33,541	-	33,541
[I] USD$25,885,000 RGR Note	41,454	-	124	6,490	-	-	-	-	-	-	3,970	52,038	52,038	-
USD$2,887,000 TAII Note	4,303	-	35	663	(128)	-	-	-	-	-	405	5,278	5,278	-
[I] USD$6,349,000 SDIL Note	9,366	-	73	1,323	(460)	(1,032)	-	-	-	-	821	10,091	10,091	-
USD$269,000 SIL Note	412	-	4	65	-	-	-	-	-	-	40	521	521	-
[I] USD$ RGR Grid Note	30,293	-	-	97	-	-	-	50	(30,390)	(50)	-	-	-	-
[I ,iii]USD$ RGR Grid Note	-	34,648	-	6,092	-	-	30,390	-	-	-	4,772	75,902	75,902	-
[I] CAD$ - RGR Grid Note	31,098	-	-	100	-	-	-	50	(31,198)	(50)	-	-	-	-
[I , iii] CAD$ - RGR Grid Note	-	23,062	-	5,701	(15)	(3,000)	31,198	-	-	-	-	56,946	56,946	-
[I] CAD$2,710,000 BJMDSD Note	3,029	-	12	461	(138)	(150)	-	-	-	-	-	3,214	3,214	-
ELL Note	-	5,750	-	218	(187)	(38)	-	-	-	-	-	5,743	127	5,616
Balance, end of period	**145,093**	**69,694**	**248**	**25,266**	**(928)**	**(7,252)**	**92,048**	**1,942**	**(92,048)**	**(167)**	**12,680**	**246,576**	**207,419**	**39,157**

[i] Related party
[ii] November 29, 2024 amendment of USD$18,300,000 RGR Note
[iii] Amended January 1, 2024

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

The continuity of notes payable for restated 2023-YTD is as follows:

Name of Loan	Balance 31-Dec-22 *Restated*	Additions	Interest Accretion	Interest	Principal Payments	Interest Payments	Debt Modification	(Gain)/Loss on Debt Modification	Transaction costs	Extinguish -ment	FX (gain)/loss	Balance 31-Dec-23 *Restated*	Short-term
	$	$	$	$	$	$	$	$	$	$	$	$	$
$26,872 - Ram loan	5	-	-	-	-	(5)	-	-	-	-	-	-	-
[i,ii]USD$25,885,000 RGR Note	36,678	-	155	5,870	-	-	-	(265)	(7)	-	(977)	41,454	41,454
[ii] USD$2,887,000 TAII Note	3,940	-	42	622	(123)	-	-	(68)	(7)	-	(103)	4,303	4,303
[i, ii] USD$6,349,000 SDIL Note	8,664	-	87	1,356	(360)	-	-	(150)	(7)	-	(225)	9,365	9,365
[ii] USD$269,000 SIL Note	367	-	5	59	-	-	-	(3)	(7)	-	(10)	411	411
[i] USD$18,300,000 VRT Note	24,849	-	-	2,996	(3,001)	-	-	-	-	(24,139)	(705)	-	-
[i] USD$ RGR Grid Note	10,765	18,757	-	2,638	-	(1,293)	-	-	-	-	(574)	30,293	30,293
[i] USD$18,300,000 RGR Note	-	-	-	949	-	-	24,139	-	-	-	53	25,141	25,141
[i] CAD$2,210,000 BJMD Note	2,227	-	-	30	(25)	-	-	-	-	(2,232)	-	-	-
[i, iii]CAD$2,710,000 BJMDSD Note	-	500	13	395	(86)	-	2,231	(20)	(5)	-	-	3,028	3,028
[i]CAD$ RGR Grid Note	-	32,705	-	1,538	-	(3,145)	-	-	-	-	-	31,098	31,098
Balance, end of year	**87,495**	**51,962**	**302**	**16,453**	**(3,595)**	**(4,443)**	**26,370**	**(506)**	**(33)**	**(26,371)**	**(2,541)**	**145,093**	**145,093**

