Red White & Bloom Brands Inc.

Consolidated Financial Statements

For the years ended December 31, 2025, and 2024

CSE: RWB

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

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required. In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

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

The Company's audited consolidated financial statements for the relevant periods are available at www.sedarplus.ca ("Sedar+"). The Company remains fully committed to the accuracy, transparency, and integrity of its financial reporting and, to the best of its knowledge, has complied with all necessary revisions to its financial statements in accordance with IFRS and applicable audit standards.

April 30, 2026

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Red White & Bloom Brands Inc.

Opinion

We have audited the consolidated financial statements of Red White & Bloom Brands Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Relating to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive net loss of $68,039,000 during the year ended December 31, 2025, and, as at that date, the Company's current liabilities exceeded its current assets by $29,655,000. As stated in Note 1, these events or conditions, along with other matters described therein, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

i) Inventory and biological assets

Description of the Matter

As at December 31, 2025, the Company recorded cannabis biological assets of $1,165,000, measured at fair value less costs to sell ("FVLCS"). As disclosed in Note 13, biological assets represent living plants up to the point of harvest and are measured at FVLCS at each reporting date. The Company applies an income approach to estimate FVLCS based on the stage of completion of plants at the measurement date.

Auditing the valuation of cannabis biological assets required significant judgment due to the sensitivity of the valuation to key assumptions, including average selling price per gram, weighted average yield per plant, cost per gram to complete production, and stage of completion within the production process. The complexity of the valuation is further increased as the Company operates in multiple jurisdictions, each with differing market pricing dynamics, regulatory environments, and cost structures, which impacts the selection of appropriate valuation inputs. Small changes in these assumptions could have a material impact on the estimated fair value.

How We Addressed the Matter in Our Audit

Our audit procedures included, among others, assessing the valuation methodology applied by the Company, testing the significant assumptions described above, and evaluating the completeness and accuracy of the underlying data used in the valuation. For example, we tested the weighted average yield per plant by observing harvest quantities and comparing them to actual harvest records. We tested average selling prices by comparing to actual sales data and available market information. We also observed the stage of completion of plants at year end and assessed the reasonableness of management's assumptions based on observed production processes and available industry data.

In addition, we assessed the historical accuracy of management's estimates and performed sensitivity analyses on key assumptions to evaluate the impact of changes on the valuation. We also assessed the adequacy of related financial statement disclosures.

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Key Audit Matters - continued

ii) *Valuation of goodwill and intangible assets*

Description of the Matter

As at December 31, 2025, the Company had allocated goodwill and indefinite-lived intangible assets, including brands and licenses, to its cash-generating units ("CGUs"), including the Canadian CGU, the Platinum Vapes brand, and the Florida CGU.

As disclosed in Note 5 of the consolidated financial statements, goodwill and indefinite-lived intangible assets are tested for impairment annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the CGUs and intangible assets were determined using a combination of value-in-use and fair value less costs of disposal methodologies, depending on the nature of the underlying asset.

Auditing management's estimate of recoverable amount was complex and required significant judgment due to the estimation uncertainty inherent in determining fair value. The valuation is sensitive to key assumptions, including discount rates, royalty rates, forecasted revenues, and the selection of appropriate market-based inputs. Certain of these inputs are not directly observable and require the use of management judgment. In addition, the Company operates across multiple jurisdictions with differing market dynamics, regulatory environments, and cost structures, which increases the complexity in determining appropriate valuation inputs. Small changes in these assumptions could have a material impact on the estimated recoverable amounts.

How We Addressed the Matter in Our Audit

To test the estimated recoverable amounts of the Company's CGUs and intangible assets, we performed audit procedures that included, among others, assessing the valuation methodologies applied by management, testing the significant assumptions described above, and evaluating the completeness and accuracy of the underlying data used in the valuation models.

For example, we assessed the reasonableness of forecasted revenues and margins by comparing to historical performance and current market conditions. We evaluated the selection of discount rates and, where applicable, royalty rates, with reference to observable market data and industry benchmarks. For valuations incorporating market-based inputs, we assessed the relevance and reliability of the underlying data and the appropriateness of its application within the valuation models.

Further, we assessed the historical accuracy of management's estimates and performed sensitivity analyses over key assumptions to evaluate the impact of reasonably possible changes on the recoverable amounts. We also assessed the adequacy of the related financial statement disclosures.

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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the information other than the consolidated financial statements and auditor's report thereon. The information other than the consolidated financial statements and auditor's report thereon comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Renaldo Heard.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
April 30, 2026

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RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Notes	As at 31-Dec-25	As at 31-Dec-24
		$	**$**
Assets			
Current assets			
Cash and cash equivalents	7	4,567	7,285
Accounts receivable	8	8,317	16,112
Notes receivable	9	31,659	11,397
Prepaid expenses	10	1,051	1,993
Deposits	11	7,605	11,186
Inventory	12	43,438	47,556
Biological assets	13	1,165	1,728
Assets held for Sale	14	6,202	13,192
Other current assets	-	296	913
Total current assets		**104,300**	**111,362**
Non-current assets			
Property, plant and equipment, net	15	40,894	43,644
Intangible assets, net	16	54,657	100,709
Right-of-use assets, net	17	17,749	17,976
Long-term notes receivables	9	5,789	4,439
Investments	18	3,357	2,479
Goodwill	19	-	13,782
Total non-current assets		**122,446**	**183,029**
Total assets		**226,746**	**294,391**
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	20	16,199	24,074
Short-term notes payable	21	39,365	207,419
Short-term convertible notes	21	51,572	45,187
Short-term lease obligations	17	955	701
Income taxes payable	26	13,564	18,313
Liabilities held for Sale	14	11,538	46,199
Other current liabilities	-	762	1,140
Total current liabilities		**133,955**	**343,033**
Non-current liabilities			
Long-term notes payable	21	306,240	39,157
Long-term convertible notes	21	-	44,071
Long-term lease obligations	17	22,553	22,028
Deferred tax liability	26	4,842	19,009
Other non-current liabilities	-	124	122
Total non-current liabilities		**333,759**	**124,387**
Total liabilities		**467,714**	**467,420**
Shareholders' equity			
Share capital	22	342,124	342,111
Contributed surplus		17,402	17,315
Cumulative translation adjustment		(7,419)	(21,888)
Accumulated deficit		(579,508)	(511,134)
Non-controlling interest	27	(13,567)	567
Total shareholders' deficit		**(240,968)**	**(173,029)**
Total liabilities and shareholders' equity		**226,746**	**294,391**

Nature of operations and going concern (note 1)
Segmented results (note 31)
Subsequent events (note 34)
Contingencies and commitments and (note 30)

Approved by the Board
/s/ "Brad Rogers" Director
/s/ "Colby De Zen" Director

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Note	Year ended 31-Dec-25	Year ended 31-Dec-24
		$	$
Revenue			
Sales revenue	24	64,828	80,165
Cost of goods sold, before fair value adjustments	-	44,690	59,855
Gross Profit before fair market value adjustments		**20,138**	**20,310**
Unrealized changes in fair value of biological assets	13	6,077	14,117
Realized fair value amounts included in inventory sold	13	(3,638)	(5,981)
Gross profit after fair market value adjustments		**22,577**	**28,446**
Operating Expenses			
General and administration	25	28,004	28,429
Marketing expenses	-	5,449	4,831
Share-based compensation	22	87	195
Depreciation and amortization	15	2,636	2,407
Bad debt expense	8	770	4,538
Total Operating Expenses		**36,946**	**40,400**
Loss from operations before other expenses		**(14,369)**	**(11,954)**
Other expense (income)			
Interest earned on promissory notes	9	(2,917)	(1,180)
Other income	-	(816)	(1,875)
Finance expense	21	36,774	39,487
Accreted interest, leases	17	2,764	2,577
Acquisition costs	6	19	468
Business transaction costs	-	288	422
(Gain) loss on disposal of assets	15	1,505	(275)
(Gain) loss on settlement of debt	21	62	(878)
Gain on investments	6,18	(539)	(7,556)
Inventory write-downs	-	(3)	-
Impairment of intangible assets	16	41,864	-
Impairment of goodwill	19	13,220	-
Foreign exchange	-	11,008	(17,154)
Total other expenses		**103,229**	**14,036**
Loss before income taxes		**(117,598)**	**(25,990)**
Current income tax expense/(recovery)	26	(807)	(2,021)
Deferred income tax expense/(recovery)	26	14,099	1,968
Net loss from continuing operations		**(104,306)**	**(26,045)**
Gain (loss) from discontinued operations	32	21,798	(7,054)
Net loss for the period		**(82,508)**	**(33,099)**
Translation adjustment	-	14,469	(24,859)
Net loss and comprehensive loss		**(68,039)**	**(57,958)**
Net loss attributable to:			
Shareholders on continuing operations	23	(90,172)	(19,162)
Shareholders on discontinued operations		21,798	(7,054)
Non-controlling interests	27	(14,134)	(6,883)
Net loss and comprehensive loss attributable to:			
Shareholders		(53,905)	(51,072)
Non-controlling interests	23	(14,134)	(6,883)
Earnings (loss) per share, basic and diluted			
Net loss per share – continuing operations	23	**(0.19)**	**(0.04)**
Net income (loss) per share – discontinued operations	32	**0.05**	**(0.02)**
Weighted average number of outstanding common shares	22	470,246,559	470,221,901

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

12 months ended 31-Dec-24	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	**$**	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2024	470,221,901	342,111	7,450	17,120	2,970	(484,920)	(115,269)
Stock based compensation (note 22)	-	-	-	195	-	-	195
Currency translation adjustments	-	-	-	-	(24,858)	-	(24,858)
Net loss from continuing operations	-	-	(6,883)	-	-	(19,160)	(26,043)
Net loss from discontinued operations (note 32)	-	-	-	-	-	(7,054)	(7,054)
Balance, December 31, 2024	**470,221,901**	**342,111**	**567**	**17,315**	**(21,888)**	**(511,134)**	**(173,029)**

12 months ended 31-Dec-25	Common Shares	Common Shares	Non-Controlling Interests	Contributed surplus	Cumulative translation adjustment	Accumulated Deficit	Total equity
	#	**$**	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2025	470,221,901	342,111	567	17,315	(21,888)	(511,134)	(173,029)
Stock based compensation (note 22)	-	-	-	87	-	-	87
Issuance of shares (note 22)	375,000	13	-	-	-	-	13
Currency translation adjustments	-	-	-	-	14,469	-	14,469
Net loss from continuing operations	-	-	(14,134)	-	-	(90,172)	(104,306)
Net income (loss) from discontinued operations (note 32)	-	-	-	-	-	21,798	21,798
Balance, December 31, 2025	**470,596,901**	**342,124**	**(13,567)**	**17,402**	**(7,420)**	**(579,509)**	**(240,968)**

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

RED WHITE & BLOOM BRANDS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	12 months ended 31-Dec-25	12 months ended 31-Dec-24
		$	$
Cash flow from operating activities:			
Net loss for the period		(82,508)	(33,099)
Items not involving cash	33	73,068	31,757
Changes in non-cash working capital items:			
Accounts receivable	8	7,254	3,269
Prepaid expenses	10	858	681
Deposits	11	3,032	(3,286)
Inventory	12	7,935	(22,104)
Biological Assets	13	2,938	14,030
Accounts payable and accrued liabilities	20	(7,212)	1,038
Current Income tax payable	26	(3,880)	419
Deferred income taxes	26	(13,265)	(2,706)
Other assets	-	600	642
Other liabilities	-	1,617	(4,223)
Net cash used in operating activities		**(9,565)**	**(13,581)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	(3,031)	(4,110)
Sale of property, plant and equipment, held for sale	14	2,145	-
Advances on notes receivable	9	(22,030)	(22,027)
Interest receipts on notes receivable	9	363	149
Principal receipts on notes receivable	9	225	149
Acquisition of Aleafia	6	-	1,009
Net cash provided by (used in) investing activities		**(22,328)**	**(24,830)**
Cash flow from financing activities:			
Issuance of promissory note	21	-	7,376
Advances on notes payable	21	39,925	57,710
Interest payments on notes payable	21	(299)	(928)
Principal payments on notes payable	21	(2,555)	(7,252)
Issuance of common shares	22	13	-
Settlement of credit facility in discontinued operations	14	(12,723)	-
Principal payments on lease obligations	17	(411)	(149)
Interest payments on lease obligations	17	(2,764)	(2,824)
Net cash provided by (used in) financing activities		**21,186**	**53,933**
Foreign exchange affecting cash equivalents		7,989	(10,492)
Change in cash during the period		(2,718)	5,030
Cash equivalents, beginning of year		7,285	2,254
Cash, end of year		**4,567**	**7,285**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

RWB is a multi-jurisdictional, vertically integrated cannabis operator with a presence in established legal markets across the United States, Canada, and international territories.

