



Red White & Bloom Brands Inc.

Management Discussion and Analysis

For the three and six months ended June 30, 2025, and 2024

Dated October 1, 2025



CSE: RWB

NOTICE TO READER

This notice accompanies the enclosed Management's Discussion and Analysis ("MD&A") which includes reclassifications within the Management Discussion and Analysis for Red White and Bloom Brands, Inc. for the three and six months ended June 30, 2024, filed on August 29, 2024.

The following amounts have been reclassified from continuing operations to discontinued operations for all periods presented:

- Assets and liabilities of the discontinued subsidiaries have been reclassified and presented separately as assets and liabilities held for sale in the consolidated statement of financial position.
- Revenues and expenses of the discontinued subsidiaries have been removed from their respective line items in the consolidated statements of profit and loss and presented separately as discontinued operations.
- Cash flows of the discontinued subsidiaries have been separately disclosed as discontinued operations in the consolidated statements of cash flows.
- EBITDA and Adjusted EBITDA, both non-IFRS measures (refer to *Non-IFRS and Supplementary Financial or Operating Measures*) would be adjusted accordingly to account for the reclassifications.

Other than the above referenced reclassifications, there are no other material changes to the MD&A for the three and six months ended June 30, 2024, filed August 29, 2024.

A summary of the above noted adjustments is outlined for the reader's reference in Note 34, *Reclassifications* in the Company's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2025, which can be found at www.sedarplus.ca ("Sedar+").

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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 ongoing 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 as it relates to the cannabis industry.
- the rescheduling of cannabis under the Controlled Substances Act as overseen by the US Drug Enforcement Agency.
- the intention of the Company to complete any offering of securities (in any form) or debt (in any form) issued by the Company.

There can be no assurance that the aforementioned conditions as well as other factors will not affect the accuracy of forward-looking statements made by the Company regarding the anticipated performance of its business. Such factors include, but are not limited to, the Company's ability to obtain financing from external resources in whatever form, the general impact of capital and commercial market conditions that may impact the Company and its consumers, the yield from captive 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 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 garner the potential reclassification or de-scheduling of cannabis as a Schedule 1 narcotic under the US federal Controlled Substances Act.

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

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, expected credit losses and bad debt expense, acquisition costs, business transaction costs, carrying costs associated with dormant tangible assets, and non-recurring expenses such as termination costs, legal costs, non-recurring inventory write-offs, costs associated with corporate restructuring of operations, 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 Condensed Interim Consolidated Financial Statements and notes thereto for the three and six months ended June 30, 2025 ("2025-Q2" and "2025-YTD, respectively), which includes the comparative year ended December 31, 2024 ("2024-YTD" or "2024-YE"), and comparative quarter ending June 30, 2024 ("2024-Q2" and "2024-YTD", respectively) referred to as the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") for all periods presented. The information in this MD&A is current as of October 1, 2025.

This MD&A has been reviewed by the Company's Audit Committee and approved by its Board of Directors as of October 1, 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 of its subsidiaries, as applicable. The Financial Statements and MD&A are filed on Sedar+.

COMPANY OVERVIEW AND STRATEGY

Company Overview

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

As of 2025-YTD, the Company has established a robust, multi-faceted operational framework spanning key North American cannabis markets. Our business is strategically positioned across four dynamic revenue streams:

1. **Premium Distribution Network** - Delivering both proprietary and partner cannabis products directly to licensed retailers across adult-use and medical channels
2. **Retail Excellence** - Operating high-performance retail locations 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 operates across key North American cannabis markets, with established operations in the U.S. states of Michigan, Florida, and California, and licensing partnerships extending our reach into strategic legal states. Our Canadian operations, acquired through the Aleafia Acquisition in early 2024, have strengthened our continental footprint and enabled the successful expansion of our Platinum brand portfolio into Canada's established cannabis marketplace. Our integrated North American platform now delivers significant commercial, operational, and administrative synergies across both U.S. and Canadian markets. In Canada, we service well-established adult-use distribution channels, medical retail channels, and both domestic and international wholesale channels. Our diversified brand portfolio includes the respected EMBLEM and DIVVY brands, which offer innovative, consumer-focused products across multiple formats. This comprehensive market presence positions us as a truly integrated North American cannabis operator with the scale and infrastructure to serve diverse consumer segments across a broad geographic footprint; both domestic and international. For additional details regarding the strategic impact and integration of our Canadian operations, please refer to the *Acquisitions* section of this MD&A.

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

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

Our brand strategy reached a major milestone in late 2024 with the completion of a five-year licensing partnership with One Plant Retail Corporation ("OPRC"), a pioneering cannabis operator with established retail operations across Canada and the United States. Through this strategic alliance, we secured exclusive licensing rights to the highly regarded One Plant brand within the Florida cannabis market, significantly enhancing our market presence in this rapidly growing state.

The implementation of this partnership has already begun transforming our Florida operations, with our existing retail locations now operating under the prestigious One Plant banner. Building on this successful rebranding initiative, we have developed comprehensive expansion plans to establish additional One Plant-branded dispensaries throughout Florida, leveraging the brand's strong consumer recognition and reputation for premium quality products. This strategic brand positioning strengthens our competitive advantage in one of the most dynamic and fastest-growing cannabis markets in the United States.

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
- 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. The Company's growth model is underpinned by three complementary pillars: enhancing and leveraging synergies garnered from continuing vertical integration, as demonstrated by the Aleafia Acquisition in Canada; 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 product 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 multi-format 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. In Michigan, operations are anchored by a 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 277 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 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, warehousing providers, 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.

The Company's Canadian operations, established through the Aleafia Acquisition completed in early 2024, have become an integral component of our North American cannabis platform. Our Canadian assets include two licensed cultivation and processing facilities in Ontario, featuring one of Canada's largest outdoor cannabis cultivation operations. These facilities have significantly enhanced our cultivation, processing, and extraction capabilities, supporting expanded distribution of both adult-use and medical cannabis products to licensed retailers and patients throughout Canada's federally regulated marketplace.

Since the integration, the Company has focused on optimizing operational alignment between our Canadian and U.S. operations to capture meaningful synergies across our platform. This strategic coordination has enabled us to leverage best practices, streamline operational processes, and maximize efficiency gains across our integrated North American footprint. The alignment of our Canadian operations with our broader corporate strategy continues to deliver enhanced value through shared expertise, consolidated procurement opportunities, and coordinated brand development initiatives.

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 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 six (6) dispensaries under the "One Plant Cannabis" retail banner. Following the execution of its strategic licensing agreement with One Plant Retail Corporation ("OPRC"), the Company secured exclusive rights to utilize the premium One Plant brand and associated intellectual property across its expanding Florida operations. This agreement enables us to enhance the Company's retail presence by rebranding our dispensaries under the established One Plant Cannabis banner, creating significant opportunities to leverage its premium market positioning.

Our retail operations are supported by an integrated supply chain including a processing, extraction, and packaging facility in Sanderson, Florida, situated on fifteen (15) acres, and a four thousand (4,000) square foot freestanding building utilized for edibles manufacturing, ongoing research and product development and administration in addition to a scalable cultivation facility in Apopka, Florida, situated on five (5) acres. The Apopka facility's outputs are wholly committed to the Sanderson facility for processing, extraction, and edibles manufacturing, ensuring quality control and consistent product delivery across our Florida captive retail network; the primary means to sell-through finished goods under the current medical licensing regime.

The Company has secured an additional four (4) "white box" retail leases bringing the Company's projected total of retail dispensaries to thirteen (13) throughout Florida with six (6) of these locations currently active. Construction has been substantially completed on a profile retail dispensary in South Miami Beach, with activation expected in 2025-Q4, subject to municipal approvals. Additional retail locations in Hollywood, North Miami, Largo, Citrus Park, Lockhart and Tallahassee are projected to come online through fiscal 2025 and early 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-cost, high volume "white-box" dispensary formats in high-potential markets.

The Company was pleased to announce the opening of its newest medical cannabis dispensary in Brandon, Florida, on September 24, 2025, operating under the One Plant banner. Our sixth retail addition represents another significant milestone in our Florida market expansion strategy, extending our footprint to better serve patients throughout Florida. The Brandon location showcases our comprehensive product portfolio, featuring our signature Platinum branded offerings alongside the full spectrum of premium medical cannabis products that have established One Plant as a trusted name in Florida's medical cannabis community. The opening of our Brandon location marks another step forward in our strategic plan to establish additional One Plant dispensaries across Florida, strengthening our competitive position in one of the nation's most robust medical cannabis markets.

Michigan Operations:

As at the date of this MD&A, the Company is licensed within the state of Michigan to operate adult-use and/or medical cannabis dispensaries. The Company currently operates one (1) strategically positioned dispensary through its U.S. subsidiary representing our flagship retail location in the Michigan market. This premium location offers a comprehensive selection of both medical and adult-use, high-quality flower, vape, edible, and concentrate products featuring the Company's portfolio of brands alongside select third-party premium offerings.

At the end of 2024, the Company made a strategic decision to rationalize its retail footprint and focus resources on optimizing and expanding our leading wholesale distribution operations. This refined approach allows us to maintain our retail brand presence through our flagship store while capitalizing on broader market opportunities within Michigan's distribution channels. The Company continues to deliver best-in-class cannabis products and an elevated customer experience while building stronger wholesale partnerships across Michigan's competitive and rapidly evolving cannabis marketplace. The Company continues to monitor the retail landscape in Michigan, with a strategic focus on maximizing market penetration through our diversified approach, enhancing operational efficiencies, and supporting data-driven decision-making to optimize long-term profitability across both retail and distribution channels.

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 June 30, 2025.

Jurisdiction	Licensed, Active Cannabis Retail Stores	Cannabis Retail Stores available to be Activated	Total Available Retail Locations
Florida	6	7	13
Michigan	1	-	1

The Company's Canadian medical cannabis operations, established as a result of the Aleafia Acquisition in early 2024, serve approximately 13,230 patients across Canada through our comprehensive service platform. We are recognized for our extensive range of high-quality cannabis products, delivered under the EMBLEM and DIVVY brands, including cultivar-specific oils and capsules, and have expanded our offerings to include Platinum branded edibles, vapes, topicals, bottled oils and soft gels. Patients can access these products at their convenience, with home delivery available across Canada. Our medical cannabis division is supported by a dedicated patient care team with extensive years of combined experience, providing comprehensive support, education, and personalized treatment plans through a network of specialized physicians and nurse practitioners. We continuously align our product development initiatives with evolving patient needs, ensuring our medical cannabis offerings meet the highest standards of quality and therapeutic efficacy while serving the diverse requirements of our growing patient base across Canada.

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 30-June--25	% Ownership As at 31-Dec-24
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%	100%
ⁱⁱ Aleafia Farms Inc.	CAD	Ontario, Canada	100%	100%
ⁱⁱ Aleafia Retail Inc.	CAD	Ontario, Canada	100%	100%
ⁱⁱⁱ Canabo Medical Corporation	CAD	Ontario, Canada	100%	100%
ⁱⁱⁱ Emblem Cannabis Corporation	CAD	Ontario, Canada	100%	100%
ⁱⁱⁱ Growwise Health Ltd.	CAD	Ontario, Canada	100%	100%
ⁱⁱⁱ Emblem Lands LP	CAD	Ontario, Canada	100%	100%
^{iv} Emblem Lands GP	CAD	Ontario, Canada	100%	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%	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%

ⁱIncorporated March 7, 2023

ⁱⁱAcquired January 12, 2024

ⁱⁱⁱEstablished April 29, 2024

^{iv}Incorporated April 29, 2024

^vIncorporated 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 continues to execute strategic growth initiatives designed to strengthen market leadership, drive operational excellence, and expand our product portfolio across core operating markets. Our strategic roadmap for the upcoming periods centre on several key value-creation opportunities:

- **Optimizing Canadian Operations:** Our established Canadian operations, following the successful integration completed in early 2024, position us as a leading licensed producer with enhanced distribution capabilities and expanded consumer access points. This platform serves as a cornerstone for capturing North American cannabis market opportunities while anticipating potential shifts in US federal policy. The integrated operations continue to generate meaningful synergies across research and development, supply chain management, channel optimization, and corporate functions.
- **Expanding Licensing Footprint:** Building on our proven licensing model, we are actively pursuing strategic partnerships across high-growth North American and international markets. Our established presence in Missouri and Ohio provides a foundation for targeting additional opportunities in regions where Canadian licensed producers maintain established wholesale distribution channels. Through selective partnerships with integrated operators, we continue to build diversified revenue streams while maintaining our capital-efficient approach to market expansion.
- **Continued Florida Market Penetration:** Our planned dispensary network expansion throughout Florida under the One Plant brand represents a cornerstone initiative for strengthening our position in this critical medical cannabis market. This retail buildout will enhance our capacity to serve patients statewide with consistent, high-quality products backed by exceptional customer service, while leveraging the strong brand recognition of the One Plant platform.
- **Manufacturing Innovation:** continued investment in state-of-the-art processing and production infrastructure across Florida, Michigan, and Canada - encompassing cutting-edge extraction technologies, edibles manufacturing, and cultivation optimization - will enable portfolio diversification and capture growing demand across emerging product segments while driving operational efficiencies. These enhancements reinforce our vertically integrated approach and support long-term growth sustainability.
- **California Market Penetration and Optimization:** Our strategic third-party partnership model in California continues to deliver enhanced procurement, manufacturing, distribution, and marketing efficiencies, resulting in improved cost structures and faster market responsiveness. This approach supports profitability enhancement while enabling continued product portfolio evolution in this influential market.

The Company remains focused on expanding our premium cannabis brand portfolio across all operational territories. Our innovation pipeline emphasizes high-quality concentrate products, including Live Resin and Live Rosin vape technologies, artisanal edible offerings such as our distinctive gummy coin products, and next-generation All-In-One (AIO) vape platforms.

Our Canadian market presence has successfully established Platinum branded vape cartridges, All-In-One (AIO) products, gummy formulations, and various flower and pre-roll options within Canada's regulated cannabis framework. These products enhance our existing Emblem and DIVVY brand portfolio, with market access through provincial distribution systems and direct patient sales via our medical retail platform.

The exclusive One Plant brand licensing arrangement in Florida provides significant cross-marketing potential with One Plant operations in other jurisdictions, reinforcing our competitive positioning in this dynamic and expanding cannabis marketplace.

As we advance through the current reporting period, the Company remains well-positioned to leverage our competitive strengths, broaden market penetration, and enhance operational performance to achieve sustainable growth and deliver increased shareholder value.

RECENT DEVELOPMENTS

New Brandon Dispensary Expands Florida Medical Market Penetration: The Company was pleased to announce the opening of its newest medical cannabis dispensary in Brandon, Florida, on September 24, 2025, operating under the One Plant banner. Our sixth retail addition represents another significant milestone in our Florida market expansion strategy, extending our footprint to better serve patients throughout Florida. The Brandon location showcases our comprehensive product portfolio, featuring our signature Platinum branded offerings alongside the full spectrum of premium medical cannabis products that have established One Plant as a trusted name in Florida's medical cannabis community. The opening of our Brandon location marks another step forward in our strategic plan to establish additional One Plant dispensaries across Florida, strengthening our competitive position in one of the nation's most robust medical cannabis markets.

Pharmaco Receivership: Pharmaco Inc. ("Pharmaco"), which was acquired by the Company in February 2022 and classified as a disposal group as of December 31, 2024, was placed under receivership in December 2024 following defaults under its senior secured loan agreement with Royal Group Resources Ltd. ("RGR") under the RGR Credit Facility (see *Liquidity and Capital Resources*). On March 5, 2025, the Company's subsidiary, Red White & Bloom Michigan (2024), Inc., was confirmed as the successful bidder for certain assets of Pharmaco at a purchase price of US \$8.9 million (C\$ 12.7 million), with court approval formally confirmed on March 28, 2025. A Release and Discharge Agreement executed on March 29, 2025, facilitated the settlement of debt obligations, with RGR agreeing to terminate the credit facility and release all security interests in consideration of receiving the aforementioned US \$8.9 million (C\$ 12.7 million) sale proceeds to be applied against the amounts owing on the RGR Credit Facility, with all excess owing by Pharmaco being discharged and released. The excess, US \$6.8 million (C\$ 9.8 million), was recorded by the Company as a gain on debt settlement and included in the (gain) loss from discontinued operations (see *Discontinued Operations*). Proceeds owing to RGR were settled by the Company on April 30, 2025. This transaction represents the completion of a strategic divestiture of the Company's Michigan retail operations, which were no longer aligned with core business objectives, allowing the Company to focus on its distribution operations and premium Platinum Vape branded products in Michigan. For more detailed information on the Pharmaco Receivership, refer to the Company's most recently filed Audited Financial Statements for the year ended December 31, 2024, and Interim Consolidated Financial Statements for the three and six months ended June 30, 2025, found on Sedar+.

Advances on existing notes payable: Subsequent to 2025-YTD, and up to the date of this filing, the Company was advanced US\$18.2 million and C\$2.5 million, under the RGR USD Grid Note and the RGR CAD Grid Note, respectively. Proceeds of the advances were used to fund working capital requirements, including those directed at mitigating supply chain risks in our key markets, and general corporate costs. Refer to *Liquidity and Capital Resources* for more information on the RGR USD and CAD Grid Notes.