[i] Related party
[ii] Amended December 31, 2023
[iii] February 1, 2023 amendment of CAD$2,210,000 BJMD Note

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

Convertible debentures

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

	[i]VMOS Convertible Note	FCC Convertible Note	IBGL Convertible Note	AB Convertible Note	MV Convertible Note	DICL Convertible Note	SDIL Convertible Note	CPIL Convertible Note
Purpose of issuance	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Debt restructure	Debt restructure	Debt restructure
Details and terms								
Original note 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
[redacted]								
Maturity date	2024-04-22 amended 2026-11-30	2024-04-22 amended 2026-11-30	2024-04-22 amended 2026-11-30	2024-04-22 amended 2026-11-30	2024-06-04 amended 2026-11-30	2024-09-12	2024-09-12	2024-09-12
Interest rate/annum	8% post-maturity 12%	8% amended 12%	8% amended 12%	8% post-maturity 12%	8% amended 12%	8%	8%	8%
Additional interest/annum	-	-	-	-	4% in share amended 0%	-	-	-
Default rate/annum	5%	5%	5%	5%	8% Amended 15%	10%	10%	8%
Conversion price/share	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$2.75	USD$0.15	USD$0.15	CAD$0.20
Interest due	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity
Security	Unsecured	Unsecured	Unsecured	Unsecured	Secured	Secured	Secured	Secured
Collateral	None	None	None	None	RWB Florida LLC Class A Membership	Shares of RWB Platinum Vape, LLC	Shares of RWB Platinum Vape, LLC	1st priority security interest RWB Michigan, LLC
[ii]Valuation method used for embedded derivatives	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Residual Method

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

As at December 31, 2024, and restated December 31, 2023, the Company's assessment determined that no derivative liability was associated with the existing convertible debentures.

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

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

A continuity of convertible debentures for 2024-YTD, and restated 2023-YTD, is as follows:

CAD in '000	AB Convertible Note	FCC Convertible Note	IBGL Convertible Note	[i]VMOS Convertible Note	MV Convertible Note	[i]DCIL Convertible Note	[i]SDIL Convertible Note	[i]CPIL Convertible Note	Total
	$	$	$	$	$	$	$	$	$
Carrying Value, January 1, 2023	**1,150**	**2,299**	**2,299**	**1,608**	**26,411**	**7,756**	**7,756**	**15,617**	**64,896**
Additional interest	-	-	-	-	1,247	-	-	-	**1,247**
Additional interest cash payment	-	-	-	-	(1,247)	-	-	-	**(1,247)**
Interest accrued	84	169	169	118	2,451	644	644	1,360	**5,639**
Interest Accretion	37	75	75	52	2,847	176	176	1,053	**4,491**
Effects of foreign exchange	(29)	(58)	(58)	(39)	(722)	(198)	(198)	-	**(1,302)**
Carrying Value, December 31, 2023	**1,242**	**2,485**	**2,485**	**1,739**	**30,987**	**8,378**	**8,378**	**18,030**	**73,724**
Interest accrued	26	52	52	37	1,078	829	829	1,673	4,576
Interest Accretion	14	28	28	20	1,506	153	153	737	2,639
Extinguishment	-	-	(2,658)	(1,860)	(34,684)	-	-	-	(39,202)
Amendment	-	-	2,658	1,860	34,684	-	-	-	39,202
Interest accrued post-amendment	92	184	184	129	2,486	-	-	-	3,075
Effects of foreign exchange	113	225	225	157	2,958	783	783	-	5,244
Carrying Value, December 31, 2024	**1,487**	**2,974**	**2,974**	**2,082**	**39,015**	**10,143**	**10,143**	**20,440**	**89,258**
Short-term	1,487	2,974	-	-	-	10,143	10,143	20,440	45,187
Long-term	-	-	2,974	2,082	39,015	-	-	-	44,071