The consolidated financial statements for the period ended December 31, 2025, and 2024 (the "Financial Statements"), have been prepared under the assumption of a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2025, the Company incurred accumulated net comprehensive losses of $579,508 (2024; $511,134) since inception, including non-cash impairments of $55,084 realized in fiscal year ended 2025 ($41,864 intangibles and $13,220 goodwill), $141 realized in fiscal year ended 2024, and $329,800 realized in prior years, totaling $385,025 in non-cash impairments. For the twelve months ended December 31, 2025, the Company incurred a comprehensive net loss of $96,977 (2024; net loss of $57,955). Working capital deficit (current assets less current liabilities) as at December 31, 2025, was $29,655 (2024; $231,671). Net cash used in operations was $9,507 (2024; $8,660). These circumstances cast significant doubt on the Company's ability to continue as a going concern.

The Company has traditionally relied on debt and equity financing to support its operations. However, due to the current challenges in the global cannabis capital markets, access to financing sources remains limited. As a result, the Company may face cash flow shortages that could impact its ability to sustain ongoing operations, invest in acquisitions and business development initiatives, or meet debt obligations. Despite these challenges, the Company has been successful in obtaining financing to date and recently negotiated favorable terms with its key lenders to renew and (as applicable) restructure issued and outstanding debt that had otherwise matured within the reporting period (Note 21). Having secured the extension of maturity dates and the mutually agreed upon deferral of cash debt service to the next applicable maturity dates for these debts, the Company has been provided with additional cash flow availability, enhancing its ability to manage financial commitments tied to its operations more effectively. If further funding is not accessible through debt instruments or equity capital, delays, postponements, or reductions in certain operational activities may occur.

In evaluating the appropriateness of the going concern assumption, the Company has considered all relevant information available for the twelve-month period following this reporting period. To address its ongoing financial requirements, the Company is actively pursuing several strategies, including securing financing through existing or prospective sources of debt to support both organic and acquisitive growth initiatives, monetizing captive assets, both tangible and intangible, and a continuing program of reducing operating costs through the streamlining of operations and support functions. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows from operations, obtain additional financing, and successfully execute the strategies described above. These conditions and events constitute material uncertainties that cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will achieve profitability. If the going concern assumption were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses, and the consolidated statements of financial position classifications used; such adjustments could be material.

2. BASIS OF PRESENTATION

A. STATEMENT OF COMPLIANCE

The Company's Consolidated Financial Statements ("Financial Statements") have been prepared in accordance with and using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2025, and 2024.

These Financial Statements were authorized for issuance by the Company's Board of Directors and Audit Committee on April 30, 2026.

B. BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis except for biological assets and certain financial instruments classified as fair value through profit or loss, which are measured at fair value (Note 5). In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

C. FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these Financial Statements are reflected in thousands (000's) of Canadian dollars, unless otherwise noted; Canadian dollars being the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company's foreign currency translation accounting policies found in Note 5. Functional currencies of subsidiaries included in these Financial Statements can be found in Note 3.

3. BASIS OF CONSOLIDATION

The Financial Statements include the accounts of the Company and its subsidiaries. In accordance with IFRS 10 *Consolidated Financial Statements*, control exists when the Company has power over the investee, is exposed to variable returns from its involvement with the investee, and has the ability to use its power to affect those returns. Investees over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee without controlling or jointly controlling those policies, are accounted for as associates under IAS 28 *Investments in Associates and Joint Ventures*. The results of consolidated entities are included from the date control is obtained until the date control ceases.

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

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

Subsidiary	Source Currency	Jurisdiction	% Ownership As at 31-Dec-25	% Ownership As at 31-Dec-24
Continuing Operations				
Red White & Bloom Brands Inc. (Parent)	**CAD**	**British Columbia, Canada**	**100%**	**100%**
[1]RWB (PV) Canada, Inc.	CAD	Alberta and Ontario, Canada	100%	100%
RWB Licensing Inc.	CAD	British Columbia, Canada	100%	100%
[2]Aleafia Inc.	CAD	Ontario, Canada	100%	100%
[2]Aleafia Farms Inc.	CAD	Ontario, Canada	100%	100%
[2]Aleafia Retail Inc.	CAD	Ontario, Canada	100%	100%
[2]Canabo Medical Corporation	CAD	Ontario, Canada	100%	100%
[2]Emblem Cannabis Corporation	CAD	Ontario, Canada	100%	100%
[3]Emblem Lands LP	CAD	Ontario, Canada	100%	100%
[4]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%
[5]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%
[6]MPV Wellness Inc.	USD	Michigan, United States	100%	-
[7]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				
[8]Growwise Health Ltd.	CAD	Ontario, Canada	100%	100%
Vista Prime Management, LLC	USD	California, United States	100%	100%
[9]Vista Prime 3, Inc.	USD	California, United States	100%	100%
[10]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%
[11]GC Ventures 2, LLC	USD	Michigan, United States	100%	100%

[1]Incorporated March 7, 2023
[2]Acquired January 12, 2024 (note 6)
[3] Established April 29, 2024
[4]Incorporated April 29, 2024
[5]Incorporated February 7, 2023
6 Incorporated August 15, 2025
[7] Incorporated December 17, 2024
[8] Dissolved December 31, 2025
[9] Dissolved November 6, 2024
[10] Dissolved November 6, 2024
[11] Dissolved November 19, 2024

4. ACCOUNTING PRONOUNCEMENTS

The Company has reviewed all new and amended IFRS Accounting Standards and interpretations issued by the IASB that are effective, or that have been issued but are not yet effective, as at the reporting date. Only those pronouncements that are relevant to, or that management has assessed may have an effect on, the Company's consolidated financial statements are disclosed in this note. New or pending pronouncements that have been determined to have no effect on the Company's operations, financial position, or disclosures have not been listed.

A. ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates ("IAS 21") – Lack of Exchangeability

On August 15, 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21) to specify when a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide. The amendments require an entity to assess whether a currency is exchangeable at the measurement date and for a specified purpose, and when exchangeability is lacking, to estimate the spot exchange rate at a rate that would apply in an orderly transaction between market participants under prevailing economic conditions. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact of using an estimated exchange rate, including the nature and financial effects of the currency not being exchangeable, the estimated exchange rate used, the estimation process, and the risks to which the entity is exposed.

The amendments were effective for annual reporting periods beginning on or after January 1, 2025.

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

B. STANDARDS, AMENDMENTS, AND INTERPRETATIONS NOT YET EFFECTIVE

New and amended accounting standards are effective for the Company for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company has not early adopted new or amended standards in preparing these Financial Statements. The Company has not yet determined the impact of these amendments on its Financial Statements. The following are relevant new and amended standards under review by the Company.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments

On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to address diversity in accounting practice identified during the post-implementation review of IFRS 9. The amendments clarify the date of recognition and derecognition of financial assets and financial liabilities, including an option to derecognize certain financial liabilities settled through an electronic payment system before the settlement date, and provide additional guidance on the assessment of the contractual cash flow characteristics of financial assets. The amendments are of particular relevance for financial assets with environmental, social and governance ("ESG")-linked features, contractually linked instruments, and financial assets with non-recourse features. The amendments also introduce new disclosure requirements in IFRS 7 for investments in equity instruments designated at fair value through other comprehensive income and for financial instruments with contingent features. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

Annual Improvements to IFRS Accounting Standards – Volume 11

On July 18, 2024, the IASB issued Annual Improvements to IFRS Accounting Standards – Volume 11, which makes narrow-scope amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows. The amendments clarify wording, correct minor unintended consequences and oversights, and improve consistency between certain IFRS Accounting Standards. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has published IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for the presentation of the statement of profit or loss, including defined categories (operating, investing, and financing) and required subtotals such as operating profit or loss and profit or loss before financing and income taxes. The new standard also requires disclosure of management-defined performance measures and sets out enhanced principles for the aggregation and disaggregation of information. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19 Subsidiaries without Public Accountability: Disclosures, which permits eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. A subsidiary is eligible if it does not have public accountability and its ultimate or intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. As the Company is a publicly traded entity with public accountability, IFRS 19 is not expected to apply to the Company; however, eligible subsidiaries of the Company may elect to apply the standard in their own standalone financial statements.

5. MATERIAL ACCOUNTING POLICIES AND KEY ESTIMATES

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to apply accounting policies and to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis; revisions are recognized in the period of revision and in any future periods affected. The accounting policies below have been applied consistently to all periods presented. Where the application of a policy involves significant judgment or estimation uncertainty that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, that judgment or estimation uncertainty is disclosed within the relevant policy sub-note below.

Estimates and underlying assumptions are reviewed by management on an ongoing basis and are adjusted to reflect new information, changes in facts and circumstances, historical experience, and reasonable and supportable expectations of future events as they become available. Where the carrying amount of an asset or liability is determined using an estimate, management considers whether the estimate continues to be appropriate at each reporting date in light of the most recent available information. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in any future periods affected, in accordance with IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors*. Changes in accounting estimates that affect the current period only are recognized in profit or loss in the period of the change; changes that affect both the current and future periods are recognized in profit or loss in the current period and prospectively in future periods.

A. Control

In accordance with IFRS 10 — *Consolidated Financial Statements*, the Company has control over an investee when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect those returns. Power most commonly arises from holding a majority of voting rights but may also arise from contractual arrangements, potential voting rights, decision-making rights granted by agreement, de facto control, or other facts and circumstances that confer the practical ability to direct the relevant activities. Significant influence is the power to participate in the financial and operating policy decisions of the investee without controlling or jointly controlling those policies and is presumed to exist where the Company holds 20 percent or more of the voting rights, unless clearly demonstrated otherwise. Joint control exists when decisions about the relevant activities of an arrangement require the unanimous consent of the parties sharing control. The Company reassesses these conclusions whenever facts and circumstances indicate a change to one or more of the underlying elements.

Where the Company is determined to have control, the entity is consolidated from the date control is obtained until the date control ceases. Judgment is applied in determining the effective date on which control is obtained or lost, particularly where the change arises from contractual arrangements, court-supervised proceedings, restructuring transactions, or other facts and circumstances rather than from the acquisition or disposal of a majority of voting rights. Indicators considered in this assessment include the date on which the Company obtains or loses the practical ability to direct the relevant activities of the investee, the date on which exposure to variable returns commences or ceases, and the date on which any contractual or legal conditions precedent to the transfer of control are satisfied. Where loss of control results from receivership, bankruptcy, or other insolvency proceedings, the date of loss of control may precede the date of any formal court order or asset disposition. The conclusion reached affects the date from which the subsidiary is deconsolidated, the measurement of any gain or loss on loss of control, and the recognition of any retained interest at fair value.