Status as a US Exchange Act Registrant and US Trading: In September 2023, the SEC commenced proceedings to de-register the Company's common stock under Section 12(j) due to historical filing deficiencies, resulting in a settlement and trading suspension order effective November 7, 2023, which prohibits U.S. resident shareholders from trading on OTCQX. Following a March 2024 settlement with the Company's former auditors and their subsequent alleged non-compliance with settlement terms, the Company engaged a new audit services provider to complete outstanding audit engagements. As of the report date, audit work is underway with targeted completion, including SEC consent requirements necessary to lift the Section 12(j) order, in early to mid-2026. The Company is concurrently working to reactivate its OTC marketplace listing and, upon resolution of compliance issues, intends to seek cancellation of its SEC registration as the Company does not require it to trade on the OTC given what will be its foreign private issuer status.

ACQUISITIONS

Aleafia Acquisition

On January 12, 2024 (the "Acquisition Date"), the Company, through its subsidiary RWB (PV) Canada, Inc., acquired 100% of a newly created class of common shares of Emblem Cannabis Corporation ("ECC"), Canabo Medical Corporation ("CMC"), and Aleafia Retail Inc. ("ARI") (collectively, the "Purchased Entities"). This acquisition (the "Aleafia Acquisition") was executed in connection with proceedings under the Companies' Creditors Arrangement Act (the "CCAA Proceedings") involving Aleafia Health Inc. and certain of its subsidiaries (collectively, the "Aleafia Group"). Upon completion of the Aleafia Acquisition, the Company became the sole shareholder of the Purchased Entities and their respective subsidiaries.

The total consideration for the Aleafia Acquisition was \$30.6 million, comprising:

- \$24.2 million through the release of debt obligations payable by the Aleafia Group under the AH Note Receivable and the AH DIP Note (refer to *Liquidity and Capital Resources*); and
- \$6.4 million in cash consideration, funded through a combination of existing cash reserves held by the Purchased Entities and a drawdown under the Company's CAD RGR Grid Note (refer to *Liquidity and Capital Resources*). These funds were allocated to discharge outstanding obligations under a pre-existing credit agreement and to finance closing costs and post-closing expenses incurred by the Monitor and respective legal counsel.

All identifiable net assets held by the Purchase Entities, including inventory, biological assets, property, plant and equipment, investments, intangible assets and goodwill, have been recorded at their respective fair market values as assessed on Acquisition Date.

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

	\$
AH DIP Note allocated to purchase of shares	7,241
AH Note Receivable allocated to purchase of shares	16,954
Cash consideration	6,370
Total consideration	30,565
Identifiable assets (liabilities) acquired	
Cash and equivalents	1,009
Receivables	2,230
Prepays 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

During the 2024-Q2 and 2024-YTD, the Company expensed \$0.1 million, and a nominal amount, respectively, in acquisition costs relating to the Aleafia Acquisition. Revenue of the Purchased Entities post-acquisition for 2024-Q2 and 2024-YTD, amounted to \$4 million and \$7.6 million, respectively and net loss totalled \$1.6 million and \$3.1 million, respectively.

If the Aleafia Acquisition had closed on January 1, 2024, the Company estimates it would have recorded consolidated revenues of \$40.8 million and a consolidated net loss of \$17.2 million for 2024-YTD, resulting in an increase in revenue of \$0.5 million and an increase in net loss of \$0.5 million for 2024-YTD, including the impact of a bargain purchase amounting to \$7.6 million recorded by the Company to gain on investments during the period.

During the 2024-YE, the Company completed its reassessment of the purchase price allocation related to the Aleafia Transaction. This reassessment resulted in the following adjustments to the fair values of acquired assets:

- An increase of \$0.3 million in inventory
- A decrease of \$0.4 million in biological assets
- A decrease of \$0.6 million in investments

These purchase price allocation adjustments resulted in a corresponding adjustment to the bargain purchase gain initially recorded. The bargain purchase gain decreased from \$7.6 million, as previously reported in the Company's interim consolidated financial statements for the three and six months ended June 30, 2024, to \$6.9 million, representing a net reduction of \$0.7 million.

The reassessment was completed within the measurement period as prescribed under IFRS 3, Business Combinations, and reflects management's refined estimates of the fair values of the acquired assets based on additional information obtained subsequent to the acquisition date.

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 2025-Q2 and 2025-YTD, and 2024-Q2 and 2024-YTD are as follows:

	2025-Q2	2024-Q2	Variance	2025-YTD	2024-YTD	Variance
	\$	\$	\$	\$	\$	\$
Revenue	-	1,265	(1,265)	-	4,282	(4,282)
Cost of Sales	-	918	(919)	-	2,906	(2,906)
Gross profit	-	347	(346)	-	1,376	(1,376)
Fair market value adjustments	298	1,584	(1,286)	828	3,709	(2,881)
Total operating expenses	(298)	(1,237)	940	(828)	(2,333)	1,505
Profit (Loss) from operations	(1,629)	(177)	(1,451)	(19,313)	183	(19,497)
Total other expense (income)	1,331	(1,060)	2,391	18,485	(2,516)	21,002
Net profit (loss) before taxes from discontinued operations	(3,207)	129	(3,336)	(3,903)	400	(4,302)
Current income tax expense	304	-	304	304	(432)	737
Deferred income tax (recovery) expense	4,234	(1,189)	5,423	22,084	(2,484)	24,567
Net profit (loss) from discontinued operations	-	1,265	(1,265)	-	4,282	(4,282)
Net profit (loss) per share, basic and diluted on discontinued	0.00	0.00		0.05	0.00	

CONSOLIDATED FINANCIAL HIGHLIGHTS

The following summarizes results from operations for 2025-Q2 and 2025-YTD, and 2024-Q2 and 2024-YTD:

	2025-Q2	2024-Q2	Variance	2025-YTD	2024-YTD	Variance
	\$	\$	\$	\$	\$	\$
Revenue	16,405	20,757	(4,352)	35,597	40,291	(4,694)
Cost of goods sold, before fair value adjustments	8,702	14,808	(6,106)	20,591	27,503	(6,912)
Gross profit before fair value adjustments	7,703	5,949	1,754	15,006	12,788	2,218
Gross profit before fair value adjustments (%)	47%	29%		42%	32%	
Unrealized changes in fair value of biological assets	(300)	3,155	(3,455)	(125)	87	(212)
Realized fair value amounts included in inventory sold	(4,437)	895	(5,332)	(7,634)	(38)	(7,596)
Gross Profit	2,966	9,999	(7,033)	7,247	12,837	(5,590)
Gross profit (%)	18%	48%		20%	32%	
General and administration	6,895	7,555	(660)	13,355	13,955	-600
Marketing expenses	1,348	1,136	212	2,643	2,343	300
Share-based compensation	22	57	(35)	43	106	(63)
Depreciation and amortization	623	513	110	1,235	1,475	(240)
Bad debt expense	578	731	(153)	1,184	2,219	(1,035)
Total operating expenses	9,466	9,992	(526)	18,460	20,098	(1,638)
Loss from operations before other expenses or income	(6,500)	7	(6,507)	(11,213)	(7,261)	(3,952)
Total other (income) expenses	17,639	7,795	9,844	22,278	4,769	17,509
Loss before income taxes	(24,139)	(7,789)	(16,350)	(33,491)	(12,030)	(21,461)
Current income tax expense	-	(2,471)	2,471	(2,145)	(3,370)	1,225
Deferred income tax recovery	304	799	(495)	599	1,142	(543)
Net loss from continuing operations	(23,835)	(9,461)	(14,374)	(35,037)	(14,258)	(20,779)
Profit (loss) from discontinued operations	4,234	(1,189)	5,423	22,084	(2,484)	24,568
Revenue	16,405	20,757	(4,352)	35,597	40,291	(4,694)
EBITDA	(9,395)	1,699	(11,094)	9,565	6,792	2,773
Adjusted EBITDA	1,312	(348)	1,660	2,011	6,405	(4,394)

- Revenues were \$16.4 million for 2025-Q2, a \$4.3 million decrease from 2024-Q2 revenues of \$20.7 million. Revenues were \$35.6 million for 2025-YTD, a \$4.7 million decrease from 2024-YTD revenues of \$40.3 million.
- Gross profit, before fair value adjustments, was \$7.7 million for 2025-Q2, a \$1.8 million increase from 2024-Q2 gross profit before fair value adjustments of \$5.9 million. Gross profit, before fair value adjustments, was \$15.0 million for 2025-YTD, a \$2.2 million increase from 2024-YTD gross profit before fair value adjustments of \$12.8 million.
- Gross profit, after fair value adjustments, was \$3.0 million for 2025-Q2, a decrease of \$7.0 million from 2024-Q2 gross profit after fair value adjustments of \$10.0 million. Gross profit, after fair value adjustments, was \$7.2 million for 2025-YTD, a decrease of \$5.6 million from 2024-YTD gross profit after fair value adjustments of \$12.8 million.
- Operating expenses were \$9.5 million for 2025-Q2, a decrease of \$0.5 million compared to 2024-Q2 operating expenses of \$10 million. Operating expenses were \$18.5 million for 2025-YTD, a decrease of \$1.6 million compared to 2024-YTD operating expenses of \$20.1 million.
- Losses from operations before other expenses were \$6.5 million for 2025-Q2, a \$6.5 million increase from a nominal loss for 2024-Q2. Losses from operations before other expenses were \$11.2 million for 2025-YTD, a \$4.0 million increase from 2024-YTD losses from operations before other expenses of \$7.2 million.
- EBITDA was \$(9.4) million for 2025-Q2, a decrease of \$(11.1) million from 2024-Q2 EBITDA of \$1.7 million. EBITDA was \$9.6 million for 2025-YTD, an increase of \$2.8 million from 2024-YTD EBITDA of \$6.8 million. The reader will note that EBITDA for 2025 includes the gain on debt settlement, included in discontinued operations, realized by Pharmaco Inc. on the termination of receivership (refer to *Recent Developments*). Adjusted EBITDA, normalized for the gain on debt settlement recorded by Pharmaco Inc. (as noted above) was \$1.3 million for 2025-Q2, an increase of \$1.7 million compared to 2024-Q2 Adjusted EBITDA of \$(0.3) million.

RESULTS OF OPERATIONS

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

- (1) **Corporate segment** includes the publicly traded parent company which operates as a cost center for related public reporting and administrative costs amongst 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 in the legal U.S. states of Michigan and California, and throughout Canada and internationally.
- (3) **Licensing segment** includes subsidiaries that own intellectual property associated with the Company's PV and Platinum trademarks and brands, that are engaged in the sale of non-THC branded products which are incorporated in licensed Company cannabis product offerings. The Company also contracts with distributor partners in legal states to license the use of its premium brands in the above-noted, non-THC inputs as well as branded product offerings within their territory.
- (4) **Retail segment** sells both Company and third party 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 through its online retail platform.
- (5) All other non-reporting operations to a fifth segment; '**Other**'.

Segmented revenues to gross profit for 2025-Q2 and 2024-Q2 restated, are as follows:

2025-Q2	Corporate	Distribution	Licensing	Retail	Consolidated
	\$	\$	\$	\$	\$
Revenue					
Sales revenue	-	11,026	200	5,179	16,405
Cost of goods sold before fair value adjustments	-	6,442	20	2,240	8,702
Gross profit before fair value adjustments	-	4,584	180	2,939	7,703
Unrealized gains (losses) in fair value of biological assets	-	17	-	(317)	(300)
Realized fair value gains (losses) included in inventory sold	-	(2,610)	-	(1,827)	(4,437)
Gross profit after fair market value adjustments	-	1,991	180	795	2,966
% of consolidated revenue	0%	67%	1%	32%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	74%	0%	26%	100%
Gross profit before fair value adjustments (%)	0%	42%	90%	57%	47%
Gross profit (%)	0%	18%	90%	15%	18%
2024-Q2					
Revenue					
Sales revenue	-	17,985	-	2,772	20,757
Cost of goods sold before fair value adjustments	-	11,023	-	3,785	14,808
Gross profit before fair value adjustments	-	6,962	-	(1,013)	5,949
Unrealized gains (losses) in fair value of biological assets	-	166	-	2,989	3,155
Realized fair value gains (losses) included in inventory sold	-	1,345	-	(450)	895
Gross profit after fair market value adjustments	-	8,473	-	1,526	9,999
% of consolidated revenue	0%	87%	0%	13%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	74%	0%	26%	100%
Gross profit before fair value adjustments (%)	0%	39%	0%	-37%	29%
Gross profit (%)	0%	47%	0%	55%	48%
Variance					
Change in revenue	-	(6,959)	200	2,407	(4,352)
Change in cost of goods sold before fair value adjustment	-	(4,581)	20	(1,545)	(6,106)
Change in gross profit before fair value adjustment	-	(2,378)	180	3,952	1,754
Change in gross profit after fair market value adjustments	-	(6,482)	180	(731)	(7,033)

Segmented revenues to gross profit, for 2025-YTD and 2024-YTD are as follows:

2025-YTD	Corporate	Distribution	Licensing	Retail	Consolidated
	\$	\$	\$	\$	\$
Revenue					
Sales revenue	-	24,289	1,045	10,263	35,597
Cost of goods sold before fair value adjustments	-	14,916	76	5,599	20,591
Gross profit before fair value adjustments	-	9,373	969	4,664	15,006
Unrealized gains (losses) in fair value of biological assets	-	(33)	-	(92)	(125)
Realized fair value gains (losses) included in inventory sold	-	(5,021)	-	(2,613)	(7,634)
Gross profit after fair market value adjustments	-	4,319	969	1,959	7,247
% of consolidated revenue	0%	68%	3%	29%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	72%	0%	28%	100%
Gross profit before fair value adjustments (%)	0%	39%	93%	45%	42%
Gross profit (%)	0%	18%	93%	19%	20%
2024-YTD					
Revenue					
Sales revenue	-	34,049	269	5,973	40,291
Cost of goods sold before fair value adjustments	-	20,445	159	6,899	27,503
Gross profit before fair value adjustments	-	13,604	110	(926)	12,788
Unrealized gains (losses) in fair value of biological assets	-	81	-	6	87
Realized fair value gains (losses) included in inventory sold	-	1,089	-	(1,127)	(38)
Gross profit after fair market value adjustments	-	14,774	110	(2,047)	12,837
% of consolidated revenue	0%	85%	1%	14%	100%
% of consolidated cost of goods sold before fair value adjustments	0%	74%	1%	25%	100%
Gross profit before fair value adjustments (%)	0%	40%	0%	-16%	32%
Gross profit (%)	0%	43%	41%	-34%	32%
Variance					
Change in revenue	-	(9,760)	776	4,291	(4,693)
Change in cost of goods sold before fair value adjustment	-	(5,529)	(83)	(1,299)	(6,911)
Change in gross profit before fair value adjustment	-	(4,231)	859	5,590	2,218
Change in gross profit after fair market value adjustments	-	(10,455)	859	4,005	(5,591)

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 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 through licensing of its brand to third party distribution partners.
- **Retail Revenue:** Revenue from sales through the Company's various retail or dispensary channels is revenue that is recognized, net of promotional discounts, and sales taxes, on the date the goods are sold to the consumer.

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 offers promotional discounts on its products at point of sale (Retail). The Company does not offer a warranty on its products in any channel.

Revenue for 2025-Q2

- **Consolidated revenue for 2025-Q2** was \$16.4 million for 2025-Q2, representing a decrease of \$4.4 million compared to \$20.8 million for 2024-Q2. The year-over-year revenue decline was primarily driven by intensified competitive pricing conditions in the Distribution segment, which more than offset increases in the Licensing and Retail segments as discussed below.
- **Distribution revenue for 2025-Q2** was \$11.0 million for 2025-Q2, representing a decrease of \$7.0 million compared to \$18.0 million for 2024-Q2. This substantial decline is primarily driven by continuing challenging market conditions in the state of Michigan, the Company's primary US distribution market, where the cannabis industry experienced its first year-over-year decline since recreational sales commenced in December 2019. These adverse market conditions have directly impacted the Company's distribution operations reduction in sales due to increased competitive pricing pressures. This decline was offset by growth in the Company's Canadian distribution segment, acquired in early 2024, seeing growth year-over-year of \$2.2 million, increasing to \$4.2 million in 2025-Q2 from \$2 million in 2024-Q2 (refer to *Acquisitions*).
- **Licensing revenue for 2025-Q2** was \$0.2 million for 2025-Q2, compared to \$nil for 2024-Q2, representing an increase of \$0.2 million. This growth is attributable to a partnership with the Company's third-party distributors in strategic markets to manufacture and distribute Platinum and PV branded products.
- **Retail revenue for 2025-Q2** was \$5.2 million for 2025-Q2, representing an increase of \$2.4 million compared to \$2.8 million for 2024-Q2. This growth is attributable to the successful implementation of the Company's strategic partnership with One Plant, which granted exclusive rights to the prestigious One Plant brand in the Florida market and the Company's continuing focus on driving innovation in product categories tied to evolving consumer (patient) demands.