[i] Held by a related party

Convertible note transactions during the year ended December 31, 2024:

On November 29, 2024, the Company and M&V Investments One LLC ("MV") executed an agreement to amend the USD$20,112,015 MV Convertible Note resulting in the MV Convertible Note, with an effective date of June 4, 2024. Under the terms of the amendment, the MV Convertible Note will bear interest of 12% per annum, compounded annually, with interest and principal payable on the maturity date, defined as November 30, 2026. The Company and MV also agreed that MV may convert all or any portion of the outstanding principal balance of the MV Convertible Note at a price of USD $2.75 per common share of the Company at any time prior to maturity. The amendment was subject to review under IFRS 9 and as a result, the USD$20,112,015 MV Convertible Note was extinguished and the MV Convertible Note was established. Details of the transaction are included in the convertible debenture continuity schedule above.

On December 31, 2024, the Company and lenders of the USD$1,562,500 IBGL and, USD$1,093,750 VMOS Convertible Notes amended existing notes, with an effective date of April 22, 2024, resulting in the IBGL and VMOS Convertible Notes. Under the terms of the amendments, interest is set at 12% per annum, with interest and principal payable on the maturity date, defined as November 30, 2026. The Company and the holders of the IBGL and VMOS Convertible Notes also agreed that the lenders may convert all or any portion of the principal balance of the respective Convertible Notes at a price of USD $2.75 per common share of the Company at any time prior to the next respective maturity date. The amendment was subject to review under IFRS 9 and as a result, the USD$1,562,500 IBGL and USD$1,093,750 VMOS Convertible Notes were extinguished and the IBGL and VMOS Convertible Notes were established. Details of the transactions are included in the convertible debenture continuity schedule above.

During the year ended December 31, 2024, the Company remained actively engaged in negotiations to renew the AB and FCC Convertible debt that matured during the reporting period. As of the date of this report, the Company continues renewal negotiations with these respective lenders. The lenders have not provided formal notification of default to the Company despite the expiration of the original maturity dates. The principal renewal terms of the debt instruments have been acknowledged as acceptable by the lenders with current discussions solely focused on collateral arrangements. Given that the original maturity dates have expired, these loan obligations continue to be classified as short-term debt in the Company's Consolidated Statement of Financial Position.

Convertible note transactions during the year ended December 31, 2023:

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

During the period ended December 31, 2024, and restated 2023, the Company substantially satisfied all material financial covenants in relation to its convertible debentures. Covenants include preservation of corporate existence, compliance with laws, maintenance of taxes payable, maintenance of records, maintenance of properties, inspection, insurance coverage, perform obligations, and notice of certain events.

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

Derivative Liabilities Relating to Convertible Debentures

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

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

	MV Convertible Note	DICL Convertible Note	SDIL Convertible Note	Total
Balance, January 1, 2023	**(1,268)**	**(981)**	**(981)**	**(3,230)**
Gain on FMV adjustments of derivative liability	2	647	647	1,296
Gain on Interest liability classified as a derivative liability	1,243	-	-	1,243
Effects of Foreign exchange	24	(3)	(3)	18
Balance, December 31, 2023	**1**	**(337)**	**(337)**	**(673)**
Gain on FMV adjustments of derivative liability	1	345	345	691
Effects of Foreign exchange	(2)	(8)	(8)	(18)
Balance, December 31, 2024	-	-	-	-

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"), the appointed receiver overseeing the operations of Bridging Finance Inc., agreed to revise the maturity date of July 31, 2023 to January 30, 2024, while maintaining all other terms and conditions. The January 30, 2024, extension was subject to an amendment fee of $0.1 million.