Common-control transactions fall outside the scope of IFRS 3 — *Business Combinations*. The Company has adopted an accounting policy of recording such transfers using the predecessor values method, under which the assets and liabilities transferred are recognized by the receiving entity at their pre-transfer carrying amounts, with no remeasurement to fair value and no recognition of goodwill. The classification of a transaction as falling within or outside common control therefore affects whether the assets transferred are recognized at carrying amounts or at fair value, whether goodwill is recognized, and whether any difference between consideration transferred and net assets received is recognized in equity or in profit or loss.

***Critical accounting estimates and judgments**:* Judgment is applied in assessing whether the Company exercises control, joint control, or significant influence over entities in which it directly or indirectly holds an interest, and the effective date on which control is obtained or lost. The conclusions reached affect the scope of consolidation, the date from which an investee is consolidated or deconsolidated, and the accounting treatment applied to transactions between entities within the group. Judgment is also applied in determining whether a transfer of assets, liabilities, or businesses between entities within the group constitutes a transaction under common control. This determination requires an assessment of whether the entities involved are ultimately controlled by the same party, both before and after the transaction, and whether that control is not transitory.

The judgments, estimates, and assumptions set out above are those that management has determined to have the most significant effect on the amounts recognized in these consolidated financial statements and that carry a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Estimates and underlying assumptions are reviewed and on an ongoing basis.

Note 2 of these Financial Statements include all entities over which the Company has determined it has control.

B. Foreign Currency Translation

The functional currency of each entity within the Company is determined in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* by reference to the currency that mainly influences sales prices and input costs, the competitive and regulatory environment, and the currencies in which financing is obtained and operating receipts are retained. Transactions denominated in a currency other than an entity's functional currency are translated at the exchange rate at the transaction date; monetary assets and liabilities are subsequently translated at the closing rate at the reporting date, with exchange differences recognized in profit or loss. On consolidation, the results and financial position of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the closing rate for assets and liabilities and the average rate for revenues and expenses; resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity, and reclassified to profit or loss on disposal of the foreign operation.

C. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash held with financial institutions, cash in transit, and short-term deposits that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, with original maturities of three months or less from the date of acquisition. Cash and equivalents of the Company are disclosed in Note 7.

D. Accounts Receivable and Expected credit losses

The Company recognizes a loss allowance for expected credit losses ("ECL") on its financial assets measured at amortized cost in accordance with IFRS 9 *Financial Instruments*. For trade receivables that do not contain a significant financing component, the Company applies the simplified approach and measures the loss allowance at an amount equal to lifetime ECL using a provision matrix based on shared credit risk characteristics and days past due, adjusted for current conditions and reasonable and supportable forward-looking information. For other receivables, including those arising from licensing arrangements, the Company applies the general approach, measuring the loss allowance at 12-month ECL unless there has been a significant increase in credit risk since initial recognition or the asset is credit-impaired, in which case lifetime ECL applies. Receivables are written off against the loss allowance when there is no reasonable expectation of recovery (Note 8).

***Critical accounting estimates and judgments**:* The measurement of ECL requires management judgment in identifying significant increases in credit risk, grouping receivables with shared credit characteristics, selecting historical loss experience representative of current conditions, and incorporating forward-looking information. Changes in these judgments could result in a materially different loss allowance and a corresponding impact on profit or loss.

E. Inventory

Inventory is measured at the lower of cost and net realizable value in accordance with IAS 2 *Inventories*. Following harvest, cannabis biomass is transferred from biological assets to inventory at its fair value less costs to sell at the point of harvest, which becomes the deemed cost on initial recognition. Cost comprises the costs of purchase and conversion and other costs incurred in bringing inventory to its present location and condition, including direct labour, post-harvest processing costs (drying, curing, extraction, laboratory testing, quality assurance, and packaging), and fixed and variable production overheads allocated on the basis of normal operating capacity. Cost is determined using the weighted average cost method. Borrowing costs and abnormal amounts of wasted materials, labour and overheads are expensed as incurred. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs to make the sale. Write-downs are recognized in cost of sales and are reversed, up to the amount of the original write-down, where the circumstances that caused them no longer exist.

Critical accounting estimates and judgments: Measurement of inventory requires management judgment principally in relation to the deemed cost at the point of harvest (refer to Biological Assets below), the estimated net realizable value (which depends on expected future selling prices, costs to complete, costs to sell, and is subject to cannabis price volatility, product quality and potency, and regulatory and market conditions), the allocation of fixed production overheads on the basis of normal operating capacity, and the identification of obsolete, damaged and slow-moving inventory.

F. Biological Asset Valuation

The Company's biological assets, which consist of cannabis plants at various stages of growth, are measured at fair value less costs to sell at each reporting date in accordance with IAS 41 *Agriculture*, with any gain or loss on initial recognition and from subsequent changes in fair value less costs to sell recognized in profit or loss in the period in which it arises. Fair value is determined using the income approach, which estimates the expected harvest yield in grams for plants being cultivated at the reporting date, adjusted for the stage of growth, the expected selling price per gram, expected wastage, and expected costs to complete and sell. The following significant inputs, all of which are classified within Level 3 of the fair value hierarchy except for selling price which is classified within Level 2, are used in the model:

- ***Selling price*** – the expected selling price per gram, determined by reference to observable market prices, including the Company's own recent arm's-length wholesale sales and published wholesale indices, for the principal market applicable to each operating subsidiary;
- ***Stage of growth*** – the weighted average number of days through the growing cycle that biological assets have reached at the measurement date, used to pro-rate expected harvest-date fair value on a straight-line basis;
- ***Yield per plant*** – the expected dried grams of cannabis per harvested plant, derived from historical harvest data for each cultivar;
- ***Wastage*** – the expected percentage of biological assets that will fail to reach harvest; and
- ***Post-harvest and costs to complete*** – the expected per-gram cost to bring harvested cannabis to its saleable form, including direct and indirect materials, labour, and packaging.

Costs to sell comprise the incremental costs directly attributable to the sale of the biological asset and exclude finance costs and income tax. Unrealized gains and losses arising from changes in fair value less costs to sell during the period are presented as a separate line within gross profit in the consolidated statements of loss and comprehensive loss.

The Company's biological assets are held across cultivation, processing and retail operating subsidiaries that access different principal markets. In accordance with IFRS 13.16–18, the Company determines the principal market for each operating subsidiary based on the market with the greatest volume and level of activity for that subsidiary's biological assets, considering the licences held by the subsidiary, its legally permissible highest and best use, and the characteristics of the asset at the measurement date. Management has concluded that applying selling price inputs on an entity-by-entity basis, aligned to each subsidiary's principal market, results in a more faithful representation of fair value than applying a single consolidated selling price across all biological assets.

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

The methodology applied to each subsidiary is summarized below:

Operating subsidiary	Operation	Principal market	Selling price input used
Aleafia Farms Inc. ("AFI") – Canada	Cannabis cultivation (standard cultivation licence)	Canadian wholesale cannabis market	Trim: actual wholesale selling prices realized by AFI on arm's-length third-party sales, corroborated against Cannabis Benchmarks / published wholesale indices (Level 2). Bud: observable wholesale prices for similar assets from Cannabis Benchmarks and competitor transaction data (Level 2).
Emblem Cannabis Corporation ("ECC") – Canada	Cannabis cultivation and processing	International wholesale export (Grade A flower) and Canadian wholesale (Grade E trim)	Grade A flower: actual international wholesale selling prices realized on arm's-length sales (Level 2). Grade E trim: potency-weighted domestic wholesale price (Level 2, adjusted for strain-specific THC content).
Red White & Bloom Michigan LLC ("RWBM") – Michigan, U.S.A.	Cannabis cultivation and wholesale distribution	Michigan adult-use wholesale market	Bud and Shake/Trim: observable wholesale prices for similar assets in the Michigan adult-use market, corroborated against published Michigan cannabis market data and competitor transaction information (Level 2).
Red White & Bloom Florida, Inc. ("RFL") – Florida, U.S.A.	Vertically integrated medical marijuana treatment centre (cultivation, processing, dispensary)	Florida medical cannabis retail (end consumer)	Expected retail selling price per gram for finished cannabis products by product category (Bud, Fresh Frozen, AutoFlower/BioMass), based on current dispensary menu pricing (Level 2 for observable list prices; Level 3 for category mix and realization assumptions).

Management has concluded that applying wholesale selling price inputs for cultivation-only subsidiaries and retail selling price inputs for vertically integrated retail operations represents the appropriate application of IFRS 13.11 (characteristics of the asset), IFRS 13.16–18 (principal market), IFRS 13.22–23 (market participant assumptions) and IFRS 13.27–31 (highest and best use). Using the exit price of a downstream processor or retailer would embed intercompany synergies and entity-specific advantages that are not attributes of the biological asset being measured and would contradict the market-based (rather than entity-specific) basis of measurement required by IFRS 13.2.

Critical accounting estimates and judgments: The measurement of biological assets at fair value less costs to sell in accordance with IAS 41 and IFRS 13 Fair Value Measurement involves the application of significant management judgment, estimates and assumptions. In applying the Company's accounting policy, management has made the following significant judgments: the selection of the valuation technique most appropriate in the circumstances; the determination of the principal (or most advantageous) market for the biological assets; the identification of the assumptions that market participants would use in pricing the asset; and the determination of the highest and best use of the asset.

Key sources of estimation uncertainty relate to the inputs to the valuation model, including the expected selling price per gram, the expected yield per plant, the stage of biological transformation at the measurement date, the expected wastage rate, and the expected post-harvest costs to complete and costs to sell. Changes in any of these judgments, estimates or assumptions could result in a materially different carrying amount of biological assets and a correspondingly different unrealized fair value gain or loss recognized in profit or loss. Because many of the inputs are classified within Level 3 of the fair value hierarchy, the carrying amount of biological assets is inherently uncertain.

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

G. Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 *Property, Plant and Equipment* (Note 15). Cost comprises the purchase price and expenditures directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended by management. Expenditures below the Company's capitalization threshold of $5,000 and repairs and maintenance that do not extend the useful life or enhance the future economic benefits of the asset are recognized in profit or loss as incurred. Depreciation is recognized on a straight-line basis over the estimated useful life of each asset, less its estimated residual value, from the date the asset is available for use. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. On disposal, the cost and accumulated depreciation are derecognized, and any resulting gain or loss is recognized in profit or loss. Estimated useful lives applied are as follows:

Property, plant and equipment	Depreciation Method	Useful Life
Land	Non-depreciating	Not applicable
Construction in process	Non-depreciating	Not applicable
Land improvements	Straight-line	10 – 15 years
Buildings	Straight-line	20 – 40 years
Building improvements	Straight-line	20 – 40 years
Leasehold improvements	Straight-line	Life of lease
Computer hardware	Straight-line	3 years
Furniture and fixtures	Straight-line	2 – 12 years
Machinery and equipment	Straight-line	2 – 20 years
Vehicles	Straight-line	3 – 5 years
Right-of-use assets	Straight-line	Life of lease (plus assessed renewal)

Critical accounting estimates and judgments: The determination of useful lives, residual values and depreciation methods requires management judgment based on the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in these estimates could result in a materially different depreciation charge.

H. Right-of-Use Assets and Lease Liabilities

At inception of a contract, the Company assesses whether the contract is, or contains, a lease in accordance with IFRS 16 *Leases*. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a contract contains a lease, the Company recognizes a right-of-use asset and a corresponding lease liability at the commencement date.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability, any lease payments made at or before the commencement date less lease incentives received, initial direct costs, and an estimate of restoration costs. It is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, depreciated on a straight-line basis over the lease term, and tested for impairment in accordance with IAS 36.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted using the rate implicit in the lease or, where not readily determinable, the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed), variable lease payments that depend on an index or rate, residual value guarantees, and the exercise price of purchase or termination options where the Company is reasonably certain to exercise them. Subsequent to initial recognition, the liability is increased for interest, reduced for payments made, and remeasured for reassessments of the lease term, changes in in-substance fixed payments, or lease modifications, with the offset recognized as an adjustment to the right-of-use asset (or in profit or loss where the right-of-use asset has been reduced to zero). Variable lease payments that do not depend on an index or rate are expensed in the period in which the triggering event occurs.