Revenue for 2025-YTD

- **Consolidated revenue for 2025-YTD** was \$35.6 million for 2025-YTD, representing a decrease of \$4.7 million compared to \$40.3 million for 2024-YTD. The year-over-year decline reflects the net result of divergent segment performance, with challenges in one of the Company's primary Distribution geographies; the state of Michigan. The decrease was offset by growth in its Canadian distribution market, and in both Licensing and Retail operations.
- **Distribution revenue for 2025-YTD** was \$24.3 million for 2025-YTD, representing a decrease of \$9.7 million compared to \$34 million for 2024-YTD. The year-over-year reductions stems from market conditions in the state of Michigan that have created downward pricing pressure throughout the state's recreational cannabis market. This structural shift in Michigan's competitive landscape forced the Company to recalibrate its pricing strategy for branded products to maintain market share, resulting in lower revenues while it continues on an aggressive cost take-out program to sustain margins. This decline was offset by growth in the Company's Canadian distribution segment, acquired in early 2024, seeing growth year-over-year of \$5 million, increasing to \$8.7 million in 2025-YTD from \$3.7 million in 2024-YTD (refer to *Acquisitions*).
- **Licensing revenue for 2025- YTD** was \$1.0 million for 2025-YTD, representing an increase of \$0.7 million compared to \$0.3 million for 2024-YTD. The revenue acceleration reflects the maturation of manufacturing partnerships in key states where third-party producers represent Platinum and PV branded products, resulting in higher licensing fee streams.
- **Retail revenue for 2025- YTD** was \$10.3 million, representing an increase of \$4.3 million compared to \$6.0 million for 2024-YTD. The revenue increase reflects the impact of securing exclusive Florida rights to the One Plant brand, which brought established consumer recognition and premium positioning to the Company's dispensary network. Store-level performance metrics improved markedly following the rebranding initiative, with higher customer conversion rates and elevated average basket sizes driven by the brand's reputation for quality and the enhanced product assortment strategy implemented alongside the partnership.

The Company's diversified operating model continued to demonstrate resilience despite sector-specific headwinds in its largest market. Distribution operations absorbed the brunt of Michigan's market recalibration through intensifying pricing competition. Conversely, the licensing segment validated its strategic value proposition by generating revenue growth through capital-efficient brand monetization in key markets. Retail operations achieved a strong revenue result with the One Plant brand integration providing momentum along with forward-thinking product strategies. The Company's geographic and operational diversification—spanning traditional wholesale distribution, intellectual property licensing, and direct-to-consumer retail across multiple state and international markets including Germany—provides multiple avenues for growth while reducing dependence on any single market's performance. This portfolio approach positions the Company to capture opportunities across varying regulatory environments and competitive dynamics while building long-term brand equity in the Platinum, PV, DIVVY, and Emblem product lines.

Cost of goods sold

Cost of goods sold for 2025-Q2

- **Consolidated cost of goods sold for 2025-Q2** was \$8.7 million, representing a decrease of \$6.1 million compared to \$14.8 million for the corresponding period in 2024. The year-over-year decrease was primarily driven by reduced costs in the Distribution segment due to lower sales volumes, partially offset by increased costs in the Retail segment reflecting higher sales activity. Changes in cost of goods sold for the Distribution, Licensing and Retail channels are described below.
- **Distribution cost of goods sold for 2025-Q2** was \$6.4 million, representing a decrease of \$4.6 million compared to \$11.0 million for 2024-Q2. The cost reduction was proportionately lower than the revenue decline, reflecting margin compression experienced in the Michigan market. The decrease was offset by the Company's ability to proactively manage variable costs in response to lower sales volumes. The Company also benefited from synergies realized through its acquired outdoor cultivation facility in Canada; one of the largest outdoor cultivation operations in Canada. This integration has enabled the Company to reduce third-party, raw material procurement costs, achieve better quality control over its raw materials, and realize economies of scale in cultivation, processing, and extraction operations.
- **Licensing cost of goods sold for 2025-Q2** was minimal, compared to \$nil. The minimal cost structure reflects the asset-light nature of the licensing business model.
- **Retail cost of goods sold before fair value adjustments for 2025-Q2** was \$2.2 million, representing a decrease of \$1.6 million compared to \$3.8 million for 2024-Q2. The favorable cost structure reflects improved product sourcing efficiencies and enhanced margin management through strategic brand portfolio optimization, including the distribution of the Company's DIVVY and EMBLEM brands into US markets and the introduction of Platinum Vape products into Canadian retail channels.

Cost of goods sold for 2025-YTD

- **Consolidated cost of goods sold for 2025-YTD** was \$20.6 million, representing a decrease of \$6.9 million compared to \$27.5 million for 2024-YTD. The cost base declined at a faster rate than revenue, demonstrating successful margin expansion initiatives across the business. The disproportionate cost reduction reflects strategic sourcing improvements, operational efficiencies from the Aleafia integration, and benefits from the Company's brand deployment strategy that optimized product flow between markets as described below.
- **Distribution cost of goods sold for 2025-YTD** was \$14.5 million, representing a decrease of \$5.9 million compared to \$20.4 million for 2024-YTD. This decrease is in direct response to the \$9.8 million decrease in revenue within the Distribution segment. As mentioned above for the quarter, proactive management of variable costs, and reliance on the Company's synergies in response to lower sales volumes has allowed the Company to maintain appropriate margins as discussed below.
- **Licensing cost of goods sold for 2025-YTD** was minimal, compared to \$0.2 million.
- **Retail cost of goods sold before fair value adjustments for 2025-Q2** was \$5.6 million, representing a decrease of \$1.3 million compared to \$6.9 million for 2024-YTD. The cost reduction was realized despite higher sales volumes resulting from favorable costing variances as operational efficiencies take hold across various functions.

Gross profit before fair market value adjustments

Gross profit before fair market value adjustments for 2025-Q2

- **Consolidated gross profit before fair value adjustments for 2025-Q2** was \$7.7 million, representing an increase of \$1.8 million compared to \$5.9 million for the corresponding period in 2024. The year-over-year improvement was primarily driven by stronger performance in the Licensing and Retail segments, which offset the decline in the Distribution gross profit. Overall gross profit margins improved to 47% from 29% in the prior year, demonstrating the Company's ability to maintain profitability despite challenging market conditions through strategic cost management and operational efficiencies across all segments. Changes in gross profit before fair market value adjustment in the Distribution, Licensing and Retail channels are described below.
- **Distribution gross profit before fair value adjustments for 2025-Q2** was \$4.6 million, representing a decrease of \$2.4 million compared to \$7.0 million for 2024-Q2. While the Company maintained its market-leading position in Michigan's Distribution segment, the compressed pricing environment necessitated accelerating synergies through operational efficiencies and strategic cost management to preserve profitability. Despite the revenue decline of \$7 million for the quarter, the gross profit margins were, for the most part preserved, by the effective execution of various cost management initiatives, continuing operational efficiencies, and supply chain optimization including the beneficial impact of increased vendor purchase volumes garnered and stable distribution margins through the Canadian market by entities purchased through the Aleafia Acquisition (refer to *Acquisitions*).
- **Licensing gross profit before fair value adjustments for 2025-Q2** was \$0.2 million, compared to nil for 2024-Q2, representing an increase of \$0.2 million.
- **Retail gross profit before fair value adjustments for 2025-Q2** was \$2.9 million, compared to a loss of \$1.0 million for 2024-Q2, representing an increase of \$1.9 million. This increase is directly attributable to the increased sales volume realized in both the U.S. and Canadian retail channels in addition to favorable costing variances realized through operational efficiencies across extraction, processing and cultivation functions.

Gross profit before fair market value adjustments for 2025-YTD

- **Consolidated gross profit before fair value adjustments for 2025- YTD** was \$15 million, representing an increase of \$2.2 million compared to \$12.8 million for 2024-YTD. Despite lower top-line revenue, the Company achieved higher gross profit through systematic margin enhancement programs, synergies through its brand portfolio, and cost optimization. Changes in gross profit before fair market value adjustment in the Distribution, Licensing and Retail channels are described below.
- **Distribution gross profit before fair value adjustments for 2025- YTD** was \$9.4 million, representing a decrease of \$4.2 million compared to \$13.6 million for 2024-YTD. The decreased gross profit reflects the cumulative impact of margin pressure driving by pricing conditions, offset by the Company's supply chain rationalization efforts and manufacturing process improvements which helped mitigate profitability deterioration. Despite the decrease in sales dollars, the percentage margin compression was limited, with a decrease to 38.6% in 2025-YTD from 39.9% for 2024-Q4.
- **Licensing gross profit before fair value adjustments for 2025- YTD** was \$1.0 million, representing an increase of \$0.9 million compared to \$0.1 million for 2024-YTD.
- **Retail gross profit before fair value adjustments for 2025- YTD** was \$4.7 million for 2025-YTD, compared to a loss of \$0.9 million for 2024-YTD, representing a favorable variance of \$5.6 million. The \$5.6 million profitability underscores the restructuring of the retail segment and the impact of timing differences associated with costing variances

OPERATING EXPENSES

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

Operating Expenses for 2025-Q2 and 2024-Q2 are as follows:

2025-Q2	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
General and administration	1,252	3,347	16	2,130	150	6,895
Marketing expenses	2	757	123	466	-	1,348
Share-based compensation	22	-	-	-	-	22
Depreciation and amortization	-	26	-	564	33	623
Bad debt expense	-	490	83	5	-	578
Total operating Expenses	1,276	4,620	221	3,165	184	9,466
2024-Q2	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
General and administration	1,807	3,531	87	2,130	-	7,555
Marketing expenses	6	652	13	465	-	1,136
Share-based compensation	57	-	-	-	-	57
Depreciation and amortization	-	(51)	-	564	-	513
Bad debt expense	-	708	23	-	-	731
Total operating expenses	1,869	4,839	123	3,161	-	9,992
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Change in General and administration	(554)	(183)	(72)	(1)	150	(660)
Change in marketing expenses	(4)	105	110	1	-	212
Change in share-based compensation	(35)	-	-	-	-	(35)
Change in depreciation and amortization	-	78	-	(1)	33	110
Change in in bad debt expense	-	(218)	61	5	-	(152)
Change in total operating expenses	(593)	(219)	98	5	184	(525)

Operating Expenses for 2025-YTD and 2024-YTD are as follows:

2025-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
General and administration	2,486	6,386	38	4,202	243	13,355
Marketing expenses	4	1,556	274	809	-	2,643
Share-based compensation	43	-	-	-	-	43
Depreciation and amortization	-	78	-	1,090	67	1,235
Bad debt expense	-	965	229	(10)	-	1,184
Total operating Expenses	2,533	8,985	541	6,091	310	18,460
2024-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
General and administration	3,462	6,138	212	4,143	-	13,955
Marketing expenses	10	1,171	219	943	-	2,343
Share-based compensation	106	-	-	-	-	106
Depreciation and amortization	-	244	-	1,231	-	1,475
Bad debt expense	-	2,080	139	-	-	2,219
Total operating expenses	3,578	9,633	570	6,317	-	20,098
Variances	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Change in General and administration	(976)	249	(175)	59	243	(600)
Change in marketing expenses	(6)	385	55	(135)	-	299
Change in share-based compensation	(63)	-	-	-	-	(63)
Change in depreciation and amortization	-	(167)	-	(141)	67	(241)
Change in in bad debt expense	-	(1,116)	91	(10)	-	(1,035)
Change in total operating expenses	(1,045)	(649)	(29)	(227)	310	(1,640)

Consolidated operating expenses for 2025-Q2 were \$9.5 million, representing a decrease of \$0.5 million compared to \$10 million for 2024-Q2. The overall expense reduction was driven primarily by a net savings in general and administration expenses of \$0.5 million, reflecting successful workforce optimization and facility rationalization initiatives following the Aleafia integration, and a decrease in bad debt expense due to collection performance. Share-based compensation also declined by \$0.04 million as minimal equity grants vested during the quarter. These reductions were partially offset by a \$0.2 million increase in marketing expenses to support brand-building initiatives, and a \$0.1 million increase in depreciation and amortization primarily reflecting the ongoing consumption of the expanded asset base.

Consolidated operating expenses for 2025-YTD were \$18.5 million, representing a decrease of \$1.6 million compared to \$20.1 million for 2024-YTD. The comprehensive expense reduction was achieved through multiple contributing factors: general and administration expenses decreased by \$0.6 million as the impact of post-acquisition workforce rationalization, facility considerations, and operational efficiency improvements materialized; bad debt expense declined dramatically by \$1.0 million as enhanced credit management policies, improved customer payment patterns, and the restored creditworthiness of operations previously under CCAA proceedings resulted in a materially healthier receivables portfolio requiring lower loss provisions; share-based compensation decreased by \$0.06 million reflecting minimal equity grant activity; and depreciation declined by \$0.2 million. These savings were partially offset by a \$0.3 million increase in marketing expenses to support strategic brand expansion across multiple jurisdictions including the One Plant brand integration in Florida, Platinum and PV product launches in Missouri and Ohio, and preliminary market development in Germany. The \$1.6 million net expense reduction demonstrates systematic operational leverage improvements and disciplined cost management that partially offset the revenue headwinds and margin pressures impacting consolidated top-line performance, positioning the Company to benefit more substantially from operational improvements once market conditions stabilize.

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 to mitigate operational and corporate risks. Finally, corporate costs associated with the overarching oversight and strategic management of the Company's operations are also included within G&A expenses.

The Company's general and administrative expenses for 2025-Q2 and 2024-Q2, and 2025-YTD 2024-YTD were as follows:

	2025-Q2	2024-Q2	Variance	2025-YTD	2024-YTD	Variance
	\$	\$	\$	\$	\$	\$
Salaries and wages	3,417	4,268	(851)	7,088	8,367	(1,279)
Facilities expense	437	495	(58)	668	725	(57)
Professional fees	1,655	1,549	106	2,824	2,811	13
Office and administrative fees	609	502	107	1,274	861	413
Travel expense	136	123	13	222	228	(6)
Licenses and permits	202	63	139	394	115	279
Insurance	411	468	(57)	828	751	77
Penalty and late fees	28	87	(59)	57	97	(40)
Total general and administrative expenses	6,895	7,555	(660)	13,355	13,955	(600)

General and Administrative for 2025-Q2

Total G&A expenses for 2025-Q2 were \$6.9 million, representing a decrease of \$0.7 million compared to \$7.6 million for 2024-Q2. The net decrease reflects disciplined cost management across multiple expense categories, with reductions in salaries, facilities, insurance, and penalty fees more than offsetting increases in professional fees, office administration, travel, and licenses.

- **Salaries and wages for 2025-Q2** amounted to \$3.4 million, representing a decrease of \$0.8 million compared to \$4.2 million for 2024-Q2. The substantial reduction reflects the realization of workforce optimization synergies following the Aleafia integration (refer to *Acquisitions*), including the elimination of redundant positions still remaining in 2024-Q2 that remained to assist with the transition of ownership.
- **Facilities expenses for 2025-Q2** totaled \$0.4 million, representing a decrease of \$0.1 million compared to \$0.5 million for 2024-Q2. The reduction stems from facility rationalization efforts, including the closure of two retail locations in Michigan during the quarter.
- **Professional fees for 2025-Q2** totaled \$1.6 million, representing a nominal increase of \$0.1 million compared to \$1.5 million for 2024-Q2. The Company continues to incur costs in this category given its multi-jurisdictional footprint.
- **Office and administrative fees for 2025-Q2** totaled \$0.6 million, representing an increase of \$0.1 million compared to \$0.5 million for 2024-Q2. The increase reflects the ongoing administrative costs of supporting integrated operations across multiple jurisdictions, including expanded IT infrastructure, communication systems, and back-office support requirements necessary to coordinate the larger organizational footprint.
- **Licenses and permits costs for 2025-Q2** were \$0.2 million, representing an increase of \$0.1 million compared to \$0.1 million for 2024-Q2. The substantial increase reflects additional regulatory filings, license renewals, and compliance costs associated with maintaining operations across multiple state jurisdictions and emerging international markets.
- **Insurance for 2025-Q2** was \$0.4 million, representing a decrease of \$0.1 million compared to \$0.5 million for 2024-Q2. The reduction resulted from successful insurance program renegotiations and portfolio optimization that reduced premium costs while maintaining adequate coverage levels across the organization.

General and Administrative for 2025-YTD

Total G&A expenses for 2025-YTD were \$13.4 million, representing a decrease of \$0.6 million compared to \$14 million for 2024-YTD. The year-over-year reduction demonstrates sustained cost discipline and the cumulative benefit of integration synergies, with decreases in salaries, facilities, travel, and penalty fees substantially offsetting increases in professional fees, office administration, licenses, and insurance.