On June 14, 2024, the relationship between the Company and PWC, as receiver for Bridging Finance Inc., was terminated as a result of a loan purchase agreement (the "RGR-BFI Loan Purchase Agreement") between Royal Group Resources, Ltd. ("RGR"), and Bridging Finance Inc. As a result of the RGR-BFI Purchase Agreement, the Company recovered $0.04 million in amounts owing to PWC for the amendment fee resulting from the January 30, 2024 extension. There were no material changes to the Credit Facility as a result of the RGR-BFI Loan Purchase Agreement.

During the period ended December 31, 2024, the Company and RGR continued to collaboratively engage in negotiations to renew the Credit Facility which had matured on July 31, 2023.

On December 26, 2024, following defaults under the Credit Facility confirmed by RGR, RGR submitted a Receivership Order to the Circuit Court in Pontiac, Michigan, requesting the appointment of a receiver to oversee the sale of all of Pharmaco's assets. The court approved the Receivership Order, authorizing the Receiver to manage the sale of all of Pharmaco's assets, with RGR retaining its senior lien position and entitlement to proceeds from any sale. With the classification to discontinued operations, Pharmaco's assets and liabilities were reclassed to Assets and Liabilities for Sale on the Statement of Financial Position, including all amounts owing to RGR under the RGR Credit Facility. The reader is referred to Recent Events for events relating to the Pharmaco Receivership and RGR Credit Facility following the reporting date.

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

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

	$
Balances, December 31, 2022	**17,552**
Amendment Fee	136
Finance charge	1
Accrued interest	2,186
Interest payments	(354)
Amendment fee payment	(91)
Balances, December 31, 2023	**19,430**
Accrued interest	1,082
Recovery of amendment fees	(45)
Allocation to liabilities available for sale (note 15)	(20,467)
Balances, December 31, 2024	**-**

Debt Settlements

On July 19, 2024, the Company entered into a settlement agreement between with Oakshire Holdings Inc. and its affiliates (the "Oakshire Parties") to resolve a series of financial obligations and claims, including the extinguishment of $1.1 million due under the Due to Oakshire Note (the "Oakshire Settlement Agreement"). Under the terms of the agreement, the Company will pay the Oakshire Parties $3.4 million in scheduled installments. The obligations under the Oakshire Settlement Agreement are secured by tangible assets held by the Company, in concert with the USD $3M Oakshire Note.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The three levels of the fair value hierarchy are:

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

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

Credit Risk

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

As at 2024-YTD, the Company held an accounts receivable balance of $16.1 million (restated 2023-YE; $20.4 million). Included in this balance is a provision for expected credit losses ("ECL") in the amount of $9.2 million (restated 2023-YE; $7.3 million). The reader is referred to note 9 of the Company's recently filed Financial Statements for details relating to the Company's accounts receivable and ECL provision which can be found on Sedar+.

As at 2024-YTD, the Company held a notes receivable balance of $11.4 million (2023-YE: $24.7 million).

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at 2024-YTD, the Company had a cash and equivalents balance of $4.2 million (2023-YE; $2.3 million) available to apply against short-term business requirements and current liabilities of $377.8 million (2023-YE; $308.2 million), including short-term lease obligations, short term notes, convertible debentures and a credit facility, 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 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.

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

Interest Rate Risk

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

As at 2024-YTD and restated 2023-YE, the interest rate on notes payable, credit facilities, and convertible debentures are fixed based on the contracts in place.

Foreign Currency Risk

The Company is exposed to foreign currency risk arising from exchange rate fluctuations and their volatility, primarily affecting the timing and valuation of accounts payable settlements. Management mitigates this risk through prompt creditor payments and active monitoring of currency market movements.

Additional exposure stems from maintaining balances and conducting transactions in currencies different from the Company's functional currency. With operations in jurisdictions using the United States Dollar (USD) and US-based subsidiaries, the Company faces risks from:

- Translation exposure when consolidating US subsidiary financial statements
- Transaction exposure from intercompany loans, dividends, and cross-border transactions
- Economic exposure affecting competitive positioning in US markets

Currently, the Company does not utilize derivative financial instruments or hedging strategies to manage these foreign currency risks, which may impact reported earnings and cash flows.