Critical accounting estimates and judgments: Application of IFRS 16 requires management judgment in determining the lease term (including whether the Company is reasonably certain to exercise extension options or not to exercise termination options), in determining the incremental borrowing rate where the rate implicit in the lease cannot be readily determined, and in assessing whether a right-of-use asset is impaired. Changes in these judgments could affect the measurement of lease liabilities and right-of-use assets and the related depreciation and interest expense.

I. Intangible Assets

Intangible assets are recognized and measured in accordance with IAS 38 Intangible Assets (Note 16). Intangible assets with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life of the asset, less its estimated residual value, from the date the asset is available for use. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Finite-life intangible assets are assessed for indicators of impairment at each reporting date and tested for impairment whenever such indicators exist. On disposal, the difference between the net proceeds and the carrying amount is recognized in profit or loss.

The amortization methods and useful lives applied to finite-lived intangible assets are as follows:

Intangible asset	Amortization Method	Useful Life
Product license	Straight-Line	5.5 years
Retail License	Straight-Line	5.5 years

Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses and are not amortized. Such assets are tested for impairment annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The assessment of whether an intangible asset has an indefinite useful life is reviewed at each reporting date; where a useful life is reassessed as finite, the change is accounted for prospectively as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Critical accounting estimates and judgments: The determination of useful lives for finite-life intangible assets and the assessment of whether an intangible asset's useful life is indefinite require the exercise of significant management judgment. Changes in these judgments could result in a materially different amortization charge or impairment loss.

J. Goodwill

Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the net identifiable assets acquired and liabilities assumed at the acquisition date, in accordance with IFRS 3 Business Combinations. Goodwill is measured at cost less any accumulated impairment losses and is not amortized. For impairment testing, goodwill is allocated to the cash-generating units ("CGUs") or groups of CGUs expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets. Impairment losses are allocated first to goodwill and then pro rata to the other assets of the CGU based on their carrying amounts, recognized in profit or loss, and are not reversed in subsequent periods.

***Critical accounting estimates and judgments*:** Value in use is determined using a discounted cash flow model, with key assumptions including forecast cash flows, revenue and margin growth rates, terminal growth rates, and the discount rate applied. Cash flows are derived from management-approved budgets. Fair value less costs of disposal is determined where applicable by reference to observable market prices or comparable company transaction multiples. The determination of CGUs, the allocation of goodwill to CGUs, the forecast cash flows, and the discount rate all require significant management judgment, and the recoverable amount is most sensitive to the discount rate and expected future cash flows.

K. Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets may be impaired, in accordance with IAS 36 *Impairment of Assets*. Where such an indication exists, or where annual impairment testing is required, the recoverable amount is estimated as the higher of fair value less costs of disposal and value in use. Value in use is determined by discounting estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the CGU to which the asset belongs is determined. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. At each subsequent reporting date, the Company assesses whether a previously recognized impairment loss (other than on goodwill) has decreased or no longer exists; where such indicators exist, the impairment is reversed to the extent of the revised recoverable amount, not exceeding the carrying amount that would have been determined, net of depreciation or amortization, had no impairment been recognized.

Critical accounting estimates and judgments: A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets. The identification of CGUs requires management judgment based on how assets are utilized, how operations are managed and monitored, and the degree of shared infrastructure and geographical proximity. The recoverable amount is most sensitive to the discount rate and expected future cash flows; changes in either could result in a materially different impairment loss.

L. Assets and Liabilities Held for Sale

Non-current assets and disposal groups are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale in their present condition, and the sale is highly probable and expected to be completed within one year from the date of classification. They are measured at the lower of carrying amount and fair value less costs to sell, with any resulting impairment recognized in profit or loss. Non-current assets classified as held for sale are not depreciated or amortized. Investments in associates or joint ventures cease to be equity accounted from the date of classification as held for sale. Subsidiaries that meet the criteria for classification as held for sale continue to be consolidated until the Company loses control, in accordance with IFRS 10 Consolidated Financial Statements. On the date control is lost, the subsidiary is derecognized and any resulting gain or loss is recognized in profit or loss.

M. Financial Instruments

The Company recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument and classifies and measures its financial instruments in accordance with IFRS 9 Financial Instruments. Financial assets and financial liabilities are initially measured at fair value; transaction costs directly attributable to acquisition or issuance are added to or deducted from the initial fair value, except for financial instruments classified at FVTPL, for which transaction costs are recognized in profit or loss as incurred.

A financial asset is measured at amortized cost where it is held within a business model whose objective is to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest ("SPPI"). A debt investment is measured at fair value through other comprehensive income ("FVOCI") where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling, and the cash flows meet the SPPI test. Equity investments held for trading are measured at fair value through profit or loss ("FVTPL"); for other equity investments, the Company may irrevocably elect, on initial recognition, to present subsequent fair value changes in other comprehensive income. All other financial assets, including all derivatives, are measured at FVTPL. Financial liabilities are measured at amortized cost unless classified or designated at FVTPL. Financial assets are reclassified only on a change in business model; financial liabilities are not reclassified.

The classification of the Company's financial instruments is summarized below:

Asset or Liability	Classification under IFRS 9	Measurement
Cash	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Notes receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other current assets	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Notes payable	Amortized cost / FVTPL	Amortized cost / Fair value
Credit facility	Amortized cost	Amortized cost
Other current liabilities	Amortized cost	Amortized cost
Convertible notes	Amortized cost	Amortized cost
Derivative liabilities	FVTPL	Fair value

Financial assets measured at amortized cost and debt investments at FVOCI are subject to impairment under the ECL model (refer to sub-note D – Accounts Receivable and Expected Credit Losses). A financial asset is derecognized when the contractual rights to cash flows expire or the Company transfers substantially all the risks and rewards of ownership; a financial liability is derecognized when the contractual obligation is discharged, cancelled, or expires.

Fair value hierarchy

Fair values are determined in accordance with IFRS 13 Fair Value Measurement using a three-level hierarchy: Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly; and Level 3 – inputs not based on observable market data. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. The carrying amounts of notes payable and convertible debentures approximate fair value as their contractual interest rates approximate prevailing market rates.

Critical accounting estimates and judgments: The determination of fair value, and the allocation of proceeds in compound or multi-element financing transactions, requires management judgment in selecting valuation techniques and inputs, particularly for instruments measured using Level 3 unobservable inputs. Changes in techniques or inputs could result in materially different fair value measurements.

N. Convertible Debentures

Convertible debentures are compound financial instruments accounted for by their components in accordance with IAS 32 *Financial Instruments: Presentation*. Where the conversion feature results in the exchange of a fixed number of the Company's own equity instruments for a fixed amount of cash, the instrument is bifurcated into a financial liability and an equity component; where the fixed-for-fixed criterion is not met, the conversion feature is accounted for as an embedded derivative at FVTPL in accordance with IFRS 9, with the host debt measured as the residual. The financial liability is initially measured at the fair value of a similar liability without a conversion feature and subsequently measured at amortized cost using the effective interest method until extinguished on conversion, repayment, or maturity. The equity component is measured as the residual of the proceeds and is not subsequently remeasured. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds; costs allocated to the liability are amortized over the term using the effective interest method, and costs allocated to the equity component are recognized directly in equity.

***Critical accounting estimates and* judgments:** The determination of the market rate of interest applicable to a comparable non-convertible instrument requires management judgment; changes in this input could result in a materially different allocation between the liability and equity components at initial recognition, and a correspondingly different interest expense recognized over the life of the instrument.

O. Derivative Liabilities

Derivative liabilities are accounted for in accordance with IFRS 9 Financial Instruments. A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial net investment, and is settled at a future date. Derivative liabilities are initially recognized at fair value, with transaction costs expensed as incurred, and subsequently measured at fair value with changes recognized in profit or loss. Hybrid contracts with non-derivative financial liability or non-financial hosts are assessed for embedded derivatives; an embedded derivative is separated where its economic characteristics are not closely related to those of the host, it meets the definition of a derivative, and the hybrid contract is not itself measured at FVTPL. Separated embedded derivatives are accounted for as standalone derivative liabilities. A derivative liability is derecognized when the underlying obligation is discharged, cancelled, or expires.

P. Provisions and Contingent Liabilities

Provisions are recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, discounted to present value where the effect of the time value of money is material. A provision is recognized for an onerous contract where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received. Contingent liabilities are not recognized but are disclosed, unless the possibility of an outflow is remote.

Critical accounting estimates and judgments: In the normal course of business, the Company is subject to claims, disputes and legal proceedings. The recognition and measurement of provisions and the disclosure of contingent liabilities require management judgment in assessing the probability of an outflow and in estimating the amount of settlement. Management monitors the status of legal matters and consults external counsel in forming its judgments. Changes in the assessed probability or estimated settlement could result in a materially different provision.

Q. Share Capital

Financial instruments issued by the Company are classified as equity in accordance with IAS 32 Financial Instruments: Presentation only to the extent they do not meet the definition of a financial liability. The Company's common shares, preferred shares, the conversion feature of convertible debentures, warrants, and stock options are classified as equity and are not subsequently remeasured. Proceeds received on the issuance of compound instruments are allocated to the liability and equity components based on the fair value of each component at the issuance date. Incremental costs directly attributable to the issuance of equity instruments are recognized as a deduction from equity, net of any related income tax effects.

R. Revenue Recognition

Revenue is recognized in accordance with IFRS 15 *Revenue from Contracts with Customers*. The Company applies the five-step model: identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when or as each performance obligation is satisfied. A contract is accounted for under IFRS 15 only when it has been approved by the parties, each party's rights and payment terms are identifiable, the contract has commercial substance, and it is probable that the consideration will be collected.

Revenue is recognized at the point in time when control of the goods transfers to the customer, which generally occurs when the goods are shipped or delivered in accordance with the shipping terms set out in the customer contract. Revenue is measured at the amount of consideration the Company expects to receive, net of promotional discounts, estimated returns, and sales taxes. Reserves for sales returns have not historically been material. For contracts with multiple performance obligations, the transaction price is allocated based on the relative stand-alone selling prices; where not directly observable, the Company uses an adjusted market assessment approach. Contract assets arise when the Company transfers goods or services in advance of receiving consideration, and contract liabilities arise when consideration is received in advance of the transfer.

The Company generates revenue from three sales channels:

- **Distribution** – recognized when control of the goods transfers to the customer being the date the goods are shipped (FOB shipping point), the date the goods are delivered (FOB destination), or the date the goods are transferred to the customer's carrier where the customer arranges pickup. Shipping costs incurred by the Company are recognized in cost of sales.
- **Licensing** – revenue from sales to licensed third-party distributors of non-THC branded products, and licensing fees associated with the use of non-THC branded products.
- **Retail** – recognized at the point of sale, net of promotional discounts, estimated returns, and sales taxes.

Retail revenue is settled in cash or by credit at the point of sale; distribution and licensing revenue is settled on commercial credit terms typically due within 30 days of invoice. The Company does not provide warranties on its products.

Critical accounting estimates and judgments: Application of IFRS 15 requires management judgment in estimating variable consideration (returns, refunds, price concessions), in determining whether control of the goods or services has transferred to the customer, and in determining whether performance obligations are satisfied at a point in time or over time.

S. Cost of Goods Sold

Cost of goods sold comprises the costs of bringing inventory to its saleable condition and location, including post-harvest processing costs, product costs, packaging and labelling, warehousing, fulfillment, freight, and applicable duties and tariffs. Cost of sales also includes write-downs of inventory to net realizable value, inventory shrinkage and obsolescence, and the realized fair value adjustment on inventory sold during the period.