- **Salaries and wages for 2025-YTD** amounted to \$7.1 million, representing a decrease of \$1.3 million compared to \$8.4 million for 2024-YTD. As mentioned for the quarter, this reduction reflects workforce rationalization, with headcount optimization, elimination of duplicate corporate functions, and improved operational leverage reducing the overall compensation expense base while maintaining organizational capability to support the expanded business.
- **Facilities expenses for 2025-YTD** totaled \$0.7 million, essentially a flat expense year over year when compared to \$0.7 million for 2024-YTD.
- **Professional fees for 2025-YTD** totaled \$2.8 million, essentially a flat expense year over year when compared to \$2.8 million for 2024-YTD.

- **Office and administrative fees for 2025-YTD** totaled \$1.3 million, representing an increase of \$0.4 million compared to \$0.9 million for 2024-YTD. The increase reflects the ongoing administrative costs of supporting integrated operations across multiple jurisdictions, including expanded IT infrastructure, communication systems, and back-office support requirements necessary to coordinate the larger organizational footprint.
- **Licenses and permits costs for 2025-YTD** were \$0.4 million, representing an increase of \$0.3 million compared to \$0.1 million for 2024-YTD. The increase reflects the cumulative cost of maintaining regulatory compliance across the Company's expanded operational geographies, including state cannabis licenses in multiple jurisdictions, federal regulatory filings, and emerging international market certifications including preliminary activities in Germany.
- **Insurance for 2025-YTD** was \$0.8 million, essentially a flat expense year over year when compared to \$0.8 million for 2024-YTD.

Bad Debt Expense

Expected credit loss and bad debt expense for 2025-Q2 was \$0.6 million, representing a decrease of \$0.1 million compared to \$0.7 million for 2024-Q2. The improvement reflects continued enhancement in receivables quality, with the aging schedule demonstrating further strengthening across most categories. Notably, the Company successfully reduced its highest-risk 121+ days receivables from \$9.4 million at 2024-YE to \$8.6 million at 2025-Q2, while expected credit loss rates moderated across nearly all aging buckets. The current receivables balance increased to \$4.6 million from \$6.5 million at year-end, though at a substantially lower expected loss rate of 0.41% compared to 0.98% previously. These improvements indicate sustained collection effectiveness and better credit management protocols established following the Aleafia integration.

Expected credit loss and bad debt expense for 2025-YTD was \$1.2 million, representing a decrease of \$1 million compared to \$2.2 million for 2024-YTD. This improvement is the result of enhanced credit management policies implemented following the Aleafia acquisition. The Company's total gross receivables declined from \$22.5 million at 2024-YE to \$18.5 million at 2025-Q2, despite higher sales volumes in certain segments. Composition of the trade receivables also improved as mentioned above. The cumulative expected credit loss provision declined from \$8.3 million to \$9.4 million, though the net receivables improved from \$14.2 million to \$9.0 million. These metrics collectively demonstrate significantly enhanced collection effectiveness, improved customer credit screening, more aggressive dunning procedures, and the restored creditworthiness of operations previously under CCAA proceedings, resulting in a materially healthier receivables portfolio requiring lower loss provisions.

For more detail on the Company's expected credit loss provisions, refer to the Company's most recently filed Condensed Interim Consolidated Financial Statements for the period ended June 30, 2025, found on Sedar+.

OTHER EXPENSES (INCOME)

Other expenses (income) for 2025-Q2 and 2024-Q2 are as follows:

2025-Q2	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Interest earned on promissory notes	-	(801)	-	-	(60)	(861)
Other income	-	(146)	(18)	(11)	(1)	(175)
Finance expense	(89)	19	-	9	-	(61)
Interest income	-	-	-	-	-	-
Interest on credit facilities	-	-	-	-	-	-
Interest on convertible notes	-	-	-	1,308	-	1,308
Accreted interest on convertible notes	-	-	-	-	-	-
Accreted interest on promissory notes	-	-	-	-	-	-
Interest on promissory notes	7,069	-	-	1,068	703	8,840
Acquisition costs	-	-	-	-	14	14
Business transaction costs	2	3	-	-	14	19
Accreted interest, leases	-	48	-	613	-	661
Loss on disposal of assets	-	-	-	-	-	-
Gain on valuation of financial instruments	-	-	-	-	-	-
Loss on debt extinguishment	-	-	-	-	-	-
(Gain) or loss on settlement of debt	-	-	-	-	-	-
Inventory write downs	-	-	-	174	-	174
Gain loss on investments	-	-	-	-	-	-
Foreign exchange	7,800	(58)	(18)	(4)	-	7,720
Total other expenses (income)	14,783	(934)	(36)	3,156	670	17,640
2024-Q2	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Interest earned on promissory notes	-	-	-	-	(29)	(29)
Other income	(724)	2,111	-	(713)	13	687
Finance expense	(34)	6	-	1	121	95
Interest income	-	-	-	-	-	-
Interest on credit facilities	604	-	-	-	-	604
Interest on convertible notes	908	-	-	746	-	1,654
Accreted interest on convertible notes	391	-	-	658	-	1,049
Accreted interest on promissory notes	84	-	-	-	-	84
Interest on promissory notes	4,986	-	-	1,047	29	6,062
Acquisition costs	-	15	39	-	-	54
Business transaction costs	21	(10)	-	(2)	-	9
Accreted interest, leases	-	53	-	592	-	645
Loss on disposal of assets	-	(8)	-	-	-	(8)
Gain on valuation of financial instruments	80	-	-	-	-	80
Loss on debt extinguishment	-	-	-	-	-	-
(Gain) or loss on settlement of debt	-	-	-	(125)	-	(125)
Inventory write downs	-	-	-	-	-	-
Gain loss on investments	-	-	-	-	-	-
Foreign exchange	(3,077)	6	3	1	-	(3,066)
Total other expenses (income)	3,239	2,173	42	2,206	134	7,794

Other expenses (income) for 2025-YTD and 2024-YTD are as follows:

2025-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Interest earned on promissory notes	-	(1,465)	-	-	(120)	(1,585)
Other income	(5,804)	(126)	(18)	(26)	-	(5,974)
Finance expense	(67)	29	-	14	-	(24)
Interest income	-	-	-	-	(6)	(6)
Interest on credit facilities	-	-	-	-	-	-
Interest on convertible notes	409	-	-	2,614	-	3,023
Accreted interest on convertible notes	-	-	-	-	-	-
Accreted interest on promissory notes	-	-	-	-	-	-
Interest on promissory notes	13,642	-	-	2,131	1,208	16,981
Acquisition costs	-	-	4	-	16	20
Business transaction costs	4	31	-	-	24	59
Accreted interest, leases	-	99	-	1,249	-	1,348
Loss on disposal of assets	-	-	-	-	-	-
Gain on valuation of financial instruments	-	-	-	-	-	-
Loss on debt extinguishment	-	-	-	-	-	-
(Gain) or loss on settlement of debt	-	-	-	-	-	-
Inventory write downs	-	-	-	174	-	174
Gain loss on investments	-	-	-	-	340	340
Foreign exchange	8,001	(54)	(18)	(4)	-	7,924
Total other expenses (income)	16,185	(1,486)	(32)	6,151	1,461	22,278
2024-YTD	Corporate	Distribution	Licensing	Retail	Other	Consolidated
	\$	\$	\$	\$	\$	\$
Interest earned on promissory notes	(209)	-	-	-	(29)	(238)
Other income	(1,294)	1,472	201	(366)	13	27
Finance expense	113	6	0	33	121	274
Interest income	-	-	-	-	-	-
Interest on credit facilities	1,190	-	-	-	-	1,190
Interest on convertible notes	1,722	-	-	1,378	-	3,099
Accreted interest on convertible notes	824	-	-	1,506	-	2,330
Accreted interest on promissory notes	166	-	-	-	-	166
Interest on promissory notes	9,628	-	-	2,100	-	11,728
Acquisition costs	-	15	151	-	-	166
Business transaction costs	21	7	-	19	-	47
Accreted interest, leases	-	105	-	1,176	-	1,281
Loss on disposal of assets	-	(8)	-	235	-	227
Gain on valuation of financial instruments	(65)	-	-	-	-	(65)
Loss on debt extinguishment	100	-	-	-	-	100
(Gain) or loss on settlement of debt	-	-	-	(760)	-	(760)
Inventory write downs	-	-	-	-	-	-
Gain loss on investments	(7,645)	-	-	-	-	(7,645)
Foreign exchange	(7,183)	9	11	5	-	(7,157)
Total other expenses (income)	4,551	1,596	351	5,322	105	4,770

Consolidated other expenses (income) for 2025-Q2 were \$17.5 million, representing an increase of \$9.7 million compared to \$7.8 million for 2024-Q2. This increase in net other expenses resulted primarily from increased interest costs on restructured debt obligations and unfavorable foreign exchange translation losses, partially offset by increased interest income from promissory notes receivable deployed during the period.

Consolidated other expenses (income) for 2025-YTD were \$22.1 million, representing an increase of \$17.3 million compared to \$4.8 million for 2024-YTD. This increase in net other expenses impacted consolidated profitability and resulted primarily from increased interest costs on restructured debt, unfavorable foreign exchange movements, and the absence of gains realized in the prior year.

- **Interest earned on promissory notes:** Interest earned on promissory notes for 2025-Q2 was income of \$0.9 million, representing an increase of \$0.8 million compared to income of \$0.03 million for 2024-Q2, while interest earned on promissory notes for 2025-YTD was income of \$1.6 million, representing an increase of \$1.3 million compared to income of \$0.2 million for 2024-YTD. The increase in both periods reflect accelerated interest earnings on the expanded notes receivable portfolio following \$1.6 million in new advances made during 2025-Q2, with the PD Note and KMI Note generating significantly higher income throughout the year. This lending activity demonstrates the Company's focus on securing operational advantages and supply chain stability through structured financial partnerships while generating attractive returns on deployed capital.
- **Interest on credit facilities:** Interest on credit facilities for 2025-Q2 was nil, representing a favourable variance of \$0.6 million compared to \$0.6 million for 2024-Q2, while interest on credit facilities for 2025-YTD was nil, representing a favorable variance of \$1.2 million compared to \$1.2 million for 2024-YTD. The elimination of credit facility interest expense in both periods resulted from the resolution of obligations under the RGR Credit Facility through the Pharmaco Receivership settlement (refer to *Recent Developments*). As detailed in the *Liquidity and Capital Resources* section, the RGR Credit Facility was fully extinguished during the period, with the facility balance being eliminated through a combination of cash payments and debt forgiveness under the Release and Discharge Agreement.
- **Interest on convertible notes:** Interest on convertible notes for 2025-Q2 was \$1.3 million, representing a decrease of \$0.4 million compared to \$1.7 million for 2024-Q2, while interest on convertible notes for 2025-YTD was \$3.0 million, representing a decrease of \$0.1 million compared to \$3.1 million for 2024-YTD. The reductions in both periods reflect the net effect of the February 2025 debt restructuring, which converted \$41.3 million of DJCL and SDIL convertible notes into CPIL convertible notes and reduced the overall convertible debt balance from \$89.3 million at year-end to \$48.5 million. While the MV Convertible Note continued to generate substantial interest charges (\$2.2 million year-to-date), the overall portfolio contraction resulted in lower aggregate interest expense in both comparative periods. Refer to the *Liquidity and Capital Resources* for details on the Company's convertible debt.
- **Accreted interest on convertible notes:** Accreted interest on convertible notes for 2025-Q2 was nil, representing a favorable variance of \$1.0 million compared to \$1.0 million for 2024-Q2, while accreted interest on convertible notes for 2025-YTD was nil, representing a favorable variance of \$2.3 million compared to \$2.3 million for 2024-YTD. The elimination of accretion expense in both periods reflects changes in the convertible debt structure following amendments occurring in 2024-YE and the February 2025 amendments, which restructured the instruments in a manner that eliminated or suspended certain accretion requirements. Refer to the *Liquidity and Capital Resources* for details on the restructured debt.

- Interest on promissory notes:** Interest on promissory notes for 2025-Q2 was \$8.8 million, representing an increase of \$2.8 million compared to \$6.1 million for 2024-Q2, while interest on promissory notes for 2025-YTD was \$16.9 million, representing an increase of \$5.2 million compared to \$11.7 million for 2024-YTD. These substantial increases in both periods resulted directly from the February 2025 debt restructuring, which significantly expanded the promissory notes portfolio. During 2025-YTD notes payable grew from \$246.6 million at 2024-YT to \$307.4 million at 2025-YTD, driven by \$20.1 million in new note additions and \$41.5 million in amendments that restructured existing convertible debt into promissory notes as indicated above. The RGR USD Grid Note balance increased to \$92.5 million while the RGR CAD Grid Note grew to \$64.6 million, collectively generating \$16.9 million in accrued interest across 2025-YTD. The restructuring extended debt maturities and improved near-term liquidity but at the cost of significantly higher ongoing interest expense that will pressure future profitability.
- (Gain) loss on foreign exchange:** Foreign exchange for 2025-Q2 was an expense of \$7.7 million, representing an increase of \$4.6 million compared to an expense of \$3.1 million for 2024-Q2, while foreign exchange for 2025-YTD was an expense of \$7.9 million, representing an unfavorable variance of \$0.8 million compared to an expense of \$7.2 million for 2024-YTD. The foreign exchange losses comprise two distinct components: translation impacts on US dollar-denominated external debt obligations and unrealized losses on intercompany balances. Specifically, unrealized foreign exchange losses on intercompany balances amounted to \$7.7 million for 2025-Q2 and \$8.0 million for 2025-YTD, compared to \$2.5 million and \$9.2 million respectively in the prior-year periods. These unrealized foreign exchange losses arise from the translation of intercompany monetary balances denominated in foreign currencies between the Company's various subsidiaries with different functional currencies. Under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, exchange differences arising on intercompany monetary items between entities with different functional currencies are recognized in profit or loss and are not eliminated on consolidation, as they represent genuine economic exposure to foreign currency fluctuations. Beyond intercompany exposures, the Company's external US dollar debt—including the RGR USD Grid Note balance of \$92.5 million and other USD-denominated obligations—generates additional translation losses as exchange rates fluctuate. These combined currency translation effects create volatility in reported results that is independent of operational performance and will continue to impact profitability as long as the Company maintains material foreign currency monetary positions across its multi-jurisdictional structure. The Company has adjusted for these fluctuations in its adjusted EBITDA (refer to *EBITDA and Adjusted EBITDA* below).
- All other expenses (income) collectively contributed minor net unfavorable variances to both quarterly and year-to-date comparisons. Interest income remained minimal at \$0.01 million in both periods, unchanged from prior year. Other income shifted from income of \$0.7 million to an expense of \$0.2 million quarterly (unfavorable \$0.9 million variance) and from income of \$0.03 million to an expense of \$6.0 million year-to-date (unfavorable \$6.0 million variance), primarily due to miscellaneous non-operating charges. Finance expense improved modestly, declining \$0.04 million quarterly and \$0.3 million year-to-date due to finance costs. Accreted interest on promissory notes and leases remained stable or provided minor favorable variances totaling \$0.1 million quarterly and \$0.2 million year-to-date. Acquisition costs, business transaction costs, and various gain/loss items on asset disposals, financial instruments, debt extinguishment, and debt settlements were largely immaterial in both current periods, collectively representing less than \$0.2 million of activity. The year-to-date comparison benefited significantly from an \$8.0 million favorable variance in gain on investments. These miscellaneous items, while individually small, collectively contributed to the overall increase in net other expenses that impacted consolidated profitability during both comparative periods.

EBITDA AND ADJUSTED EBITDA

Below is a reconciliation net loss and Adjusted EBITDA for 2025-Q2 and 2024-Q2, and 2025-YTD and 2024-YTD:

	2025-Q2	2024-Q2	Variance	2025-YTD	2024-YTD	Variance
Net Income (Loss) for the Period	(19,601)	(10,650)	(8,951)	(12,953)	(16,741)	3,788
Depreciation and amortization	623	513	110	1,235	1,475	(240)
Interest earned on promissory notes	(861)	(29)	(832)	(1,585)	(238)	(1,347)
Accreted interest, leases	661	645	16	1,348	1,281	67
Current income tax expense/(recovery)		2,471	(2,471)	2,145	3,370	(1,225)
Deferred income tax expense/(recovery)	(304)	(799)	495	(599)	(1,142)	543
Finance expenses	(61)	95	(156)	(24)	274	(298)
Interest income				(6)		(6)
Interest on credit facilities		604	(604)		1,190	(1,190)
Interest on convertible notes	1,308	1,654	(346)	3,023	3,099	(76)
Accreted interest on convertible notes		1,049	(1,049)		2,330	(2,330)
Accreted interest on promissory notes		84	(84)		166	(166)
Interest on promissory notes	8,840	6,062	2,778	16,981	11,728	5,253
EBITDA	(9,395)	1,699	(11,094)	9,565	6,792	2,773
Bad debt expense	578	731	(153)	1,184	2,219	(1,035)
Acquisition costs	14	54	(40)	19	166	(147)
Business transaction costs	19	9	10	59	47	12
(Gain) loss on evaluation of financial instruments		80	(80)		(65)	65
(Gain) Loss on disposal of assets		(8)	8		227	(227)
Foreign exchange	7,720	(3,066)	10,786	7,924	(7,157)	15,081
Foreign exchange from I/C transfers	-	-	-	-	-	-
Unrealized changes in fair value of biological assets	300	(3,155)	3,455	125	(87)	212
Realized fair value amounts included in inventory sold	4,437	(895)	5,332	7,634	38	7,596
Loss on debt extinguishment					100	(100)
Gain on investment				340	(7,645)	7,985
Other expenses (income)	(175)	687	(862)	(5,975)	27	(6,002)
Share based compensation	22	57	(35)	43	106	(63)
(Gain) or loss on settlement of debt		(125)	125		(760)	760
Inventory write-downs	174		174	174		174
Non recurring expenses	1,852	49	1,803	3,003	703	2,300
(Gain) loss on discontinued operations	(4,234)	1,189	(5,423)	(22,084)	2,484	(24,568)
Adjusted EBITDA	1,312	(348)	4,006	2,011	(2,805)	4,816

This item is a non-IFRS measure. The reader is referred to Non-IFRS and Supplementary Financial or Operating Measures on page 5 of this MD&A for further details and reconciliation to the Company's IFRS measures.