At as 2024-YTD, and restated 2023-YE, the Company was exposed to the following currency risk:

	As at 31-Dec-24	As at 31-Dec-23 restated
	$	**$**
Financial assets denominated in foreign currencies (USD)	388,614	29,181
Financial liabilities denominated in foreign currencies (USD)	(205,616)	(166,752)
Net exposure	**182,998**	**(137,571)**

A three (3%) and ten (10%) percent increase in the US dollar exchange rate relative to the Canadian dollar would increase the Company’s net loss for 2024-Q4 and 2024-YTD, by $1.5 million and $5.1 million, respectively (2023-Q4 and 2023-YTD; $0.2 million and $0.6 million).

Capital Risk Management

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

The Company's equity is comprised of share capital, contributed surplus, stock option reserve, convertible debenture reserves, and accumulated deficit. As at 2024-YTD, the Company has a shareholder deficit of $173.0 million (restated 2023-YE; $115.3 million). Included in the shareholders deficit is an accumulated deficit of $511.1 million (restated 2023-YE; $484.9 million) including the impact of non-cash impairments. The Company manages capital through its financial and operational forecasting processes.

The Company's capital management objectives, policies and processes have remained unchanged during 2024-YTD. The Company is not subject to any external capital requirements.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the condensed interim consolidated financial statements are considered appropriate in these circumstances but are subject to judgments and uncertainties inherent in the financial reporting process.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are consistent with those disclosed in the 2024 Annual Financial Statements found on Sedar+.

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

NEW ACCOUNTING PRONOUNCEMENTS

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 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 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. The amendments do not have an impact on the Financial Statements.

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.

OTHER RISKS AND UNCERTAINTIES

The following section describes specific and general risks that could affect the Company. These risks and uncertainties are not all-inclusive and additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impact business operations. If any such risks actually occur, the business, financial condition, and results of operations of the Company could be materially and adversely affected.

REGULATORY AND LEGAL RISKS

U.S. Federal Regulatory Environment

Despite the legalization of cannabis in numerous U.S. states, cannabis remains classified as a Schedule I controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), making it illegal under federal law to cultivate, distribute, or possess cannabis. This federal prohibition creates significant barriers to lawful participation in the cannabis industry despite state-level legalization.

The Biden administration has generally maintained a non-interference approach toward state-legal cannabis operations; however, this policy remains discretionary and could change with shifting political priorities. The Department of Justice could at any time alter its enforcement approach, which could significantly disrupt the Company's operations and business strategy. While a 2024 DEA proposal to potentially reschedule cannabis to Schedule III represents progress, this process remains incomplete and uncertain, with implementation timeline and practical implications still unclear.

Financial institutions and service providers remain cautious about engaging with cannabis businesses, despite guidance from the Financial Crimes Enforcement Network (FinCEN). This continues to restrict banking access, payment processing, and insurance availability, creating operational challenges and increased costs.

Banking and Anti-Money Laundering Considerations

The Company continues to face significant challenges in establishing and maintaining banking relationships. Financial institutions remain concerned about potential regulatory sanctions and reputational risk, despite the SAFE Banking Act advancing in Congress during 2023-2024. Until comprehensive federal banking reform is enacted, cannabis businesses will likely face higher fees, cash management challenges, and limited access to traditional financial services.

The robust anti-money laundering framework remains applicable to cannabis-related businesses under the Bank Secrecy Act and USA PATRIOT Act. Compliance with these regulations adds significant administrative burden and operational costs.

Canadian Regulatory Framework

In Canada, the Cannabis Act and Cannabis Regulations continue to evolve through regulatory amendments and policy updates. Health Canada has introduced more stringent compliance requirements related to quality control, product testing, and recall procedures. Provincial regulators have also updated frameworks for retail operations and product distribution.