T. Share-based Compensation

Share-based compensation is accounted for in accordance with IFRS 2 *Share-based Payment*. Under the Company's stock option plan, the Company may grant employees, directors, and consultants’ options to acquire common shares. Equity-settled share-based payment transactions with employees are measured at the fair value of the equity instruments granted at the grant date, determined using the Black-Scholes option pricing model, and recognized as a share-based compensation expense over the vesting period with a corresponding increase in equity reserves. Awards with graded vesting are accounted for as separate tranches, with the fair value of each tranche expensed over its respective vesting period. Equity-settled transactions with non-employees are measured at the fair value of the goods or services received or, where not reliably measurable, at the fair value of the equity instruments granted at the date the goods or services are received. Consideration received on the exercise of stock options is recognized as share capital together with the fair value of the options previously recognized in equity reserves.

Critical accounting estimates and judgments: The Black-Scholes option pricing model requires management judgment in determining the expected life of the option, expected volatility, the risk-free interest rate, expected dividend yield, and expected forfeiture rate. Changes in these inputs could result in a materially different fair value and share-based compensation expense.

U. Business Combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*. The consideration transferred is measured at the acquisition-date fair value of assets transferred, equity instruments issued, and liabilities incurred or assumed. Acquisition-related costs are recognized in profit or loss as incurred. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values, except for deferred tax, leases, and non-current assets held for sale, which are measured in accordance with IAS 12, IFRS 16, and IFRS 5 respectively. Non-controlling interests are measured, on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the acquiree's identifiable net assets. Contingent consideration is measured at fair value at the acquisition date; subsequent changes in the fair value of contingent consideration classified as a financial liability are recognized in profit or loss. Goodwill is measured as the excess of the consideration transferred, the amount of any non-controlling interest, and the acquisition-date fair value of any previously held equity interest in the acquiree, over the fair value of the identifiable net assets acquired. Where this amount is negative, a bargain purchase gain is recognized in profit or loss following reassessment of the identification and measurement of the net identifiable assets.

Critical accounting estimates and judgments: Application of the acquisition method requires management judgment in determining the fair values of identifiable assets acquired, liabilities assumed, and contingent consideration, and in measuring non-controlling interests. Identifiable intangible assets are typically measured using income-based valuation techniques; these are sensitive to forecast revenue and margin, the probability and timing of expected cash flows, the useful life of the asset, and the discount rate applied. Changes could result in a materially different carrying amount of acquired intangibles and goodwill.

V. Discontinued Operations

A component of the Company is classified as a discontinued operation in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations when it has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line or area, or is a subsidiary acquired exclusively with a view to resale. Discontinued operations are presented in profit or loss as a single amount comprising the post-tax profit or loss of the discontinued operation and the post-tax gain or loss on the remeasurement to fair value less costs to sell or on disposal, with comparative amounts restated. Where a component previously classified as a discontinued operation ceases to meet the criteria to be classified as held for sale, its results are reclassified to continuing operations for all periods presented.

W. Income Taxes

Income tax expense comprises current and deferred tax, accounted for in accordance with IAS 12 Income Taxes. Tax is recognized in profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity, in which case the tax follows the related item. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment in respect of prior periods. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and their tax bases, measured using rates enacted or substantively enacted at the reporting date and expected to apply when the temporary differences reverse. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized and are reviewed at each reporting date. Interest and penalties in respect of income taxes are recognized in general and administrative expenses.

Critical accounting estimates and judgments: The recognition of deferred tax assets, including those arising from unused tax losses and deductible temporary differences, requires management judgment in assessing the probability that sufficient future taxable profits will be available against which the assets can be utilized. Estimates are based on forecast cash flows from operations and the application of enacted or substantively enacted tax laws in each jurisdiction in which the Company operates. Changes in future taxable profits or in tax legislation could result in a materially different carrying amount of deferred tax assets and a correspondingly different deferred tax expense.

X. Loss per Share

Basic loss per share is calculated in accordance with IAS 33 *Earnings per Share* by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share adjusts the weighted average number of common shares outstanding for the effect of all potentially dilutive common shares, including those issuable on the exercise or conversion of stock options, restricted stock units, warrants, and convertible securities. Potential common shares are excluded from the calculation where their inclusion would be anti-dilutive; as the Company has incurred a net loss in the periods presented, diluted loss per share equals basic loss per share.

Y. Determination of cash-generating units

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, in accordance with IAS 36 *Impairment of Assets*. The identification of CGUs requires significant management judgment, including consideration of how assets are utilized to generate cash inflows, how operations are managed and monitored, and the degree of shared infrastructure, common operations, and geographical proximity between assets. Where an individual asset cannot be tested for impairment on a stand-alone basis because it does not generate cash inflows that are largely independent of those from other assets, it is grouped with other assets within the CGU to which it belongs. The assessment of the recoverable amount of a CGU, being the higher of its fair value less costs of disposal and its value in use, requires estimates of future cash flows expected to be derived from the CGU and the selection of an appropriate discount rate. Changes in the identification of CGUs or in the inputs used to measure recoverable amount could result in a materially different impairment charge.

Z. Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Makers ("CODMs"), being the Chief Executive Officer and President of the Company, who are responsible for allocating resources and assessing segment performance based on operating income or loss. The Company's reportable segments, organized based on channels to end-user markets, are:

- **Corporate** – the publicly traded parent company and select wholly owned affiliates, representing a cost centre for public company reporting and administrative costs;
- **Distribution** – subsidiaries licensed to cultivate, manufacture, process and distribute Company-branded and third-party cannabis products and accessories to licensed retailers in Michigan and California, and to intermediary distributors in Canada;
- **Licensing –** sales of branded non-THC products and licensing fees earned from third-party distributors; and
- **Retail –** sales of Company-branded and third-party cannabis products and accessories to consumers and patients in the legal adult-use and medical markets in Florida, Michigan, and Canada
- All other non-reporting segments are included in an "Other" category.

AA. Related Party Transactions

Related parties are identified in accordance with IAS 24 *Related Party Disclosures*. A person or a close family member is related to the Company if that person has control, joint control or significant influence over the Company, or is a member of the key management personnel of the Company or its parent. An entity is related to the Company if the entities are members of the same group; if one is an associate or joint venture of the other; if both are joint ventures of the same third party; if one is a joint venture and the other an associate of a common third party; if the entity is a post-employment benefit plan for the Company's employees or those of a related entity; if the entity is controlled or jointly controlled by a related person; if a related person has significant influence over the entity or is a member of its key management personnel; or if the entity provides key management personnel services to the Company.

BB. Going Concern

These consolidated financial statements have been prepared on a going concern basis in accordance with IAS 1 Presentation of Financial Statements.

Critical accounting estimates and judgments: Assessing the Company's ability to continue as a going concern for a period of at least twelve months from the reporting date requires management judgment and estimates regarding forecast cash flows from operations, the timing and availability of financing, the execution of strategic initiatives, the maturity profile of the Company's debt obligations, and prevailing economic and market conditions. Where events or conditions are identified that may cast significant doubt on the Company's ability to continue as a going concern, management evaluates whether its plans to address those conditions are feasible and probable of being implemented. Changes in the underlying assumptions could result in a materially different going concern conclusion and, where applicable, the disclosure of material uncertainties.

6. 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 $30,565, comprising:

- $24,195 through the release of debt obligations payable by the Aleafia Group under the AH Note Receivable and the AH DIP Note (refer to Note 9); and
- $6,370 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 Note 21). 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.

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

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
Prepaids and deposits	1,722
Inventory	7,267
Biological assets	692
Land	11,700
Property, plant and equipment	9,686
Right of use assets	36
Intangible assets	4,681
Investments	1,837
Payables	(2,360)
Taxes payable	(72)
Accrued liabilities	(843)
Other payables	(65)
Lease obligations	(41)
Total identifiable net assets	**37,479**
[1]Excess consideration over net identifiable assets	**(6,914)**
Total consideration	**30,565**

During the year ended December 31, 2025, the Company expensed $4 in acquisition costs relating to the Aleafia Acquisition ($468; 2024). Revenue of the Purchased Entities post-acquisition for the year ended December 31, 2025, amounted to $24,560 (2024; $19,448) and net income totalled $2,125 (2024; $2,985).

Had the Aleafia Acquisition closed on January 1, 2024, the Company estimates it would have recorded consolidated revenues of $80,697 and a consolidated net loss of $33,601 for the comparative year ended December 31, 2024 , resulting in an increase in revenue of $532 and an increase in net loss of $504 for the year, including the impact of a bargain purchase amounting to $6,914 recorded by the Company to gain on investments.

During the year ended December 31, 2024, the Company completed a final assessment of the purchase price allocation related to the Aleafia Transaction. The assessment 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.

[1] 1 During the year ended December 31, 2024, 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 $267 in inventory
- A decrease of $444 in biological assets
- A decrease of $554 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 $7,645, to $6,914, representing a net reduction of $700. 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.

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

7. CASH AND EQUIVALENTS

Cash as at December 31, 2025, and 2024, includes the following:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Cash in bank	3,883	6,622
Cash on hand	114	116
Cash in transit	328	229
Restricted cash	242	318
Total cash	**4,567**	**7,285**

- **Cash on Hand:** Comprised of currency maintained at retail locations and petty cash funds utilized for immediate operational requirements.
- **Cash in Bank:** Represents balances held in deposit accounts at the Company's authorized financial institutions.
- **Cash in Transit:** Consists of retail location deposits in process of being transferred to the Company's financial institution. These deposits typically require twenty-four to forty-eight hours to be recognized and credited to the Company's accounts.
- **Restricted Cash:** Includes funds held in a 24-month guaranteed investment certificate ("GIC") maturing on August 29, 2027. This GIC bears an effective interest rate of 3.7% with monthly compounding.

The Company received cash advances throughout the year under the CAD and USD RGR Grid Notes (Note 21). Net proceeds from these advances are included in cash and cash equivalents as at December 31, 2025.

8. ACCOUNTS RECEIVABLE

The Company's trade accounts receivable are incurred as a result of sales through its Distribution and Licensing segments. The Company extends credit terms to customers at its sole discretion based on the customers' creditworthiness. The Company's typical credit terms, for customers who have met the Company's creditworthiness criteria, range between 15 and 60 days. The carrying value of trade and other receivables approximates fair value due to their short-term nature. The Company does not include sales tax recoverable within its ECL calculations as management deems this as fully collectible as of the date of these Financial Statements.

As at December 31, 2025, and 2024 accounts receivable consists of the following:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Trade receivables	9,945	22,466
Expected credit loss – trade receivables	(3,417)	(8,311)
Trade receivables, net	**6,528**	**14,155**
Other receivables	481	1,726
Expected credit loss - other receivables	-	(875)
Other receivables, net	481	851
Sales tax receivable	1,308	1,106
Ending Balance	**8,317**	**16,112**

The Company assessed the carrying amount of trade receivables at December 31, 2025, for expected credit loss ("ECL") and included an ECL of $3,417 (2024; $8,311). In the year ended December 31, 2025, the Company expensed $5,188 and $5,958, respectively, to ECL and bad debt expense on its consolidated statement of loss and other comprehensive loss (2024; $3,363 and $1,175, respectively).