STATEMENT OF FINANCIAL POSITION

Assets

As at 2025-Q2, and 2024-YE, the Company held the following assets:

As at	2025-Q2	2024-YE	Variance
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	2,749	7,285	(4,536)
Accounts receivable	12,003	16,112	(4,109)
Short-term notes receivable	17,297	11,397	5,900
Prepaid expenses	1,952	1,993	(41)
Deposits	8,741	11,186	(2,445)
Inventory	41,953	47,556	(5,603)
Biological assets	1,462	1,728	(266)
Assets held for sale	12,607	13,192	(585)
Other assets	959	913	46
Total current assets	99,723	111,362	(11,639)
Non-current assets			
Property, plant and equipment, net	41,281	43,644	(2,363)
Intangible assets, net	95,817	100,709	(4,892)
Right-of-use assets, net	17,383	17,976	(593)
Long-term notes receivable	3,000	4,439	(1,439)
Investments	2,479	2,479	-
Goodwill	13,067	13,782	(715)
Other non-current assets	1,245	-	1,245
Total non-current assets	174,272	183,029	(8,757)
Total assets	273,995	294,391	(20,396)

Total assets decreased to \$274 million at 2025-YTD, compared to \$294.4 million at 2024-YE, representing a \$20.4 million decrease.

This overall asset reduction was driven by decreased cash and inventory balances, partially offset by growth in notes receivable and other working capital adjustments as discussed below.

- **Cash and equivalents as at 2025-YTD** were \$2.7 million, representing a decrease of \$4.5 million compared to \$7.3 million at 2024-YE. This reduction in cash can be attributed to the \$5.8 million increase in notes receivable during the period, whereby the Company funded \$5.9 million.
- **Accounts receivable as at 2025-YTD** were \$12.0 million, representing a decrease of \$4.1 million compared to \$16.1 million at 2024-YE. The decrease can be directly attributed to the corresponding reduction in trade receivables due to improved collection performance and improved quality of receivables outstanding. Over 2025-YTD, the Company realized reductions in the majority of its aging categories.
- **Notes receivable (current and long-term) as at 2025-YTD** were \$20.3 million, representing an increase of \$4.5 million compared to \$15.8 million at 2024-YE. This growth was driven by \$5.8 million in new advances during the period, with \$1.3 million advanced on the PD Note to facilitate an arm's length crop commitment that will reduce the cost of cannabis biomass inputs for the Company's wholesale and finished goods sold in Michigan, and \$0.4 million advanced on the KMI Note to secure timely and preferential contract manufacturing and distribution services. \$1.6 million in interest also accrued across the notes receivable portfolio during the period. These increases were partially offset by \$2.2 million in principal repayments and \$0.2 million in interest payments received, along with \$0.8 million in foreign exchange losses. Advances made by the Company via the Notes Receivable demonstrate the Company's focus on mitigating supply chain risks while leveraging operational partnerships through structured lending relationships.
- **Deposits as at 2025-YTD** were \$8.7 million, representing a decrease of \$2.4 million compared to \$11.2 million at 2024-YE. This reduction reflects the partial recovery of security deposits and advance payments made in prior periods, the unwinding of previously lodged security balances and upfront supplier payments as commercial relationships normalized following the

Aleafia Acquisition. Under new ownership, the Purchased Entities successfully negotiated standard payment terms with their vendor base, eliminating the restrictive cash collateral requirements that had been imposed during the predecessor entity's insolvency proceedings under CCAA protection. The transition to conventional credit arrangements signals renewed market confidence in the organization's creditworthiness and operational continuity under its current ownership structure, yielding improved liquidity management and reduced tied-up capital.

- **Inventory as at 2025-YTD** was \$42.0 million, representing a decrease of \$5.6 million compared to \$47.6 million at 2024-YE. The contraction stems from shuttering Pharmaco Inc.'s retail storefront network following the entity's entry into receivership, in addition to consumption on hand within the Distribution segment.
- **Other assets (current and long-term) as at 2025-YTD** were \$2.2 million, representing an increase of \$1.3 million compared to \$0.9 million at 2024-YE. This growth was driven by the reclassification of \$1.2 million in lease receivables to other assets during the period and an increase of \$0.1 million in insurance assets compared to 2024-YE.
- **Investments as at 2025-YTD** remain unchanged from 2024-YE deriving from its 8.94% equity interest in One Plant (Retail) Corp. ("OPRC"), a privately held cannabis retail operator in Canada. The Company does not exercise significant influence over OPRC and has elected to measure this investment at fair value through profit or loss in accordance with IFRS 9. The stable carrying value reflects the Company's practice of conducting comprehensive valuation reviews annually as part of its year-end procedures, with no interim adjustments made during the quarter unless significant events or circumstances indicate a material change in fair value.
- **Property, plant and equipment as at 2025-YTD** was \$41.3 million, representing a decrease of \$2.4 million compared to \$43.6 million at 2024-YE. The reduction stems from \$2.3 million in consumption of asset value through systematic depreciation charges and \$0.6 million in foreign exchange translation impacts from fluctuating foreign exchange rates during the reporting period. Asset depreciation was offset by capital expenditures of \$0.5 million for the quarter
- **Intangible assets as at 2025-YTD** were \$95.8 million, representing a decrease of \$4.9 million compared to \$100.7 million at 2024-YE. This decrease was attributable exclusively to foreign exchange translation adjustments applied to the Company's US dollar-denominated brand and license intangible assets during the period.

Liabilities

A summary of the Company's liabilities as at 2025-YTD and as at 2024-YE is as follows:

As at	2025-YTD	2024-YE	Variance
	\$	\$	\$
Current liabilities			
Accounts payable and accrued liabilities	18,425	24,074	(5,649)
Short-term notes payable	2,948	207,419	(204,471)
Short-term convertible notes	4,422	45,187	(40,765)
Short-term lease obligations	763	701	62
Income taxes payable	14,706	18,313	(3,607)
Liabilities held for sale	14,121	46,199	(32,078)
Other current liabilities	1,174	1,140	34
Total current liabilities	56,559	343,033	(286,474)
Non-current liabilities			
Long-term lease obligations	21,803	22,028	(225)
Long-term convertible notes	44,126	44,071	55
Long-term notes payable	304,494	39,157	265,337
Deferred tax liability	17,743	19,009	(1,266)
Other non-current liabilities	117	122	(5)
Total non-current liabilities	388,283	124,387	263,896
Total liabilities	444,842	467,420	(22,578)

Total liabilities at 2025-YTD were \$444.8 million, representing a decrease of \$22.6 million compared to \$467.4 million at 2024-YE. This overall reduction primarily reflects the significant restructuring of the Company's short-term debt, offset by increases in long-term notes payable and certain working capital obligations as discussed below.

- **Accounts payable and accrued liabilities as at 2025-YTD** were \$18.4 million, representing a decrease of \$5.7 million compared to \$24.1 million at 2024-YE. The reduction is principally driven by a \$5.4 million decrease in trade payables reflecting lower vendor procurement activity following the strategic rationalization of the Company's Michigan retail operations to a single store location, offset by a \$0.3 million increase in customer deposits providing improved working capital from advance receipts.
- **Liabilities held for sale as at 2025-YTD** were \$14.1 million, representing a decrease of \$32.1 million compared to \$46.2 million at 2024-YE. This decrease resulted from completing the Pharmaco Receivership proceedings during the period, which resolved associated obligations through a court-sanctioned settlement process. The Company settled \$22.5 million in RGR Credit Facility obligations, consisting of \$12.7 million in cash payments and \$9.8 million in debt forgiveness under a Release and Discharge Agreement, with the latter recorded as a gain in discontinued operations (refer to *Recent Developments*). An additional \$10.1 million in trade payables and sales tax liabilities were extinguished upon the formal closing of the receivership. These reductions were partially offset by \$0.5 million in other working capital changes.
- **Short-term and long-term notes payable as at 2025-YTD** increased to \$307.4 million, compared to \$246.6 million at 2024-YE, representing a \$60.8 million increase. This growth was primarily driven by \$41.3 million in amendments amending convertible debt into promissory notes during, including the \$20.6 million CPIL Note, \$10.3 million DCIL Note, and \$10.3 million SDIL Note B. Additionally, the Company secured \$20.1 million in new funding through existing RGR Grid Note facilities. Accrued interest totaling \$17 million accumulated during period, while principal and interest payments of \$0.6 million and \$0.1 million respectively were made. These overall increases were partially offset by \$5.8 million in debt forgiveness applied during the period as part of the February 1, 2025, debt restructuring. The maturity profile of the Company's outstanding debt improved with the majority of the aforementioned notes now classified as long-term (\$304.5 million) compared to short-term (\$2.9 million), demonstrating the impact of the successful debt restructuring efforts that extended payment obligations beyond one year (refer to *Liquidity and Capital Resources*).
- **Short-term convertible debt as at 2025-YTD** were \$48.5 million, representing a decrease of \$40.8 million compared to \$89.3 million at 2024-YE. This reduction was primarily driven by \$41.3 million in amendments during 2025-YTD that converted existing convertible debt into promissory note structures, including the complete conversion of the \$20.6 million CPIL Convertible Note, \$10.3 million DICL Convertible Note, and \$10.3 million SDIL Convertible Note as indicated above. This reduction is offset by an increase of \$3 million in interest accrued across the remaining convertible instruments, and a \$2.5 million unfavorable impact of foreign exchange on US denominated debt. This strategic conversion significantly reduced the convertible debt liability while improving overall debt terms and eliminating complex conversion features from a substantial portion of the Company's capital structure (refer to *Liquidity and Capital Resources*).
- **Lease obligations as at 2025-YTD** were \$22.6 million, representing a decrease of \$0.6 million compared to \$22.7 million at 2024-YE. The net decrease reflects \$0.8 million in scheduled lease liability reductions through regular lease payments during the period, combined with a \$0.9 million unfavorable foreign exchange translation impact on leases denominated in foreign currencies. These reductions were partially offset by \$1.1 million in new lease additions for upcoming activations in the Company's Florida market (refer to *Description of the Business*) entered into during the period. Additionally, the Company disposed of \$0.1 million in right-of-use assets (net of \$0.1 million in accumulated depreciation) related to lease terminations as a result of the closing of two additional Michigan retail locations in 2025-Q2.

Shareholders' Equity

As at 2025-YTD, total shareholders' equity was in a deficit of \$170.8 million, which includes the impact of non-cash impairments totaling \$257.9 million realized in fiscal years 2021 through 2023. This represents a minimal improvement of \$2.2 million compared to a deficit of \$173.0 million as at 2024-YE. The improvement in shareholders' equity was primarily due to a \$15.1 million favorable change in cumulative translation adjustments (from a deficit of \$21.9 million to a deficit of \$6.8 million) due to foreign currency translation into the Company's functional currency, and a \$22.1 million gain from discontinued operations that reduced the accumulated deficit. These improvements were partially offset by a \$32.1 million increase in accumulated deficit (from a deficit of \$511.1 million to a deficit of \$521.1 million) related to net losses from continuing operations during the period, and a \$2.9 million reduction in non-controlling interest (from \$0.6 million to a deficit of \$2.4 million) reflecting losses attributable to minority shareholders. Additionally, contributed surplus increased minimally by \$0.04 million resulting from stock-based compensation. Share capital remained unchanged at \$342.1 million during the period.

SUMMARY OF QUARTERLY RESULTS

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

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

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

Quarter	Revenue	Cost of Goods Sold	Gross profit before FMV adjustments	Gross profit after FMV adjustments	Net income (loss)	Earnings (loss) per share
	\$	\$	\$	\$	\$	\$
30-Jun-25	16,405	8,702	7,703	2,966	(23,835)	(0.05)
31-Mar-25	19,192	11,889	7,303	4,280	6,644	(0.02)
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	9,999	(9,461)	(0.02)
31-Mar-24	19,534	12,695	6,839	2,841	(6,092)	(0.01)
31-Dec-23 restated	15,865	9,843	6,022	10,554	(114,909)	(0.05)
30-Sep-23	15,122	9,516	5,606	4,359	(7,024)	(0.01)

SUMMARY OF OUTSTANDING SHARE DATA

As at 2025-YTD, the authorized shares were as follows:

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

Issued and Outstanding

Changes in share capital for the period ended 2025-YTD, and 2024-YE, and the balances outstanding is as follows:

	Common Shares	Share Capital
	#	\$
Balance, December 31, 2024	470,221,901	342,111
Balance, June 30, 2025	470,221,901	342,111

Share Capital transactions the during 2025-YTD

No share capital transactions were undertaken by the Company during the six months ended June 30, 2025.

Share Capital transactions the during the 2024-YE:

On June 14, 2024, all authorized Series 1 Convertible Preferred shares and Series II Convertible Preferred shares outstanding, of which none were allotted or issued, were eliminated by approved resolution. On the same date, the Company authorized a new class of preferred shares (the "Preferred Shares"). The Preferred Shares are unlimited, issuable in series, without par value, and have special rights and restrictions, under directors' discretion, which impact (1) dividend entitlements, (2) redemption terms and (3) conversion rights provided that no other preferred shares are issued and outstanding. In the event of liquidation, Preferred shareholders have priority in receiving paid-in 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.

On June 14, 2024, the common shares were concurrently 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.

Stock Options

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

Under the Option Plan, the Board of Directors may from time to time, in its discretion, grant stock options to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10) years from the date of grant. The minimum exercise price of an option granted under the Option Plan must not be less than the closing price of the common shares on the date preceding the option grant date.

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

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

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

The following assumptions were used by the Company to value the stock options outstanding as at 2025-YTD:

Grant Date	Vesting Start Date	Expiry Date	Share price on Date of Grant	Exercise Price	Volatility	Risk Free Rate	Dividends
			\$	\$	%	%	\$
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 2025-YTD, and 2024-YE, are as follows:

	Options	Weighted average exercise price
	#	\$
Balance Outstanding, January 1, 2024	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
Expired	(496,429)	1.00
Balance Outstanding, June 30, 2025	15,090,000	0.31
<i>Exercisable</i>		
Exercisable as at June 30, 2025	13,021,252	0.34
Exercisable as at December 31, 2024	12,828,097	0.38

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 2025-Q2 and 2025-YTD, the Company had share-based compensation expenses relating to stock options amounting to \$22 and \$43, respectively (2024; \$57 and \$106, respectively).

The following reflects remaining contractual life for outstanding and exercisable options as at 2025-YTD:

Outstanding				Exercisable	
Expiry date	Exercise price	Options	Remaining contractual life	Options	Remaining contractual life
	\$	#	(years)	#	(years)
6-Jul-25	1.10	75,000	0.02	75,000	0.02
10-Sep-25	0.66	15,000	0.20	15,000	0.20
1-Oct-25	0.65	3,400,000	0.25	3,400,000	0.25
12-Oct-25	0.65	50,000	0.28	50,000	0.28
18-Nov-25	0.67	150,000	0.39	150,000	0.39
3-Dec-25	0.75	800,000	0.43	800,000	0.43
12-Nov-26	0.63	400,000	1.37	400,000	1.37
26-Nov-26	0.63	75,000	1.41	75,000	1.41
7-Oct-27	0.14	6,500,000	2.27	6,500,000	2.27
7-Oct-27	0.20	200,000	2.27	200,000	2.27
7-Oct-27	0.50	250,000	2.27	250,000	2.27
3-Oct-29	0.10	1,925,000	4.26	481,250	4.26
15-Mar-33	0.10	1,250,000	7.71	625,002	7.71
Total		15,090,000	2.36	13,021,252	1.89

EARNINGS (LOSS) PER SHARE

Earnings/loss per share for the three and six months ended June 30, 2025, and 2024 is as follows:

	2025-Q2	2024-Q2	2025-YTD	2024-YTD
Outstanding common shares	470,221,901	470,221,901	470,221,901	470,221,901
Earnings (loss) from continuing operations attributable to RWB shares (\$)	(22,559)	(8,557)	(32,075)	(11,469)
Weighted average number of shares outstanding, basic and dilutive	470,221,901	474,738,811	470,221,901	469,521,901
Earnings/loss per share, basic and diluted (\$)	(0.05)	(0.02)	(0.07)	(0.02)

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

Related Party Transactions

Key Management

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for the 2025-Q2 and 2025-YTD, and 2024-Q2 and 2024-YTD, is as follows:

	2025-Q2	2024-Q2	2025-YTD	2024-YTD
	\$	\$	\$	\$
Management salaries, bonuses, and other benefits	46	304	312	609
Consulting fees by a company controlled by a director of the company	15	51	30	102
Share-based payments – officers	4	10	8	20
Share-based payments – directors	-	22	-	43
Total	65	387	350	774

Amounts due to/from Related parties

- Included in accounts payable and accrued liabilities as at 2025-Q2 is \$1.2 million in management salaries, bonuses, and other benefits to be paid out in future periods (2024-YE; \$1.3 million)
- The CPIL Convertible Note represented an obligation to an entity affiliated with the Company's President. This note was originally 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 \$14.8 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 the expiry of the embedded conversion rights, the Company transferred the convertible debt reserve to contributed surplus. The matured debt was formally amended on February 1, 2025, with the amendments retroactively effective as of September 15, 2024, transforming the CPIL Convertible Note into a note payable (the "CPIL Note"). The terms were amended to extend the maturity date to September 12, 2027, adjust and align the annual interest rate to 12%, defer principal and interest payments to the respective maturity dates, and remove convertible features. For complete details regarding outstanding amounts and terms, the reader is referred to *Liquidity and Capital Resources*.
- The VMOS Convertible Note represents an obligation to an entity affiliated with 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, deferred the payment of interest and principal to the next maturity date, 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 terms of the VMOS Convertible Note, the reader is referred to *Liquidity and Capital Resources*.
- The Company has identified other close family members of key management personnel that currently represent lenders to the Company (refer to *Liquidity and Capital Resources*) during its ongoing 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 reader is referred to the tables below for a continuity schedule of notes payable and convertible debentures payable to the individuals or entities identified during the review.