Significant variations in provincial regulations continue to create an asymmetric market, requiring customized approaches to compliance and operations in different jurisdictions. Health Canada's increased scrutiny of product marketing and packaging requirements presents ongoing compliance challenges.

Export/Import Restrictions and International Operations

While international cannabis markets continue to develop, particularly in Germany and other European countries that initiated adult-use programs in 2024, strict regulations govern cross-border cannabis commerce. The Company's ability to export products to international markets depends on maintaining specialized certifications (such as EU-GMP) and navigating complex export/import controls. Recent changes to international treaties and frameworks have provided clearer pathways for medical cannabis trade, but significant restrictions remain.

BUSINESS AND OPERATIONAL RISKS

Market Competition and Consolidation

Competition in the cannabis sector has intensified significantly in 2024-2025, with increased consolidation among multi-state operators and the entry of large consumer packaged goods companies into the space. The Company faces competition from both established cannabis operators and new entrants with significant capital resources. Sustained price compression, particularly in mature markets, continues to pressure margins.

The continued inability to transport cannabis across state lines in the U.S. creates inherent operational inefficiencies compared to traditional industries, forcing companies to establish redundant operations in each state.

Supply Chain Disruptions and Inflationary Pressures

Global supply chain challenges and inflationary pressures have increased the costs of key inputs including packaging materials, equipment, transportation, and labor. These higher costs may not be fully transferable to consumers in a competitive market environment, potentially compressing margins.

The Company's ability to secure reliable, compliant inputs at reasonable costs remains crucial to maintaining quality standards and profitability. Supply chain relationships require careful management to ensure continuity of operations.

Access to Capital Markets

The cannabis sector has faced continued volatility in capital markets throughout 2023-2024, with investment sentiment fluctuating based on federal reform progress, state market performance, and general economic conditions. Higher interest rates and tighter lending conditions have increased the cost of capital and limited financing options.

The Company's ability to raise capital at favorable terms may be constrained by market conditions and investor sentiment toward the cannabis sector. This could impact growth initiatives or require alternative financing arrangements with less favorable terms.

Intellectual Property Protection

The inconsistent legal status of cannabis across jurisdictions creates challenges in protecting intellectual property. While the U.S. Patent and Trademark Office has begun accepting certain cannabis-adjacent trademark applications, direct cannabis product and brand protection remains complicated by federal prohibition.

Companies must rely on a patchwork of state-level protections, trade secrets, and contractual agreements to safeguard proprietary assets. The risk of IP infringement or dilution remains significant in this fragmented legal environment.

Consumer Preferences and Market Trends

Consumer preferences in cannabis continue to evolve rapidly, with increasing sophistication in product selection. The shift toward premium products, specific cannabinoid profiles, and alternative delivery methods requires constant innovation and market responsiveness.

Emerging data on cannabis consumption patterns indicates evolving consumer demographics and usage occasions. The Company must continuously adapt its product development and marketing strategies to align with these changing preferences.

Taxation and 280E Implications

Cannabis businesses operating in the U.S. continue to face the significant burden of Section 280E of the Internal Revenue Code, which prohibits deductions for ordinary business expenses for businesses trafficking in controlled substances. This creates effective tax rates significantly higher than other industries.

While potential federal rescheduling to Schedule III could provide relief from 280E, the timeline and implementation remain uncertain. Until comprehensive tax reform is achieved, U.S. cannabis operations will face this substantial financial disadvantage.

Public Perception and Social Acceptance

While public support for cannabis legalization continues to increase, with recent polling showing approximately 70% of Americans favor legalization, cannabis businesses still face stigma in certain communities and demographic groups. Negative media coverage or research findings could influence public perception and regulatory attitudes. The Company must continue to operate with transparency and responsibility to maintain community trust and support in the markets it serves.