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

The aging of the Company's trade receivables and the corresponding ECL as at December 31, 2025, and 2024 is as follows:

As at 31-Dec-25							
Aging classification (days)	**Current**	**1-30**	**31-60**	**61-90**	**91-120**	**121+**	**Total**
Rate of expected loss	6.4%	8.0%	15.5%	7.1%	26.5%	83.1%	
Trade receivables	3,302	1,007	650	556	616	3,814	9,945
Expected credit loss – trade receivables	(88)	(42)	(110)	(14)	(34)	(3,129)	(3,417)
Trade receivables, net	**3,214**	**965**	**540**	**542**	**582**	**685**	**6,528**
Other receivables							481
Sales tax receivable							1,308
Balance, December 31, 2025							**8,317**

As at 31-Dec-24							
Aging classification (days)	**Current**	**1-30**	**31-60**	**61-90**	**91-120**	**121+**	**Total**
Trade Receivables	6,492	3,399	593	1,804	771	9,407	22,466
Expected Credit Losses	(33)	(141)	(96)	(215)	(239)	(7,587)	(8,311)
Trade receivables, net	6,459	3,258	497	1,589	532	1,820	14,155
Other receivables							1,726
Expected credit loss - other receivables							(875)
Sales tax receivable							1,106
Balance, December 31, 2024							**16,112**

During the year ended December 31, 2025, the Company had two significant customers representing 25% and 13% of total revenues earned by the Company (2024 — one significant customer representing 11%). These customers operate within Canada's regulated cannabis distribution framework as authorized wholesale distributors, and as such, payment obligations to the Company are supported by their regulated status and established credit standing. Management considers the credit risk associated with these counterparties to be minimal and historical loss experience with respect to these customers has been negligible.

9. NOTES RECEIVABLE

As at December 31, 2025, and 2024, the Company had the following outstanding notes receivable:

Note	Purpose:	Note currency:	Execution Date:	Maturity Date:	Interest Rate per annum:	Balance, 31-Dec-25	Balance, 31-Dec-24
Battlecreek Note	Sale of capital assets	USD	17-Sep-25	17-Sep-27	0.00%	268	-
Gratiot Note A	Sale of capital assets	USD	12-Dec-25	12-Dec-27	7.00%	413	-
Gratiot Note B	Sale of capital assets	USD	12-Dec-25	12-Dec-27	7.00%	828	-
KMI Note	Working capital	USD	19-Dec-24	On Demand	12.00%	1,253	743
Lighthouse Note	Working capital	USD	1-Dec-25	15-Mar-28	13.00%	954	-
OPRC Note	Debt restructure	CAD	17-May-24	31-May-27	8.00%	3,020	3,000
PD Note	Working capital	USD	15-May-24	15-May-27	20.00%	28,991	12,093
Stateline Note	Sale of capital assets	USD	7-Nov-25	31-Dec-30	5.00%	1,721	-
						37,448	**15,836**

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

During the year ended December 31, 2025, the Company entered into a series of arm's-length transactions for the sale of certain capital assets, including real property, under which a portion of the consideration was received in the form of notes receivable. These arrangements include the Battlecreek Note, the Gratiot Note A, the Gratiot Note B, and the Stateline Note (the "Property Notes"). The terms of the underlying sale transactions and the associated notes receivable, including principal amounts, interest rates, and maturity dates, are summarized in the table above. Each of the Property Notes were measured at amortize cost for expected credit losses in accordance with IFRS 9. Each Property Note is supported by collateral — including the underlying capital assets sold, real property, or other security pledged under the relevant agreement — the realizable value of which, based on management's assessment at the reporting date, equals or exceeds the gross carrying amount of the note. As a result, the loss given default approaches nil and the resulting expected credit loss is not material. No expected credit loss allowance has been recognized for the year ended December 31, 2025 (2024 – nil).

The PD Note is measured at FVTPL and is therefore outside the scope of the IFRS 9 expected credit loss model; credit risk on this instrument is reflected directly in its fair value at each reporting date. Management has also assessed the collateral securing the PD Note and concluded that its realizable value is sufficient to support the carrying amount of the note at the reporting date.

Continuity of the Company's notes receivable for December 31, 2025, and 2024, is as follows:

	Balance, 01-Jan-24	Additions	Accrued Interest	Interest Payments	Principal Payments	FX (Gain)/Loss	Balance, 31-Dec-25
	$	$	$	$	$	$	$
Battlecreek Note	-	314	-	(42)	-	(4)	268
Gratiot Note A	-	419	2	-	-	(8)	413
Gratiot Note B	-	839	5	-	-	(16)	828
KMI Note	743	766	114	(101)	(225)	(44)	1,253
Lighthouse Note	-	954	-	-	-	-	954
OPRC Note	3,000	-	240	(220)	-	-	3,020
PD Note	12,093	20,309	2,546	-	(5,145)	(811)	28,992
Stateline Note	-	1,747	7	-	-	(34)	1,720
Total notes receivable	**15,836**	**25,348**	**2,914**	**(363)**	**(5,370)**	**(917)**	**37,448**
Short-term notes receivable	11,397						31,659
Long-term notes receivable	4,439						5,789

	Balance, 01-Jan-23	Additions	Accrued Interest	Discount Amortization	Interest Payments	Principal Payments	Acquisition (Note 6)	FX (Gain)/Loss	Balance, 31-Dec-24
	$	$	$	$	$	$	$	$	$
AH Note (note 6)	16,778	-	117	-	-	-	(16,954)	-	-
AH DIP Note (note 6)	7,927	7,330	33	-	-	-	(15,290)	-	-
KMI Note	-	723	19	-	-	-	-	-	723
OPRC Note	-	3,000	149	-	(149)	-	-	-	3,000
PD Note	-	10,973	805	-	-	(149)	-	464	12,093
Total notes receivable	**24,705**	**22,027**	**1,123**	**60**	**(149)**	**(149)**	**(32,244)**	**464**	**15,836**
Short-term notes receivable	24,705								11,397
Long-term notes receivable	-								4,439

Lighthouse Note: On December 1, 2025, the Company entered into a Revolving Credit Line and Security Agreement with MC2P, LLC d/b/a Lighthouse Sciences ("Lighthouse"), an Ohio limited liability company. The facility consists of two tranches: Tranche A in the principal amount of US$625, bearing interest at 13% per annum, and Tranche B in the principal amount of US$72, bearing interest at 0% per annum. Both tranches mature on March 15, 2028. The note is secured by a first-priority security interest in substantially all of Lighthouse's personal property, including state licensure, subject to existing senior liens and to applicable cannabis regulatory restrictions under Ohio Marijuana Laws. Advances under the facility are revolving and made at the sole discretion of the Company.

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

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.

OPRC Note: On May 17, 2024, the Company entered into a $3,000 secured note receivable agreement with One Plant Retail Corporation ("OPRC"), (the "OPRC Note"). OPRC is a legal entity in which the Company retains an 8.94% minority investment (Note 18). 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 was settled in full subsequent to December 31, 2025 (refer to Note 35).

PD Note: On May 15, 2024, the Company extended a US$8,000 revolving line of credit note to a Michigan cultivation operation (the "Borrower") bearing interest at 20% per annum to facilitate an arm's length crop commitment that will reduce the cost of raw material (cannabis biomass) inputs used in the Company's finished goods sold in the state of Michigan. The note matures on May 15, 2027, and allows for borrowing, repayment, and reborrowing of principal up to the maximum principal limit, subject to the Company's approval. Annual repayments are required to reduce the outstanding balance, including interest, to USD $1,000 by May 15 of each year unless this condition is waived by the Company. The Company has secured a first-priority security interest on substantially all of the Borrower's operating assets excluding inventory on hand at the inception of the loan agreement and may accelerate repayment in the event of default. On January 1, 2025, the Company and the Borrower entered into a First Amendment to the note, which (i) increased the maximum principal amount available under the facility from US$8,000 to US$20,000, and (ii) amended the payment-in-kind ("PIK") provisions to establish an annual cap on Compliant Product deliveries (60% of annual production for 2025–2026 and 55% thereafter), with the Company irrevocably forgiving accrued and unpaid interest in an amount equal to the applicable PIK Value delivered within the cap upon each such delivery, and the full PIK Value applied against outstanding principal. Interest forgiven is netted against interest income earned on the note. All other terms of the original note remain in full force and effect.

The AH Note and AH DIP Note: The AH Note and AH DIP Note were issued in connection with the broader transaction that resulted in the Aleafia Acquisition (note 6). The AH Note bore interest at prime plus 9% per annum and matured on December 24, 2023, subsequently extended to January 12, 2024; the discount on the purchase price of $1,030 was recognized over its expected life using the effective interest method and included in other income. The AH DIP Note accrued interest at 12.5% per annum, compounded and calculated weekly and added to principal on the first day of each month, and carried a commitment fee of $198 representing 3% of the maximum $6,600 available to be advanced. On January 12, 2024, as a component of the consideration paid for the Aleafia Acquisition, the Company released all remaining amounts outstanding under the AH Note ($16,953) and the AH DIP Note ($15,920), for a total of $32,244, rendering both notes settled and paid in full.

10. PREPAID EXPENSES

As at December 31, 2025 and 2024, prepaid expenses are comprised of the following amounts:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Prepaid operating licenses	742	1,741
Prepaid taxes	31	4
Prepaid dues and subscriptions	20	129
Other prepaid fees	258	119
Total prepaid expenses	**1,051**	**1,993**

Prepaid operating licenses include licenses held by the Company's various subsidiaries that allow for the legal conduct of cultivation, processing, distribution, and medical and adult-use retail sales by these entities. These licenses are regulated by the respective authorities in each state or province across the United States and Canada.

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

11. DEPOSITS

As at December 31, 2025, and 2024, the Company had the following deposits:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Vendor deposits	7,067	10,202
Security deposits	369	333
Other deposits	169	651
Total deposits	**7,605**	**11,186**

For supply chain security and to ensure consistent access to cannabis biomass meeting the Company's product specifications, the Company enters into crop commitments with independent licensed producers under which advance deposits are placed to reserve production capacity.

As at December 31, 2025, the Company holds vendor deposits — $1,184 and $2,878 respectively — under crop commitments for cannabis biomass meeting product parameters defined by the Company, including specified cannabinoid profile, terpene composition, and quality standards required for the Company's branded portfolio. Both commitments remain active, and the Company continues to work collaboratively with its vendors to realize on these commitments. Management has assessed the recoverability of these deposits at each reporting date and considers the amounts to be fully recoverable through future product deliveries.

In connection with the closing of the Aleafia Acquisition (Note 6), the Company also placed $748 on deposit with a Canadian government institution to be held in trust on the account of Emblem Cannabis Corporation, one of the licensed entities acquired in the transaction.

12. INVENTORY

The Company's inventory as at December 31, 2025, and 2024 consists of the following:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Raw materials	7,123	5,493
Work in process	32,926	39,408
Finished goods	5,131	5,376
Inventory provisions	(1,742)	(2,721)
Total inventory	**43,438**	**47,556**

During the period ended December 31, 2025, the total inventory included in cost of sales was $40,542 (2024; $53,136), which includes an allocation for salaries and wages amounting to $4,988 (2024; $5,701).

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

13. BIOLOGICAL ASSETS

The following significant inputs were used by management in measuring the fair value of biological assets at December 31, 2025:

Input	Description	Fair value hierarchy
Selling price	Expected selling price per gram equivalent, determined by reference to actual arm's-length wholesale sales, published wholesale indices, cannabis benchmarks, statistical reports), or observable retail list prices, depending on the subsidiary's principal market.	Level 2
Stage of growth	The weighted-average number of weeks through the growing cycle at the measurement date, used to pro-rate expected harvest-date fair value against plants still growing.	Level 3
Yield per plant	Expected dried grams of finished cannabis per harvested plant, derived from historical harvest data for each cultivar and cultivation environment.	Level 3
Bud-to-trim yield mix	The estimated percentage of harvested biomass that will be classified as Bud versus Trim at separation. Estimates are based on cultivar-level historical separation ratios.	Level 3
Wastage / harvest loss	The percentage of biological assets expected to fail to reach harvest, or to be lost during drying and curing. Loss rates are determined based on historical experience at each cultivation facility and are subject to significant facility-specific variation.	Level 3
Post-harvest and additional processing costs	Expected costs per dry gram equivalent to complete processing of harvested biomass into its finished saleable form, including labour, contract labour and processing overhead.	Level 3
Costs to sell	Expected direct selling costs per gram, including regulatory, quality assurance and excise-related costs incurred at the point of sale.	Level 3

The Company's biological assets consist of 9,521 plants growing as at December 31, 2025 (2024; 4,837).