Related Party Transactions

Related party transactions during 2025-YTD

- On March 5, 2025, the Company's wholly owned subsidiary, Red White & Bloom Michigan (2024), Inc., was confirmed by the presiding court as the successful bidder for the tangible assets of Pharmaco Inc. The approved purchase price for the assets was US\$8.8 million (C\$12.7 million). The approved transaction was subject to an appeal period, mandated by the court appointed receiver, to allow for objections from unsecured creditors for consideration by the court. This court-supervised sale process was initiated following Pharmaco's placement into receivership on December 26, 2024, due to uncured defaults under its senior secured loan agreement with Royal Group Resources Ltd. ("RGR"), referred to as the RGR Credit Facility (see Note 22). The receivership was intended to protect the interests of the secured lender and facilitate the orderly liquidation of Pharmaco's assets. The court's approval of the asset sale became final on March 28, 2025, upon the expiry of the mandated appeal period. During the appeal period, there were no further objections filed by creditors of Pharmaco Inc., thereby confirming the validity and enforceability of the aforementioned asset purchase agreement.
- On March 29, 2025, a Release and Discharge Agreement was executed between RGR and Pharmaco Inc. Under the terms of this agreement, RGR agreed to terminate the RGR Credit Facility, release Pharmaco and its affiliated credit parties from all repayment obligations and discharge all security interests previously held under the facility. In consideration for the release and discharge of the RGR Credit Facility, RGR accepted US\$8.8 million (C\$12.7 million) in proceeds from the court-approved asset sale as full and final repayment. Upon execution of the Release and Discharge Agreement, the US\$8.8 million (C\$12.7 million) purchase price owed by Red White & Bloom Michigan (2024), Inc., the successful court approved bidder, became payable directly to RGR for settlement of the RGR Credit Facility and a gain on debt settlement of US\$6.8 million (C\$9.7 million) was recorded by the Company in discontinued operations (note 32), representing the excess of the facility's carrying value over the settlement amount. The amount due to RGR was settled by the Company on April 30, 2025.
- Officers and Directors of the Company held an aggregate of 37,219,510 common shares and 6,450,000 stock options. As at 2025-YTD, 5,825,002 of these stock options are fully vested.
- The Company expensed a nominal amount 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 for a transaction of this nature (refer to *Liquidity and Capital Resources*).
- On February 1, 2025, the Company successfully concluded negotiations with various individuals or entities identified as close family members as interpreted above, to renew multiple previously issued notes payable and convertible debentures, originally scheduled to mature on September 12, 2024. These amendments were made retroactively effective as of September 15, 2024. The amended related party notes include: (i) CAD\$2,710,000 BJMSD Note (renewed as the "BJSD Note"), (ii) USD\$25,885,000 RGR Note (renewed as the "RGR Note A"), (iii) USD\$6,349,000 SDIL Note (renewed as the "SDIL Note A"), (iv) USD RGR Grid Note, (v) CAD RGR Grid Note, (vi) CPIL Convertible Note (renewed as the "CPIL Note"), (vii) DICL Convertible Note (renewed as the "DICL Note"), and (viii) SDIL Convertible Note (renewed as the "SDIL Note B"). Each of these instruments was amended to extend the maturity date to September 12, 2027, standardize the annual interest rate to 12%, defer all principal and interest payments to maturity, and remove convertible features where applicable. Details of the terms are disclosed in *Liquidity and Capital Resources*. To review the previous terms of the aforementioned debts, the reader is referred to the Company's most recently filed audited financial statements for the period ended December 31, 2024.
- Refer to the tables below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

Related party transactions during 2024-YE

- Officers and Directors of the Company held an aggregate of 37,220 common shares and 6,450 stock options. As at 2024-YE, 5,167 of these stock options were fully vested.
- During the period, 22 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 *Liquidity and Capital Resources*).
- Refer to the tables below for debt related transactions involving individuals or entities identified as close family members as interpreted above.

Related Party Notes Payable Continuity Schedule

A notes payable continuity schedule for related party short-term notes payable for 2025-YTD, is as follows:

	Balance 01-Jan-25	Additions	Additions due to amendments	Accrued interest	Interest payments	Principal payments	(Gain)/loss on amendments	FX (gain)/loss	Balance 30-Jun-25
RGR Note C	33,541	-	-	2,032	-	-	-	(1,803)	33,770
BJSD Note	3,214	-	-	189	-	-	(181)	-	3,222
CPIL Note	-	-	20,644	1,053	-	-	-	-	21,697
RGR Note A	52,038	-	-	2,910	-	-	(4,503)	(2,528)	47,917
RGR CAD Grid Note	56,946	4,000	-	3,631	-	-	-	-	64,577
RGR USD Grid Note	75,902	16,058	-	4,961	-	(26)	-	(4,387)	92,508
SDIL Note A	10,091	-	-	573	-	-	(698)	(501)	9,465
DCIL Note	-	-	10,312	510	-	-	-	(613)	10,209
SDIL Note B	-	-	10,312	510	-	-	-	(613)	10,209
Total	231,732	20,058	41,268	16,369	-	(26)	(5,382)	(10,445)	293,574

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

	Balance 01-Jan-24	Additions	Accrued interest	Accreted interest	Interest Payments	Principal Payments	Transaction costs	(Gain)/loss on amendments	FX (gain)/loss	Balance 31-Dec-24
RGR Note C	25,138	-	4,045	-	-	(27)	1,842	(67)	2,610	33,541
CAD\$2,710,000 BJMDSD Note	3,029	-	461	12	(138)	(150)	-	-	-	3,214
USD\$25,885,000 RGR Note	41,454	-	6,490	124	-	-	-	-	3,970	52,038
RGR CAD Grid Note	31,098	23,062	5,801	-	(15)	(3,000)	50	(50)	-	56,946
RGR USD Grid Note	30,293	34,649	6,189	-	-	-	50	(50)	4,771	75,902
USD\$6,349,000 SDIL Note	9,366	-	1,323	73	(460)	(1,032)	-	-	821	10,091
Total	140,378	57,711	24,309	209	(613)	(4,209)	1,942	(167)	12,172	231,732

Related Party Convertible Debt Continuity Schedule

A continuity schedule for related party convertible debentures for 2025-YTD:

	VMOS Convertible Note	DICL Convertible Note	SDIL Convertible Note	CPIL Convertible Note	Total
	\$	\$	\$	\$	\$
Balance, January 1, 2025	2,083	10,143	10,143	20,439	42,808
Interest accrued	93	102	102	205	502
Amendment	-	(10,312)	(10,312)	(20,644)	(41,268)
Effects of foreign exchange	(111)	67	67	-	23
Balance, June 30, 2025	2,065	-	-	-	2,065

Below is the continuity schedule for related party convertible debentures for 2024-YE:

	VMOS Convertible Note	DICL Convertible Note	SDIL Convertible Note	CPIL Convertible Note	Total
	\$	\$	\$	\$	\$
Balance, January 1, 2024	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
Balance, December 31, 2024	2,083	10,143	10,143	20,439	42,808

The Company did not have any related party derivative liabilities as at 2025-YTD. Derivative liabilities associated with related party convertible debentures for 2024-YE is as follows:

	DICL Convertible Note	SDIL Convertible Note	Total
	\$	\$	\$
Balance, January 1, 2024	(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 Liquidity and Capital Resources for corresponding terms and conditions of each of the debt-related notes.

Commitments and Contingencies

Claims and Litigation

On September 11, 2025, the Company resolved litigation initiated by a former supplier relating to a prior supply relationship. The parties reached a mediated settlement under which the Company agreed to pay USD \$100 by October 6, 2025, with final dismissal of claims entered with the presiding court authority. The settlement fully resolved all claims and counterclaims with no admission of liability by either party.

On August 11, 2025, the Company reached a settlement with a former consultant. The claims were initiated to resolve competing allegations regarding property ownership interests and related obligations. The parties entered into a binding mediation agreement, with the Company agreeing to pay USD \$400 by September 25, 2025. In exchange, deeds to certain properties were conveyed and all claims were dismissed with prejudice, with mutual releases provided. The procurement of the deeds conveyed will allow the Company to move forward with the sale of the applicable properties for the purpose of paying down outstanding debt.

In the normal course of business, the Company is involved in various legal proceedings, the outcomes of which cannot be determined at this time, and, accordingly, no provision has been recorded in these condensed interim 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 Condensed Interim Consolidated Financial Statements.

Contingencies

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

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, sanctions, restrictions on its operations, or losses of licenses and permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management believes that the Company is in compliance with presiding municipal and state regulations, these regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to costs associated with a potential breach of the aforementioned regulations that could include but are not limited to fines, penalties, taxes, or operating restrictions.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

The Interim Consolidated Financial Statements for the three and six months ended June 30, 2025 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 equity financing.

As of 2025-Q2, the Company maintained cash and cash equivalents of \$2.7 million, compared to \$7.3 million at 2024-YE. The Company reported working capital (current assets less current liabilities) of \$43.5 million at 2025-Q2, representing an improvement from a working capital deficit of \$231.8 million at 2024-YE. This \$188.6 million enhancement in working capital primarily reflects comprehensive debt restructuring initiatives executed during the period. The Company completed strategic debt amendments totaling \$41.3 million, converting existing convertible instruments into promissory note structures, including the CPIL Note (\$20.6 million), DCIL Note (\$10.3 million), and SDIL Note (\$10.3 million). Concurrently, the Company successfully negotiated extended maturity terms across substantially all debt obligations, resulting in the reclassification of \$204.4 million from short-term to long-term notes payable. The restructured debt demonstrates an improved debt maturity profile, with \$290.6 million classified as long-term obligations compared to \$3.0 million remaining in short-term. These refinancing activities have enhanced the Company's liquidity position by extending payment obligations beyond one year, thereby reducing immediate funding pressures and providing operational flexibility to execute strategic business objectives.

To build upon these foundational improvements, Management is advancing several strategic initiatives:

- Leveraging the successful 2025-Q1 debt restructuring as a platform for continued balance sheet optimization, actively pursuing additional covenant modifications and term enhancements
- Expanding access to institutional capital markets through enhanced financial reporting transparency and strengthened stakeholder relationships
- Accelerating asset optimization programs, including the strategic divestiture of non-core holdings and the development of intellectual property monetization frameworks
- Executing comprehensive operational excellence programs that systematically eliminate redundancies while enhancing revenue-generating capabilities across all business segments

Management proactively manages liquidity through financial planning processes which incorporate cash flow monitoring, scenario-based stress testing, and dynamic capital allocation strategies. The Company's diversified revenue portfolio spans Retail (direct-to-consumer), Distribution (direct-to-retailer), and Licensing operations, providing multiple pathways for sustainable cash flow generation.

As at 2025-Q2, the Company maintained no off-balance sheet arrangements (2024-YE: \$nil).

The Company continues to proactively assess macroeconomic conditions and regulatory developments, integrating these insights into strategic planning processes. Management's going concern evaluation encompasses comprehensive 12-month forward-looking scenarios, with the restructured debt profile providing enhanced operational flexibility and reduced refinancing risk in the near term.

The Interim Consolidated Financial Statements for the three and six months ended June 30, 2025 (found on Sedar+) 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.

Cash flow Highlights

The following is the cash flow from operating, investing, and financing activities by the Company for 2025-YTD, and 2024-YTD is as follows:

	2025-YTD	2024 YTD	Variance
	\$	\$	\$
Cash provided by operating activities before changes in non-cash working capital	(5,541)	(9,743)	4,202
Net change in non-cash working capital items	(8,065)	(1,014)	(7,051)
Net cash provided by (used in) operating activities	(13,606)	(10,757)	(2,849)
Net cash used in investing activities	(6,370)	(304)	(6,066)
Net cash provided by financing activities	6,273	31,698	(25,425)

Net cash used by operating activities for 2025-YTD as \$13.6 million, representing an increase in cash usage of \$2.9 million compared to \$10.7 million used in 2024-YTD. The decrease in operating cash flow resulted from the combined effect of higher net losses during the period and unfavorable movements in non-cash working capital items, partially offset by favorable adjustments in items not involving cash as described below.

Items Not Involving Cash: was an inflow of \$4.9 million, representing a decrease of \$10.8 million compared to a cash inflow of \$15.7 million for 2024-YTD. Key contributors include:

- **Gain on discharge of credit facility in discontinued operation:** A gain of \$9.1 million was recorded in 2025-YTD compared to no such gain in 2024-Q1, providing a favorable variance of \$9.1 million (refer to *Recent Developments*).
- **Gain on investment:** No gain was realized in 2025-YTD compared to a \$7.6 million gain in 2024-Q1, representing an unfavorable variance of \$7.6 million year-over-year (refer to *Acquisitions*).
- **Loan forgiveness on notes payable:** Loan forgiveness of \$5.8 million was recorded in 2025-YTD compared to no forgiveness in 2024-YTD, providing a favorable variance of \$5.8 million (refer to *Liquidity and Capital Resources*).
- **Accreted interest on convertible debt:** decreased to \$0.04 million from \$2.3 million, representing a favorable variance of \$2.3 million following debt maturity of debt that eliminated accretion requirements.
- **Fair value adjustment on biological assets:** improved by \$0.2 million, with a negative adjustment of \$0.1 million in 2025-YTD compared to a negative adjustment of \$0.1 million in 2024-YTD.
- **Realized fair value (gain) loss in cost of goods sold:** increased to \$7.6 million from \$0.04 million, representing an unfavorable variance of \$7.6 million.
- **Accrued interest on notes payable:** increased to \$15.4 million from \$11.9 million, representing an unfavorable cash impact of \$3.5 million due to higher debt balances and contractual rates following the February restructuring (refer to *Liquidity and Capital Resources*).
- **Accreted interest on convertible debt:** decreased to \$0.04 million from \$2.3 million (refer to *Liquidity and Capital Resources*).
- **Other variances:** Other non-cash items including depreciation, amortization, stock-based compensation, and various other adjustments collectively contributed unfavorable net variances

Changes in Non-Cash Working Capital Items: were a net cash outflow of \$4.9 million, representing an increase in cash usage of \$10.2 million compared to a cash inflow of \$5.3 million for 2024-YTD. The decrease reflects several key working capital movements. Key drivers include:

- **Accounts payable and accrued liabilities:** decreased by \$4.9 million in 2025-YTD compared to an increase of \$1.8 million in 2024-YTD, representing an unfavorable variance of \$6.7 million.
- **Accounts receivable:** Accounts receivable increased by \$3.5 million in 2025-YTD compared to a decrease of \$0.4 million in 2024-YTD, representing an unfavorable variance of \$3.9 million

- **Inventory:** decreased by \$4.2 million in 2025-YTD compared to an increase of \$3.3 million in 2024-YTD, representing a favorable variance of \$7.5 million reflecting the liquidation of retail inventory following the Pharmaco receivership and strategic inventory management.
- **Prepaid expenses:** increased by \$0.2 million in 2025-YTD compared to an increase of \$0.8 million in 2024-YTD, representing a favorable variance of \$0.6 million.
- **Deposits:** decreased by \$2.0 million in 2025-YTD compared to an increase of \$6.3 million in 2024-YTD, representing a favorable variance of \$8.3 million as the Company recovered security deposits and advance payments.
- **Other assets:** increased by \$1.3 million in 2025-YTD compared to an increase of \$0.1 million in 2024-YTD, representing an unfavorable variance of \$1.2 million due to reclassification of lease receivables to other assets during the period.
- **Biological assets:** decreased by \$0.1 million in 2025-YTD compared to an increase of \$3.3 million in 2024-YTD, representing a favorable variance of \$3.4 million reflecting harvest timing and reduced cultivation levels.
- **Other liabilities:** increased by \$1.6 million in 2025-YTD compared to an increase of \$2.0 million in 2024-YTD, representing a favorable variance of \$0.4 million.