Product Liability and Consumer Safety

The evolving nature of cannabis research means that new information about potential health effects continues to emerge. Product safety is paramount, with increased consumer expectations and regulatory requirements for testing, quality control, and product disclosure.
The risk of product liability claims remains significant, particularly as cannabis products reach wider consumer audiences. Maintaining robust quality assurance systems and appropriate insurance coverage is essential to mitigating these risks.

Cybersecurity and Data Protection

Cannabis businesses collect sensitive customer and patient information subject to health privacy laws and general data protection regulations. The increasing digitization of cannabis operations, including e-commerce, delivery services, and telehealth consultations, creates additional cybersecurity risks.

The Company must maintain robust data security protocols to protect against data breaches and comply with evolving privacy regulations across multiple jurisdictions.

CORPORATE RISKS

Financial Reporting and Internal Controls

Operating across multiple regulatory frameworks requires sophisticated financial reporting systems and internal controls. The lack of established industry accounting standards specific to cannabis presents ongoing challenges for financial reporting, inventory valuation, and revenue recognition.

The Company must maintain effective internal controls over financial reporting to ensure accuracy and regulatory compliance in its financial statements.

Attracting and Retaining Talent

The cannabis industry's rapid growth has created significant competition for experienced professionals. Attracting and retaining skilled personnel in cultivation, manufacturing, retail operations, compliance, and corporate functions remains challenging, particularly for positions requiring specialized cannabis knowledge.

The evolving nature of the industry requires continuous investment in training and professional development to build and maintain an effective workforce.

Environmental and Social Governance (ESG) Considerations

Stakeholders increasingly expect cannabis companies to operate with strong environmental and social governance practices. This includes energy-efficient operations, water conservation, waste reduction, community engagement, and diversity initiatives.

The Company recognizes the importance of sustainable business practices and is developing comprehensive ESG frameworks to meet these evolving expectations.

Corporate Governance and Regulatory Compliance

The complex regulatory environment requires robust governance structures and compliance systems. Board and management oversight must address the unique challenges of operating in a federally prohibited industry while maintaining the standards expected of public companies.

The Company has implemented comprehensive compliance programs to address these challenges but must continuously adapt these systems as regulations evolve.

Forward-Looking Statements

The foregoing discussion of risk factors contains "forward-looking statements" within the meaning of applicable securities legislation. A statement containing words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will," "would," and similar expressions constitutes forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those implied by such statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO"), President, and Chief Financial Officer ("CFO") are responsible for designing and maintaining effective internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS").

As of the date of this MD&A, management has completed its assessment of the Company's internal control framework. While we have observed continued improvement in our control environment, certain deficiencies remain that, while not material to the integrity of our financial disclosures, require ongoing attention.

To mitigate these deficiencies, senior management has implemented enhanced monitoring protocols over higher-risk operational and financial activities, including regular review of key performance indicators across all operating segments. The President and CFO maintain direct oversight of critical financial processes and are actively engaged in strengthening the Company's control environment.

Management has prioritized the engagement of technology initiatives to further enhance our control framework. We will be implementing financial software solutions designed to automate manual processes and standardize vital financial reporting protocols, thereby reducing the risk of human error and misalignment in transaction processing and financial reporting. These software enhancements include automated reconciliation tools, enhanced approval workflows, and improved exception reporting capabilities.

Additionally, we have redesigned key process flows to strengthen segregation of duties throughout the organization. These refined workflows establish clear boundaries between transaction initiation, approval, and recording functions, which significantly reduces the risk of material misstatements and improves detection capabilities. The implementation of role-based access controls within our existing financial systems further reinforces these segregation principles and provides an additional layer of security over sensitive financial data.

Management recognizes that further enhancements to our internal control framework may require additional personnel with specialized expertise. We are currently evaluating the costs and implementation timelines associated with these potential staffing and process improvements. The Company has elected to disclose these ongoing remediation efforts in the interest of transparency and will continue to provide updates on our progress in subsequent filings.