The continuity of biological assets is as follows:

	As at 31-Dec-25	As at 31-Dec-24
	$	**$**
Carrying amount, beginning of year	1,728	829
Acquired (note 6)	-	1,136
Capitalized cost	8,263	11,940
Unrealized changes in fair value of biological assets	128	856
Transferred to inventory	(9,019)	(13,092)
Effects of foreign exchange	65	59
Carrying value, end of year	**1,165**	**1,728**

The following table summarizes the significant inputs in the fair value model for each cultivating subsidiary at December 31, 2025:

Significant input	AFI (CAD)	ECC (CAD)	RWBM (USD)	RFL (USD)
Weighted average selling price — per gram	$0.21	$2.00	$1.29	$4.42
Bud as a % of total harvested yield	26%	68%	51%	74%
Trim as a % of total harvested yield	71%	28%	20%	n/a
Expected wastage / loss rate	3%	4%	29%	2%
Weighted average post-harvest — per gram	0.04	$0.72	$0.15	$3.21
Cost to sell per gram — per gram	0.04	$0.72	$0.15	$3.21

Management has identified the following areas as the principal sources of estimation uncertainty in the measurement of biological assets. A change in any of these inputs, individually or in combination, could have a material effect on the carrying amount of biological assets and the unrealized fair value adjustment recorded through profit or loss within the next financial year:

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

- **Determination of the principal market.** The conclusion that each operating subsidiary's principal market should be assessed separately — subsidiaries with access to a wholesale principal market rather than the retail end-consumer market serviced by the vertically integrated group — is a significant judgment. If management had instead concluded that the principal market for all biological assets was the downstream retail or processed-product market, measured fair values and unrealized fair value adjustments would differ materially.

- **Wastage / loss rates.** Expected loss rates vary materially across the Company's cultivation facilities, from approximately 3%–4% at the Company's Canadian operations to approximately 29% at the Company's Michigan operations. The Michigan loss rate reflects historical cultivation performance at that facility, including challenges associated with strain selection, environmental controls and harvest timing. An improvement or deterioration in the Michigan's loss rate has a disproportionately large effect on Michigan's fair value measurement relative to the Company's Canadian operations.

- **Yield per plant and bud-to-trim separation ratios.** Expected yields and the proportion of each harvest that will classify as Bud versus Trim are estimated based on historical harvest data for each cultivar and facility. Actual yields and separation ratios are affected by cultivation conditions, strain genetics, harvest timing, and post-harvest handling, and may differ materially from management's estimates for plants still growing at the measurement date.

- **Stage of growth.** Fair value is accreted on a straight-line basis according to the stage of growth of each plant. The assumption that biological transformation (and therefore value creation) occurs evenly over the growth cycle is a modelling convention; actual biological transformation is not linear, particularly during the flowering phase.

- **Post-harvest processing and costs to sell.** Estimated costs to complete processing and to sell harvested cannabis are derived from historical per-gram cost rates at each facility. These cost rates are sensitive to changes in labour costs, throughput, facility utilization and yield recovery assumptions. Changes in these inputs directly affect fair value less costs to sell.

- **Regulatory and licensing environment.** The Company operates under Health Canada, Canada Revenue Agency (Cannabis Duty), Michigan Cannabis Regulatory Agency and Florida Office of Medical Marijuana Use regulatory regimes. Changes in licensing conditions, excise duty treatment, permitted sales channels or market access could materially alter the principal market determination, the highest and best use analysis, and observable market prices used in the fair value measurement.

Sensitivity Analysis

The following table quantifies the impact on the fair value of biological assets at December 31, 2025 of a 10% increase or decrease in each significant input, holding all other inputs constant.

The sensitivity analysis has been prepared on a consolidated basis, with individual subsidiary impacts disclosed where a sensitivity is specific to one operating subsidiary:

Input	+10% change – December 31, 2025	-10% change – December 31, 2025
Selling price – wholesale (AFI, ECC, RWBM)	$112	($112)
Selling price – retail (RFL)	$305	($305)
Yield per plant	$59	($59)
Post-harvest / additional processing costs	($228)	$118

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

14. ASSETS & LIABILITIES HELD FOR SALE

The assets and liabilities of the Company's discontinued operations (the "Discontinued Operations") are presented as held for sale on the consolidated statement of financial position in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Pharmaco Inc. ("Pharmaco"), a wholly owned subsidiary acquired February 7, 2022, operated licensed medical and adult-use cannabis retail outlets with limited cultivation in Michigan. On December 26, 2024, following events of default under a senior secured loan agreement, the Circuit Court of Oakland County, Michigan granted a Receivership Order authorizing the Receiver to manage and dispose of Pharmaco's assets, with the senior secured lender retaining its first-priority lien and entitlement to disposition proceeds. Pharmaco met the IFRS 5 criteria of a disposal group held for sale and discontinued operation; its results for the years ended December 31, 2025 and 2024 have been reclassified from continuing operations and presented as discontinued operations.

The carrying amounts of the assets and liabilities of all Discontinued Operations as at December 31, 2025, and 2024 are as follows:

	As at 31-Dec-25	As at 31-Dec-24
	$	**$**
Current assets		
Accounts receivable	-	4
Deposits	138	42
Lease receivables	-	1,617
Non-current assets		
Property, plant and equipment, net	6,064	11,529
Assets classified as held for sale	**6,202**	**13,192**
Current liabilities		
Accounts payable and accrued liabilities	3,070	8,358
Credit facility	-	21,851
Promissory notes	784	798
Tax payables	7,684	15,192
Liabilities classified as held for sale	**11,538**	**46,199**

During the year ended December 31, 2024, the Company recognized an impairment loss of $141 on a property, plant and equipment related to Discontinued Operations. These impairments stem from a reassessment of the recoverable value of the acquired operations' property, plant and equipment as the Company continued to evaluate restructuring alternatives for the operations. The balance of the carrying value of property, plant and equipment, represents management's best estimate of the aforementioned assets' value in use as of December 31, 2025, and 2024.

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

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of December 31, 2025, and 2024 consists of the following:

	Land	Land Improvements	Building	Building Improvements	Leasehold Improvements	Vehicles	Furniture & Fixtures	Machinery & Equipment	Computer Hardware	Construction In Progress	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
Balance, January 1, 2024	651	1,197	7,482	-	6,453	16	477	11,706	-	2,056	30,038
Additions	-	-	1,829	175	78	180	101	675	4	2,456	5,498
Additions through business combinations (note 6)	6,491	-	9,947	4,161	-	-	87	605	95	-	21,386
Disposals	-	-	-	-	(110)	(2)	(67)	(634)	-	(1,212)	(2,025)
Foreign currency movement	57	105	(1,170)	(157)	1,914	10	42	(59)	(4)	88	826
Balance, December 31, 2024	**7,199**	**1,302**	**18,088**	**4,179**	**8,335**	**204**	**640**	**12,293**	**95**	**3,388**	**55,723**
Additions cost	-	-	-	3	292	-	20	483	11	2,222	3,031
Disposals	-	-	-	-	-	-	-	(159)	-	-	(159)
Foreign currency movement	(34)	(62)	(386)	52	802	(10)	(163)	(430)	-	(1,404)	(1,635)
Balance, December 31, 2025	**7,166**	**1,240**	**17,700**	**4,235**	**9,429**	**194**	**496**	**12,186**	**107**	**4,206**	**56,959**
Accumulated depreciation											
Balance, January 1, 2024	-	21	631	-	2,402	9	197	3,745	-	-	7,005
Depreciation this period	-	14	724	434	1,304	17	96	1,953	34	-	4,576
Disposals	-	-	(528)	(116)	(13)	(1)	-	(273)	(3)	-	(934)
Foreign currency movement	-	3	569	100	965	2	21	(230)	2	-	1,432
Balance, December 31, 2024	**-**	**38**	**1,396**	**418**	**4,658**	**27**	**314**	**5,195**	**33**	**-**	**12,079**
Depreciation for the period											
Depreciation this period	-	14	692	404	1,346	40	77	1,983	32	-	4,588
Foreign currency movement	-	(2)	(51)	6	(247)	(2)	(28)	(276)	-	-	(600)
Balance, December 31, 2025	**-**	**50**	**2,038**	**828**	**5,757**	**64**	**363**	**6,902**	**65**	**-**	**16,067**
Net book value											
Balance, December 31, 2024	7,199	1,264	16,691	3,761	3,677	177	326	7,098	63	3,388	43,644
Balance, December 31, 2025	7,166	1,191	15,663	3,407	3,672	130	133	5,284	42	4,206	40,894

The Company capitalized $3,683 in depreciation expense to inventory within the year ended December 31, 2025 (2024; $3,408).

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

16. INTANGIBLE ASSETS

A continuity of the intangible assets for December 31, 2025, and 2024, is as follows:

	Brand	Licenses	Total
	$	$	$
Balance, January 1, 2024	34,123	52,600	86,723
Additions	1,679	-	1,679
Acquired (note 6)	447	4,234	4,681
Foreign exchange movement	3,001	4,625	7,626
Balance, December 31, 2024	**39,250**	**61,459**	**100,709**
Impairment	(14,706)	(27,158)	(41,864)
Foreign exchange movement	(1,660)	(2,527)	(4,187)
Balance, December 31, 2025	**22,884**	**31,773**	**54,657**

As part of the Aleafia Acquisition (Note 6), the Company acquired all of the operating licenses issued by regulatory authorities in Canada to the acquired group of companies.

Intangible asset impairments

At the end of each reporting period, the Company assesses whether there is any indication that an intangible asset, a cash-generating unit ("CGU"), or a group of CGUs may be impaired. In making this assessment, the Company considers external factors, including market conditions, regulatory and legislative developments, competitive dynamics, and observable changes in industry valuation benchmarks, together with internal factors, including operating performance, strategic direction, and the continued use and expected future cash flows of the asset. Indefinite-life intangible assets are tested for impairment annually, and at any other time during the period when an indicator of impairment is identified.

Impairment of Intangible Assets — Platinum Vape Brand

During the year ended December 31, 2025, the Company identified indicators of impairment in respect of the Platinum Vape ("PV") brand intangible asset and performed an impairment test in accordance with IAS 36 Impairment of Assets.

The recoverable amount of the PV brand was determined on the basis of value in use ("VIU"), being the higher of VIU and fair value less costs of disposal, estimated using the relief-from-royalty method. The recoverable amount was determined to be US$15,145 (CAD$20,758), compared to a carrying amount of US$25,800 (CAD$35,361), resulting in an impairment loss of US$10,655 (CAD$14,706). The impairment loss has been recognized in the consolidated statement of loss and comprehensive loss within "Impairment of intangible assets," and the carrying amount of the PV brand has been reduced to US$15,145 (CAD$20,758) as at December 31, 2025.

The recoverable amount represents a Level 3 fair value measurement within the IFRS 13 fair value hierarchy. The key assumptions applied were a royalty rate of 9.0%, a pre-tax discount rate of 21.0%, a terminal growth rate of 2.0%, and revenue projections covering a five-year discrete forecast period derived from Management's projections for the Company's operating jurisdictions.

The Corporation will continue to monitor for indicators of impairment at each reporting date.