Net cash used in investing activities for 2025-YTD as \$6.4 million, compared to net cash used in investing activities of \$0.3 million in 2024-YTD, representing an unfavorable variance of \$6.1 million, with the increase in cash deployment primarily driven by advances on notes receivable totaling \$6.1 million in 2025-YTD with no comparable activity in 2024-YTD as the Company strategically deployed capital through the PD Note and KMI Note to secure supply chain advantages and establish structured lending relationships that mitigate operational risks while generating attractive interest returns (*refer to Liquidity and Capital Resources*). These advances on notes payable were offset by principal repayments on notes receivable which provided a cash inflow of \$2.4 million in 2025-YTD with no comparable activity in 2024-YTD. The Company also executed new leases and other capital purchases in the period in preparation for its Florida retail activations resulting in a cash outflow of \$2.4 million.

Net cash provided by financing activities for 2025-YTD was \$6.3 million, compared to \$13.6 million in 2024-YTD, representing an unfavorable variance of \$7.3 million. The decrease was primarily driven by reduced advances on notes payable of \$20.1 million compared to \$31.8 million in the prior year, representing an \$11.7 million unfavorable variance in new debt funding (*refer to Liquidity and Capital Resources*). Additionally, the settlement of credit facility in discontinued operations required a \$12.7 million cash outflow with no comparable activity in 2024-YTD, as the Company paid cash to partially settle the RGR Credit Facility through the Pharmaco receivership resolution (*refer to Recent Developments*). The absence of promissory note issuance in 2025-YTD compared to \$5.8 million received in 2024-YTD contributed an additional \$5.8 million unfavorable variance. These unfavorable movements were partially offset by reduced principal payments on notes payable, which decreased to \$0.6 million from \$3.0 million, providing a \$2.4 million favorable variance as the debt restructuring deferred near-term principal obligations (*refer to Liquidity and Capital Resources*). Other financing activities including lease payments and additions remained relatively stable with minimal year-over-year variances.

Notes Receivable

Continuity of the outstanding notes receivable owed to the Company as at 2025-YTD, is as follows:

	Balance 01-Jan-25	Additions	Accrued Interest	Interest Payments	Principal Payments	FX (Gain)/Loss	Balance 30-Jun-25
OPRC Note	3,000	-	120	(120)	-	-	3,000
PD Note	12,093	5,672	1,423	-	(2,100)	(791)	16,297
KMI Note	743	432	41	(49)	(113)	(54)	1,000
Total	15,836	6,104	1,584	(169)	(2,213)	(845)	20,297
Short-term	11,397						17,297
Long-term	4,439						3,000

Continuity of the outstanding notes receivable owed to the Company as at 2024-YE, is as follows:

	Balance 01-Jan-24	Additions	Accrued interest	Accreted Interest	Interest Payments	Principal Payments	Acquisitions	FX (Gain)/Loss	Balance 31-Dec-24
AH Note	16,778	-	117	59	-	-	(16,954)	-	-
AH DIP Note	7,927	7,330	33	-	-	-	(15,290)	-	-
OPRC Note	-	3,000	149	-	(149)	-	-	-	3,000
PD Note	-	10,973	805	-	-	(149)	-	464	12,093
KMI Note	-	724	19	-	-	-	-	-	743
Total	24,705	22,027	1,123	59	(149)	(149)	(32,244)	464	15,836
Short-term	24,705								11,397
Long-term	-								4,439

AH Note Receivable

The AH Note was established as part of the Company's strategy to acquire the entities purchased in the Aleafia transaction detailed in note 7. The AH Note Receivable carried a coupon interest rate of prime plus 9% per annum, matured on December 24, 2023, and was subsequently extended to January 12, 2024, with an additional 5% per annum triggered on the outstanding loan balance due to default provisions. Up to January 12, 2024, the Company accrued interest of \$118 and amortized \$59 of the purchase price discount to other income on its condensed interim consolidated statement of loss and other comprehensive loss. On January 12, 2024, as part of the consideration paid for the Aleafia Acquisition (see *Acquisitions*), the Company released all remaining amounts outstanding and obligations payable under the AH Note Receivable totaling \$16,953, resulting in full settlement of the note. Additional background information is available in the Company's audited financial statements for the year ended December 31, 2024, found on Sedar+.

AH DIP Note

The AH DIP Note was established as part of the Company's strategy to acquire the entities purchased in the Aleafia transaction detailed in the *Acquisitions* section. The AH DIP Note provided debtor-in-possession financing to fund the Aleafia CCAA Proceedings and other short-term working capital requirements of up to \$6.6 million, subsequently increased to \$8 million. Interest on the principal outstanding was 12.5% per annum, compounded and calculated weekly and added to the principal amount on the first day of each month. On execution, a commitment fee of \$0.2 million was payable by Aleafia representing 3% of the maximum financing available under the terms of the AH DIP Note. Up to January 12, 2024, the Company advanced \$7.3 million under the AH DIP Note and accrued a nominal amount in related interest income to other income on the condensed interim consolidated statement of profit and loss and other comprehensive profit and loss. On January 12, 2024, the Company acquired Aleafia trademarks and tradenames as a \$1.7 million reduction to the obligations payable under the AH DIP Note and released the remaining \$7.2 million outstanding as part of the consideration paid for the Aleafia Acquisition (see *Acquisitions*), rendering the AH DIP Note settled and paid in full. Additional background information is available in the Company's Audited Financial Statements for the year ended December 31, 2024, found on Sedar+.

PD Note

On May 15, 2024, the Company extended a US\$8 million 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 serve to 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 million by May 15 of each year unless this condition is waived by the Company. For the first anniversary date, May 15, 2025, the Company waived the annual requirement for the loan to be reduced to USD\$1 million. In addition, the maximum principal limit was increased to USD \$20 thousand, and the annual repayment threshold was reset to USD \$8 million. These changes better reflected the seasonality and cash requirements of the cultivation operation for which the Company is the primary benefactor. 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.

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. 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. The OPRC note is secured by a comprehensive security agreement granting the Company a first priority security interest in all personal property and assets of the borrower, including but not limited to accounts, equipment, inventory, intellectual property, and investment property. The security agreement includes standard default provisions with a 10-day cure period for most events of default, after which the entire outstanding amount becomes immediately due and payable.

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.

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Debt

Notes Payable

Terms for notes payable held by the Company as at 2025-Q2, is as follows:

Note	Purpose:	Note/ Amended value:	Note currency:	Execution date:	Maturity date:	Interest rate per annum:
¹¹ BJSD Note	Debt restructure	3,065	CAD	1-Feb-25	12-Sep-27	12.00%
ⁱ CPIL Note	Debt restructure	20,644	CAD	1-Feb-25	12-Sep-27	12.00%
ⁱ DCIL Note	Debt restructure	7,120	CAD	1-Feb-25	12-Sep-27	12.00%
ELL Note	Capital	5,750	CAD	5-Jun-24	1-Jul-29	6.72%
ⁱ RGR CAD Grid Note	Debt restructure	59,022	CAD	1-Feb-25	12-Sep-27	12.00%
MV Ops Note	Retail construction	1,130	USD	4-Jun-24	4-Dec-25	12.00%
Oakshire Note	Debt settlement	3,000	USD	19-Jul-24	On Demand	0.00%
ⁱ RGR Note A	Debt restructure	33,418	USD	1-Feb-25	12-Sep-27	12.00%
ⁱ RGR Note C	Debt restructure	21,742	USD	29-Nov-24	30-Nov-26	12.00%
ⁱ RGR USD Grid Note	Operations & acquisitions	53,779	USD	1-Feb-25	12-Sep-27	12.00%
ⁱ SDIL Note A	Debt restructure	6,901	USD	1-Feb-25	12-Sep-27	12.00%
ⁱ SDIL Note B	Debt restructure	7,120	USD	1-Feb-25	12-Sep-27	12.00%
SIL Note	Debt restructure	347	USD	1-Feb-25	12-Sep-27	12.00%
TAIL Note	Debt restructure	3,387	USD	1-Feb-25	12-Sep-27	12.00%

Terms for notes payable held by the Company as at 2024-YE, is as follows:

Note	Purpose:	Note/ Amended value:	Note currency:	Execution date:	Maturity date:	Interest rate per annum:
ⁱ CAD 2,710,000 BJMDSD Note	Debt restructure	2,710	CAD	1-Feb-25	12-Sep-27	*15.00%
CAD 5,750,000 ELL Note	Capital	5,750	CAD	19-Jul-24	28-Feb-25	6.72%
ⁱ CAD RGR Grid Note	Debt restructure	31,198	CAD	1-Feb-25	12-Sep-27	12.00%
MV Ops Note	Operations	1,130	USD	1-Feb-25	12-Sep-27	12.00%
Oakshire Note	Debt settlement	3,000	USD	1-Feb-25	12-Sep-27	0.00%
ⁱ USD 25,885,000 RGR Note	Debt restructure	25,885	USD	4-Jun-24	4-Dec-25	*15.00%
ⁱ RGR Note C	Debt restructure	21,742	USD	1-Feb-25	12-Sep-27	12.00%
ⁱ USD RGR Grid Note	Debt restructure	7,850	USD	1-Feb-25	12-Sep-27	12.00%
ⁱ USD 6,349,000 SDIL Note	Debt restructure	6,349	USD	1-Feb-25	12-Sep-27	*15.00%
USD 269,000 SIL Note	Debt restructure	269	USD	29-Nov-24	30-Nov-26	*15.00%
USD 2,887,000 TAIL Note	Debt restructure	2,887	USD	19-Jul-24	On Demand	*15.00%

*Post maturity to date of amendment on February 1, 2025, accrued interest was calculated with a 12% interest rate.

Notes payable transactions during the six months ended June 30, 2025:**a) BJSD Note (amendment of the CAD\$2,710,000 BJMDSD Note)**

On February 1, 2025, the Company executed a second amendment to the existing CAD\$2,710,000 BJMDSD Note, resulting in the amended BJSD Note. The amendment provided relief to the Company through both principal reduction and revised terms. The outstanding balance of \$3,315 (representing the original principal plus accrued interest due on the original maturity date) was reduced to \$3,064. On date of amendment, \$251 in amounts due under the BJSD Note was forgiven and included in other income on the consolidated statement of income (loss) and comprehensive income (loss). Additionally, the lenders agreed to reduce the interest rate from 15% to 12% per annum and extend the maturity date September 12, 2024, to September 12, 2027, with interest continuing to accrue and compound monthly. The debt maintains comprehensive security through a multi-layered collateral structure. Default provisions remain in effect with 20% per annum interest on overdue amounts, while prepayment is permitted after the first anniversary subject to a 1.75% penalty. Continuity of the BJSD Note can be reviewed in the continuity schedule above.

b) RGR Note A (amendment of the USD\$25,885,000 RGR Note)

On February 1, 2025, the Company executed a third amendment to the existing USD\$25,885,000 RGR Note, resulting in the RGR Note A. The amendment provided relief to the Company through both principal reduction and revised terms. The outstanding balance of USD\$34,892 (representing the original principal plus accrued interest due on the original maturity date) was reduced to USD\$33,418. On date of amendment, USD\$3,109 (CAD\$4,503) in amounts due under the RGR Note was forgiven and included in other income on the consolidated statement of income (loss) and comprehensive income (loss). Additionally, the lender agreed to reduce the interest rate from 15% to 12% per annum and extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue and compound monthly. The debt maintains comprehensive security through a multi-layered collateral structure. Default provisions remain in effect with 20% per annum interest on overdue amounts, while prepayment is permitted without penalty at the borrower's option. Continuity of the RGR Note A can be reviewed in the continuity schedule above.

c) SDIL Note A (amendment of the USD\$6,349,000 SDIL Note)

On February 1, 2025, the Company executed a second amendment to the existing USD\$6,349,000 SDIL Note, resulting in the SDIL Note A. The amendment provided relief to the Company through both principal reduction and revised terms. The outstanding balance of USD\$6,900 (representing the original principal plus accrued interest due on the original maturity date) was reduced to USD\$6,601. On date of amendment, USD\$482 (CAD\$699) in amounts due under the SDIL Note A was forgiven and included in other income on the consolidated statement of income (loss) and comprehensive income (loss). Additionally, the lender agreed to reduce the interest rate from 15% to 12% per annum and extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue and compound monthly. The debt maintains comprehensive security through a multi-layered collateral structure. Default provisions remain in effect with 20% per annum interest on overdue amounts, while prepayment is permitted after the first anniversary subject to a 1.75% penalty. Continuity of the SDIL Note A can be reviewed in the continuity schedule above.

d) SIL Note (amendment of the USD\$269,000 SIL Note)

On February 1, 2025, the Company executed a second amendment to the existing USD\$269,000 SIL Note, resulting in the SIL Note. The amendment provided relief to the Company through both principal reduction and revised terms. The outstanding balance of USD\$349 (representing the original principal plus accrued interest due on the original maturity date) was reduced to USD\$347. On date of amendment USD\$18 (CAD \$27) owing under the SIL Note was forgiven and included in other income on the consolidated statement of income (loss) and comprehensive income (loss). Additionally, the lender agreed to reduce the interest rate from 15% to 12% per annum and extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue and compound monthly. The debt maintains comprehensive security through a multi-layered collateral structure. Default provisions remain in effect with 20% per annum interest on overdue amounts, while prepayment is permitted after the first anniversary subject to a 1.75% penalty. Continuity of the SIL Note can be reviewed in the continuity schedule above.

e) TAIL Note (amendment of the USD\$2,887,000 TAIL Note)

On February 1, 2025, the Company executed a second amendment to the existing USD\$2,887,000 TAIL Note, resulting in the TAIL Note. The outstanding balance of USD\$3,538 (representing the original principal plus accrued interest due on the original maturity date) was reduced to USD\$3,387. On date of amendment USD\$273 (CAD \$395) owing under the TAIL Note was forgiven and included in other income on the consolidated statement of income (loss) and comprehensive income (loss). Additionally, the lender agreed to reduce the interest rate from 15% to 12% per annum and extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue and compound monthly. The debt maintains comprehensive security through a multi-layered collateral structure. Default provisions remain in effect with 20% per annum interest on overdue amounts, while prepayment is permitted with a 1.75% penalty after the first anniversary. Continuity of the TAIL Note can be reviewed in the continuity schedule above.

f) RGR CAD Grid Note (amendment of the CAD\$ RGR Grid Note)

On February 1, 2025, the Company executed a second amendment to the existing CAD\$ RGR Grid Note, resulting in the RGR CAD Grid Note. The outstanding balance of \$59,022 (representing the original principal plus accrued interest) remains unchanged with no principal reduction or debt forgiveness. The lender agreed to extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue at 12% per annum, compounded monthly. The debt maintains its secured debenture structure with all original terms and provisions remaining in full force and effect except for the specified maturity date extension. Continuity of the RGR CAD Grid Note can be reviewed in the continuity schedule above.

g) RGR USD Grid Note (amendment of the USD\$ RGR Grid Note)

On February 1, 2025, the Company executed a second amendment to the existing USD\$ RGR Grid Note, resulting in the RGR USD Grid Note. The outstanding balance of USD\$53,779 (representing the original principal plus accrued interest) remains unchanged with no principal reduction or debt forgiveness. The lender agreed to extend the maturity date from September 12, 2024, to September 12, 2027, with interest continuing to accrue at 12% per annum, compounded monthly. The debt maintains its secured debenture structure with all original terms and provisions remaining in full force and effect except for the specified maturity date extension. Continuity of the RGR USD Grid Note can be reviewed in the continuity schedule above.

h) CPIL Convertible Note (amendment of the CPIL Convertible Note)

On February 1, 2025, the Company executed a second amendment to the existing CPIL Convertible Note, resulting in the CPIL Note. The outstanding balance of \$20,644 (representing the original principal plus accrued interest) remains unchanged with no principal reduction or debt forgiveness. The conversion rights under the original note expired on September 12, 2024, and the lender agreed to extend the maturity date from September 12, 2024, to September 12, 2027, with interest accruing at 12% per annum, compounding monthly on a 360-day year basis. All original terms and provisions remain in full force and effect except for the specified maturity date extension and interest rate adjustment from the original 8% to 12% per annum. Continuity of the CPIL Note can be reviewed in the continuity schedule above.

i) **DICL Convertible Note (amendment of the DICL Convertible Note)**

On February 1, 2025, the Company executed a third amendment to the existing DICL Convertible Note, resulting in the DICL Note. The outstanding balance of USD\$7,120 (representing the original principal plus accrued interest) remains unchanged with no principal reduction or debt forgiveness. The conversion rights under the original note expired on September 12, 2024, and the lender agreed to extend the maturity date from September 12, 2024, to September 12, 2027, with interest to accrue at 12% per annum, compounding monthly on a 360-day year basis. All original terms and provisions remain in full force and effect except for the specified maturity date extension and interest rate adjustment from the original 8% to 12% per annum. Continuity of the DICL Note can be reviewed in the continuity schedule above.

j) **SDIL Note B (amendment of the SDIL Convertible Note)**

On February 1, 2025, the Company executed a third amendment to the existing SDIL Convertible Note, resulting in the SDIL Note B. The outstanding balance of USD\$7,120 (representing the original principal plus accrued interest) remains unchanged with no principal reduction or debt forgiveness. The conversion rights under the original note expired on September 12, 2024, and the lender agreed to extend the maturity date from September 12, 2024, to September 12, 2027, with interest to accrue at 12% per annum, compounding monthly on a 360-day year basis. The debt no longer contains a convertible promissory note structure although all original terms and provisions remain in full force and effect except for the specified maturity date extension and interest rate adjustment from the original 8% to 12% per annum. Continuity of the SDIL Note can be reviewed in the continuity schedule above.

Original terms of each of the above amended notes can be found in note 22 of the Company's 2024 Audited Financial Statements published on Sedar+.

Notes payable transactions during the year ended December 31, 2024:

a) **RGR Grid Note Amendments**

On January 1, 2024, the Company and Royal Group Resources, Ltd. ("RGR") executed agreements to amend the CAD RGR Grid Note and the USD RGR Grid Note (the "RGR Grid Notes"). Under the terms of the amendments, effective January 1, 2024, the RGR Grid Notes will bear interest at an aggregate rate of 12% per annum, 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 \$100 loss on extinguishment related to the RGR Grid Notes amendment.

The RGR Grid Notes were subsequently renewed, post maturity, on February 1, 2025. The reader is referred to note 37 for further details on the renewals.

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 \$6,000 (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 \$1,626 (USD \$1,130) of the total principal while Red White and Bloom Brands, Inc. advanced \$6,708 (USD \$4,662). 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 \$5,750 (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 annual 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**

On July 19, 2024, under the terms of the Oakshire Settlement (see Debt Settlement below), the Company entered into a promissory note for \$3,357 (the "Oakshire Note") to settle financial obligations and claims, including the extinguishment of \$1,123 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 above.

During the period ended June 30, 2025, and December 31, 2024, the Company satisfied all financial covenants associated with its issued debt.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2025, and 2024

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

Continuity of the outstanding notes payable held by the Company for 2025-Q2, is as follows.

	Balance 01-Jan-25	Additions	Additions due to amendments	Accrued interest	Interest payments	Principal payments	¹² Loan forgiveness	FX (gain)/loss	Balance 30-Jun-25
ELL Note	5,743	-	-	189	(47)	(189)	-	-	5,696
MV Ops Note	1,637	-	-	99	-	-	-	(88)	1,648
Oakshire Note	1,665	-	-	-	-	(435)	-	(61)	1,169
¹³ RGR Note C	33,541	-	-	2,032	-	-	-	(1,803)	33,770
¹ BJSD Note	3,214	-	-	188	-	-	(181)	-	3,221
¹ CPIL Note	-	-	20,644	1,053	-	-	-	-	21,697
¹ RGR Note A	52,038	-	-	2,910	-	-	(4,502)	(2,528)	47,918
¹ RGR CAD Grid Note	56,946	4,000	-	3,631	-	-	-	-	64,577
¹ RGR USD Grid Note	75,902	16,058	-	4,961	-	(25)	-	(4,387)	92,509
¹ SDIL Note A	10,091	-	-	573	-	-	(699)	(501)	9,465
SIL Note	521	-	-	30	-	-	(27)	(26)	498
TAII Note	5,278	-	-	295	(65)	-	(395)	(257)	4,856
¹ DCIL Note	-	-	10,312	510	-	-	-	(613)	10,209
¹ SDIL Note B	-	-	10,312	510	-	-	-	(613)	10,209
Total	246,576	20,058	41,268	16,981	(112)	(649)	(5,804)	(10,876)	307,442
Short-term	207,419								2,948
Long-term	39,157								304,494

Continuity of the outstanding notes payable held by the Company for the year ended December 31, 2024, is as follows.

	Balance 01-Jan-24	Additions	Accrued interest	Accreted interest	Interest Payments	Principal Payments	Transaction costs	(Gain)/loss on amendments	FX (gain)/loss	Balance 31-Dec-24
ELL Note	-	5,750	218	-	(187)	(38)	-	-	-	5,743
MV Ops Note	-	1,626	11	-	-	-	-	-	-	1,637
Oakshire Note	1,123	3,485	-	-	-	(3,005)	-	-	62	1,665
¹ RGR Note C	25,138	-	4,045	-	-	(27)	1,842	(67)	2,610	33,541
¹ CAD\$2,710,000 BJMSD Note	3,029	-	461	12	(138)	(150)	-	-	-	3,214
¹ USD\$25,885,000 RGR Note	41,454	-	6,490	124	-	-	-	-	3,970	52,038
¹ RGR CAD Grid Note	31,098	23,062	5,801	-	(15)	(3,000)	50	(50)	-	56,946
¹ RGR USD Grid Note	30,293	34,649	6,189	-	-	-	50	(50)	4,771	75,902
¹ USD\$6,349,000 SDIL Note	9,366	-	1,323	73	(460)	(1,032)	-	-	821	10,091
USD\$269,000 SIL Note	412	-	65	4	-	-	-	-	40	521
USD\$2,887,000 TAIL Note	4,303	-	663	35	(128)	-	-	-	405	5,278
Total	146,216	68,572	25,266	248	(928)	(7,252)	1,942	(167)	12,679	246,576
Short-term	146,216									207,419
Long-term										39,157

Convertible debentures

Below are the terms of each of the convertible notes held by the Company as at 2025-Q2, and 2024-YE.

Convertible Note	Purpose	Note/Amended Value	Note currency	Execution Date	Maturity Date	Interest Rate per annum
AB Convertible Note	Florida acquisition	781	USD	22-Apr-21	22-Apr-24	12.00%
FCC Convertible Note	Florida acquisition	1,563	USD	22-Apr-21	22-Apr-24	12.00%
¹⁰ IBGL Convertible Note	Florida acquisition	1,938	USD	31-Dec-24	30-Nov-26	12.00%
VMOS Convertible Note	Florida acquisition	1,356	USD	31-Dec-24	30-Nov-26	12.00%
MV Convertible Note	Florida acquisition	25,340	USD	29-Nov-24	30-Nov-26	12.00%
¹¹ DICL Convertible Note	Debt restructure	-	USD	4-Oct-21	12-Sep-24	8.00%
ⁱⁱ SDIL Convertible Note	Debt restructure	-	USD	4-Oct-21	12-Sep-24	8.00%
ⁱⁱ CPIL Convertible Note	Debt restructure	-	CAD	15-Sep-22	12-Sep-24	8.00%

Below is a continuity of the Company's convertible debt for the 2025-YTD.

Convertible Note	Balance 01-Jan-25	Amendments	Accrued interest	FX (Gain)/loss	Balance 30-Jun-25
AB Convertible Note	1,487	-	66	(79)	1,474
FCC Convertible Note	2,973	-	132	(158)	2,947
IBGL Convertible Note	2,973	-	132	(158)	2,947
VMOS Convertible Note	2,082	-	93	(111)	2,064
MV Convertible Note	39,015	-	2,192	(2,091)	39,116
ⁱⁱ DICL Convertible Note	10,144	(10,312)	102	66	-
ⁱⁱ SDIL Convertible Note	10,144	(10,312)	102	66	-
ⁱⁱ CPIL Convertible Note	20,440	(20,644)	204	-	-
Total Convertible Debt	89,258	(41,268)	3,023	(2,465)	48,548
Short-term	45,187				4,422
Long-term	44,071				44,126

Below is the continuity schedule for related party convertible debentures for 2024-YE:

Convertible Note	Balance 01-Jan-24	Interest Accrued	Interest Accretion	Extinguish-ment	Amendment s	Interest post maturity	FX (Gain)/loss	Balance 31-Dec-24
AB Convertible Note	1,242	26	14	-	-	92	113	1,487
FCC Convertible Note	2,485	52	28	-	-	184	225	2,974
IBGL Convertible Note	2,485	52	28	(2,658)	2,658	184	225	2,974
VMOS Convertible Note	1,739	37	20	(1,860)	1,860	129	157	2,082
MV Convertible Note	30,987	1,078	1,506	(34,684)	34,684	2,486	2,958	39,015
ⁱⁱ DICL Convertible Note	8,378	829	153	-	-	-	783	10,143
ⁱⁱ SDIL Convertible Note	8,378	829	153	-	-	-	783	10,143
ⁱⁱ CPIL Convertible Note	18,030	1,673	737	-	-	-	-	20,440
Balance, end of period	73,724	4,576	2,639	(39,202)	39,202	3,075	5,244	89,258
Short-term	-							45,187
Long-term	73,724							44,071

See Liquidity and capital resources for corresponding terms and conditions of each of the debt related notes.

As at June 30, 2025 and December 31, 2024, the Company's assessment determined that no derivative liability was associated with existing convertible debt.

¹⁰ Related party convertible note

¹¹ Convertible note was amended into a notes payable, related party

Convertible note transactions during the six months ended June 30, 2025:
a) The AB Convertible AB Note and the FCC Convertible Note

As at the date of these Financial Statements, the Company remained actively engaged in negotiations to renew the AB and FCC Convertible debt that matured on April 22, 2024. As such, 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. Details of the transactions are included in the convertible debenture continuity schedule above.

Convertible note transactions during the period ended December 31, 2024:
a) MV Convertible Note (amendment of the USD\$20,112,015 MV Convertible Note)

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.

b) IBGL and VMOS Convertible Notes (amendment of the USD\$1,562,500 IBGL, USD\$1,093,750 VMOS Convertible Notes)

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 period ended June 30, 2025, and 2024, the Company substantially satisfied all material financial covenants in relation to its convertible debentures.

Derivative Liabilities Relating to Convertible Debentures

The Company assesses its convertible debentures each reporting period to determine if a derivative liability exists in accordance with IFRS 9 Financial Instruments and IAS 32. When a derivative liability is identified, the Company values its derivative liabilities to fair market value each period, with fair market value gains and losses recorded to the consolidated statement of income (loss) and comprehensive income (loss). The Company's derivative liabilities associated with convertible debentures are listed in section B of this note. As at June 30, 2025-YTD, and December 31, 2024-YE, there was no evidence of a derivative liability resulting from the Company's convertible debentures.

Credit Facility

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

	\$
Balances, January 1, 2024	19,430
Accrued interest	1,082
Recovery of amendment fees	(45)
Allocation to liabilities available for sale	(20,467)
Balances, December 31, 2024	-

On June 14, 2024, a previously held credit facility between the Company and PWC was terminated as a result of a loan purchase agreement (the "RGR-BFI Loan Purchase Agreement") between Royal Group Resources, Ltd. ("RGR")¹, and existing lender related to the Company, and PWC. As a result of the RGR-BFI Purchase Agreement, the Company recovered \$45 in amounts owing to PWC for the amendment fee resulting from the January 30, 2023, extension. There were no material changes to the Credit Facility as a result of the RGR-BFI Loan Purchase Agreement.

On December 26, 2024, following defaults under Credit Facility, 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 and/or divest Pharmaco's assets, with RGR retaining its senior lien position and entitlement to proceeds from any sale or credit bid (refer to *Recent Developments*). For additional details on the Pharmaco Receivership, refer to the Company's most recently filed Audited financial statements for the period ended December 31, 2024, and Interim Consolidated Financial Statements for the period ended March 31, 2025 found on Sedar+.

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 Oakshire Note (refer to *Liquidity and Capital Resources*). Payments made by the Company in connection with the Oakshire Note amounted to \$3 million.

¹ Classified as a related party

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter any off-balance sheet arrangements during 2025-YTD (2024-YE; nil).

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, notes receivable, and notes payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

The three levels of the fair value hierarchy are:

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

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

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 and cash equivalents, accounts receivable and notes receivable. Accounts receivable are amounts due by customers purchasing through the Company's distribution channel, who have exhibited a strong credit standing and continued good payment history with the Company. Notes receivable are amounts due from third party debtors (refer to *Liquidity and Capital Resources*).

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.

As at June 30, 2025, the Company held an accounts receivable balance of \$1.2 million (2024; \$16.1 million). Included in this balance is a provision for expected credit losses ("ECL") in the amount of \$9.4 million (2024; \$9.1 million). The reader is referred to note 9 for details relating to the Company's accounts receivable and ECL provision for the period ended June 30, 2025, and 2024.

As at June 30, 2025, the Company held a note receivable balance of \$17.2 million (2024: \$15.8 million) (*Liquidity and Capital Resources*).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at June 30, 2025, the Company had a cash and cash equivalents balance of \$2.7 million (2024; \$7.2 million) available to apply against short-term business requirements and current liabilities of \$56.5 million (2024; \$343.0 million), including short-term lease obligations (note 18), short term notes and convertible debentures (note 22), and income taxes payable and other current liabilities, noting that included in the current liabilities reported as of June 30, 2025 are short-term notes payable \$2.9 million (2024; \$207.4 million) and short-term convertible debentures \$4.4 million (2024; \$45.1 million). In addition, a total of \$14.1 million is included in Liabilities Held for Sale representing liabilities in discontinued operations (2024; \$46.1 million).

The Company also continues to pursue other means of debt or equity financing to further mitigate its liquidity risk in addition to seeking out opportunities to monetize captive or redundant tangible assets should they present themselves. Finally, the Company maintains a constant vigilance on proactively exploring and implementing ways to improve its cash flow through the prioritization of strategic operating initiatives with greater expected returns and targeting reductions in operating and administrative costs as feasible.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

Interest earned on cash is at nominal interest rates, and therefore the Company does not consider the interest rate risk for cash to be significant.

As at June 30, 2025, and 2024, the interest rate on notes payable and convertible debentures are fixed based on the terms agreed to within the respective debt contracts. As such, the Company's interest rate risk exposure is limited to the aforementioned interest rate terms within the aforementioned contracts.

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

For the three and six months ended June 30, 2025, the Company incurred net loss and other comprehensive loss of \$34.1 million, and \$28.0 million (2024; \$15.8 million income, and \$1.8 million loss), including the impact of unrealized foreign exchange losses on intercompany balances amounting to \$7.7 million and \$7.9 million for each period (2024; \$2.4 million and \$9.2 million). These unrealized foreign exchange losses arise from the translation of intercompany monetary balances denominated in foreign currencies between the Company's various subsidiaries with different functional currencies. Under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, exchange differences arising on intercompany monetary items between entities with different functional currencies are recognized in profit or loss and are not eliminated on consolidation, as they represent genuine economic exposure to foreign currency fluctuations.

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.

As at June 30, 2025, and December 31, 2024, the Company was exposed to the following foreign currency risk:

	As at 2025-YTD	As at 2024-YE
	\$	\$
Financial assets denominated in foreign currencies (USD)	49,848	388,614
Financial liabilities denominated in foreign currencies (USD)	(184,457)	(205,616)
Net exposure	(134,609)	182,998

A three (3%) and ten (10%) percent increase in the US dollar exchange rate relative to the Canadian dollar would decrease the Company's net loss for the six months ended June 30, 2025, by \$1.3 million and \$4.6 million, respectively (2024; \$1.5 million and \$5.1 million increase in net loss, respectively).

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, issue new debt or shares (common or preferred), or repurchasing issued and outstanding shares (common or preferred). The capital structure is reviewed by management and the board of directors on an ongoing basis. The Company manages capital through its financial and operational forecasting processes.

The Company's equity is comprised of share capital, contributed surplus, stock option reserves, and accumulated deficit. As at June 30, 2025, the Company has shareholders' deficit of \$170.8 million (2024; \$173.0 million). Included in the consolidated statements of financial position as of June 30, 2025, is an accumulated deficit of \$521.1 million (2024; \$511.1 million) including the impact of non-cash impairments totaling \$257.9 million realized in fiscal years 2021 through 2023.

The Company's capital management objectives, policies and processes have remained unchanged during the period ended June 30, 2025. 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 Company's December 31, 2024 Audited 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 Company is currently evaluating the potential impact of these amendments on the Company's Financial Statements. The amendments do not have an impact on the Financial Statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments to IAS 1, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as a current or non-current at the reporting date. Instead, the amendment requires disclosure of information about these covenants in the notes to the financials statements. The amendments are effective for annual reporting periods belonging to January 1, 2024, with early adoption permitted.

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

For a discussion of other risks and uncertainties, please refer to the Company's MD&A for the year ended December 31, 2024, which can be found on Sedar+.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO"), President, and Chief Financial Officer ("CFO") are responsible for designing 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 condensed interim 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 operations-specific software solutions designed to automate manual processes and standardize vital reporting protocols, thereby reducing the risk of human error and misalignment. 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 continue to evaluate the costs and implementation timelines associated with these potential systems, 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.