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

Recoverable Amount and Valuation Methodology:

The recoverable amount of the PV brand intangible asset was determined on the basis of value in use, being the higher of value in use and fair value less costs of disposal as required under IAS 36. The recoverable amount was estimated using the relief-from-royalty methodology, under which the value of the brand is derived from the present value of the pre-tax royalty payments that the Company is relieved from paying as a result of owning the brand outright. Cash flows attributable to the PV brand were projected across the Company's principal operating jurisdictions over a five-year explicit forecast period from 2026 to 2030, with cash flows beyond the explicit forecast period extrapolated using a long-term growth rate.

Impairment of Intangible Assets — Florida CGU

Goodwill and intangible assets (licenses) allocated to the Corporation's Florida cash generating unit ("Florida CGU") were assessed for impairment in accordance with IAS 36 Impairment of Assets. The Corporation is required to test goodwill and indefinite-life intangible assets for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount of a CGU may exceed its recoverable amount.

The recoverable amount of the Florida CGU was determined on the basis of fair value less costs of disposal ("FVLCD"), estimated by reference to an observable market transaction involving the Florida operations entered into subsequent to the reporting date (see Note 35). The fair value measurement is classified as Level 3 within the IFRS 13 fair value hierarchy.

The recoverable amount of the Florida CGU was determined to be US$53,428 (CAD$73,229), compared to a carrying amount of US$82,683 (CAD$113,326), resulting in an impairment loss of US$29,255 (CAD$40,374). In accordance with IAS 36.104, the loss was first allocated to goodwill (US$9,578 / CAD$13,220), with the remainder (US$19,677 / CAD$27,158) allocated on a pro-rata basis to the Florida cannabis licenses. The impairment loss is recognized in the consolidated statement of loss and comprehensive loss within Impairment of goodwill (Note 19) and Impairment of intangible assets.

The impairment loss has been recognized in the consolidated statement of loss and comprehensive loss within "Impairment of goodwill" and "Impairment of intangible assets."

17. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

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

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Opening balance	17,976	17,191
Acquisition (note 6)	-	121
Acquired accumulated depreciation (note 6)	-	(85)
Additions	2,373	3,675
Depreciation	(1,740)	(1,576)
Disposals – cost	(720)	(3,447)
Disposals - accumulated depreciation	-	936
Gain on Disposals	-	390
Effects of foreign exchange	(140)	771
Balance, December 31, 2025	**17,749**	**17,976**

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

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

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Opening balance	22,728	20,503
Additions/(Disposals)	2,373	415
Adjustments	(58)	-
Interest accretion	2,764	2,577
Interest payments	(2,764)	(2,824)
Principal payments	(411)	(149)
Ending balance	**24,632**	**20,522**
Effects of foreign exchange	(1,124)	2,207
Less: Short-term lease obligations	(955)	(701)
Long-term lease obligation	**22,553**	**22,028**

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

	As at 31-Dec-25
	$
2026	3,450
2027	3,486
2028	3,525
2029	3,745
2030	4,005
Thereafter	27,906
Total minimum lease payments	**46,117**
Present value of minimum lease payments	15,452
Effect of discounting	7,157
Current portion lease obligations	955
Long-term lease obligations	**22,553**

18. MINORITY INTEREST IN INVESTMENT

Investment in One Plant (Retail) Corp.

In connection with the Aleafia Acquisition (Note 6), the Company acquired an 8.94% equity interest in One Plant (Retail) Corp. ("OPRC"), a privately held Canadian corporation that operates, or holds operating interests in, a network of licensed cannabis retail locations across Canada under the One Plant trade banner. OPRC's retail network features a curated assortment of both proprietary and third-party premium cannabis products offered through a customer-focused in-store and digital retail experience.

Classification and Measurement: The Company has determined that it does not exercise significant influence over the financial or operating policies of OPRC, as defined in IAS 28 — *Investments in Associates and Joint Ventures*. Accordingly, the investment does not meet the criteria for equity-method accounting and has been classified as a financial asset measured at fair value through profit or loss ("FVTPL") in accordance with IFRS 9 — *Financial Instruments*. Changes in the fair value of the investment are recognized in profit or loss in the period in which they arise.

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

Fair Value Determination: The fair value of the Company's investment in OPRC is determined using a Level 3 valuation approach under the IFRS 13 fair value hierarchy, reflecting the absence of an observable market price for the equity interest. The valuation incorporates unobservable inputs including OPRC's most recent financial performance, comparable transaction multiples within the Canadian cannabis retail sector, and management's assessment of operational and market conditions affecting the underlying business. The Company reassesses the fair value of the investment at each reporting date.

The continuity of the Company's investment in OPRC for the years ended December 31, 2025 and December 31, 2024 is set out below:

	$
Balance, January 1, 2024	**-**
Equity investment as a result of business combinations (note 6)	1,837
Gain on fair value adjustment	642
Balance, December 31, 2024	**2,479**
Gain on fair value adjustment	878
Balance, December 31, 2025	**3,357**

The Company maintained its 8.94% ownership interest in OPRC throughout the year ended December 31, 2025. The fair value gain of $878 recognized during the year (2024; $642) is included within other income in the consolidated statement of profit or loss and other comprehensive income.

19. GOODWILL

Goodwill as of December 31, 2025, and 2024 was comprised of the following:

	$
Balance, January 1, 2024	**12,668**
Foreign exchange movement	1,114
Balance, December 31, 2024	**13,782**
Foreign exchange movement	(562)
Impairment	(13,220)
Balance, December 31, 2025	-

Balances in goodwill as at December 31, 2025, and 2024 is associated with the Company’s Retail segment.

Goodwill impairment

In assessing a CGU, including goodwill, for impairment, the Company compares the carrying value of the CGU to the recoverable amount, where the recoverable amount is the greater of fair value, less cost to sell and the value in use ("VIU"). Refer to Note 5 for the Company’s methodology for determining CGUs. An impairment charge is recognized to the extent that the carrying value exceeds the recoverable amount.

Impairment of Goodwill — Florida CGU

Goodwill and intangible assets (licenses) allocated to the Corporation's Florida cash generating unit ("Florida CGU") were assessed for impairment in accordance with IAS 36 *Impairment of Assets*. As a result of this assessment, Goodwill allocated to the Company’s Florida CGU was impaired as at December 31, 2025 (2024; $nil). The impairment loss has been recognized in the consolidated statement of loss and comprehensive loss within "Impairment of goodwill.” For details relating to the analysis and subsequent impairment, refer to Note 16.

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

20. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities at December 31, 2025, and 2024:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Trade payables	7,257	14,761
Accrued liabilities and other	4,598	5,857
Sales and excise tax payable	3,532	3,335
Customer deposits	812	121
Total	**16,199**	**24,074**

During the year ended December 31, 2025, the Company had two significant vendors representing 18% and 12% of its trade payables (2024: 20% and 10%).

21. DEBT

A reconciliation of Finance Expenses as reported on the statement of financial position for the year ended December 31, 2025, and 2024 is as follows:

	12 months ended 31 Dec-25	12 months ended 31-Dec-24
	$	$
Interest on notes payable	36,691	25,266
Interest on convertible debt	5,855	7,651
Interest on credit facilities	-	1,082
Other finance fees	32	3,125
Accreted interest on notes payable	-	248
Accreted interest on convertible debt	-	2,639
(Gain) loss on valuation of financial instruments	-	(691)
(Gain) on Loan forgiveness	(5,804)	-
(Gain) loss on debt extinguishment	-	167
Total finance expense	**36,774**	**39,487**

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

A. NOTES PAYABLE

As at December 31, 2025, and 2024 the Company had the following outstanding notes payable:

Note	Purpose:	Note/Amended Value:	Note currency:	Execution Date:	Maturity Date:	Interest Rate per annum:	Balance, 2025-Dec-31	Balance, 2024-Dec-31
[i,ii]BJSD Note	Debt restructure	3,065	CAD	01-Feb-25	12-Sep-27	12.00%	3,420	3,214
[i,ii]CPIL Note	Debt restructure	20,644	CAD	01-Feb-25	12-Sep-27	12.00%	23,032	-
[i,ii]DCIL Note	Debt restructure	7,120	USD	01-Feb-25	12-Sep-27	12.00%	10,887	-
ELL Note	Mortgage	5,750	CAD	05-Jun-24	01-Jul-29	6.72%	5,647	5,743
MV Ops Note	Operations	1,130	USD	04-Jun-24	04-Dec-25	12.00%	1,757	1,637
Oakshire Note	Debt settlement	3,000	USD	19-Jul-24	On Demand	0.00%	1,413	1,665
[i,ii]RGR CAD Grid Note	Debt restructure	59,022	CAD	01-Feb-25	12-Sep-27	12.00%	71,096	56,946
[i,ii]RGR Note A	Debt restructure	33,418	USD	01-Feb-25	12-Sep-27	12.00%	51,100	52,038
[ii]RGR Note C	Debt restructure	21,742	USD	29-Nov-24	30-Nov-26	12.00%	36,060	33,541
[i,ii]RGR USD Grid Note	Operations & acquisitions	53,779	USD	01-Feb-25	12-Sep-27	12.00%	114,502	75,902
[i,ii]SDIL Note A	Debt restructure	6,901	USD	01-Feb-25	12-Sep-27	12.00%	10,093	10,091
[i,ii] SDIL Note B	Debt restructure	7,120	USD	01-Feb-25	12-Sep-27	12.00%	10,887	-
[i]SIL Note	Debt restructure	347	USD	01-Feb-25	12-Sep-27	12.00%	531	521
[i]TAII Note	Debt restructure	3,387	USD	01-Feb-25	12-Sep-27	12.00%	5,179	5,278
							345,605	**246,576**

Notes payable transactions during the year ended December 31, 2025:

The Company successfully concluded negotiations with various lenders, including related party lenders, to renew multiple previously issued notes payable that had matured during the fiscal year ended December 31, 2024 (the "Matured Debt"). Originally scheduled to mature on September 12, 2024, the Matured Debt was formally amended on February 1, 2025, with the amendments effective as of September 15, 2024. The renewed debt includes revised terms that align with the Company's growth strategy, allowing management to maintain adequate cash flow while continuing to pursue strategic expansion initiatives in active markets in Canada and the United States.

The Matured Debt was amended to extend the maturity date to September 12, 2027, adjust the annual interest rate to 12%, defer principal and interest payments to the respective maturity dates, and remove convertible features where applicable. As part of the amendment, certain related party lenders forgave an aggregate of $5,803 in accrued interest.

For more details on the continuity of each note payable, refer to the note payable continuity schedule below.

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

[i] Matured Debt
[ii] Related party lender

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.

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:** 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.

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

The continuity of the outstanding notes payable held by the Company for the period ended December 31, 2025, is as follows.

	Balance, 01-Jan-25	Additions	Amendments	Accrued interest	Interest Payments	Principal Payments	(Gain)/Loss Amendments	FX (Gain)/Loss	Balance, 31-Dec-25	Short -term	Long -term
	$	$	$	$	$	$	$	$	$	$	$
[i,ii]BJSD Note	3,213	-	-	387	-	-	(180)	-	3,420	-	3,420
[i,ii]CPIL Note	-	-	20,644	2,388	-	-	-	-	23,032	-	23,032
[i,ii]DCIL Note	-	-	10,312	1,148	-	-	-	(573)	10,887	-	10,887
ELL Note	5,744	-	-	375	(234)	(237)	-	-	5,648	135	5,513
MV Ops Note	1,638	-	-	202	-	-	-	(83)	1,757	1,757	-
Oakshire Note	1,665	60	-	183	-	(435)	-	(60)	1,413	1,413	-
[i,ii]RGR CAD Grid Note	56,946	6,500	-	7,650	-	-	-	-	71,096	-	71,096
[i,ii]RGR Note A	52,038	-	-	5,907	-	-	(4,503)	(2,342)	51,100	-	51,100
[ii]RGR Note C	33,541	-	-	4,191	-	-	-	(1,672)	36,060	36,060	-
[i,ii]RGR USD Grid Note	75,902	33,365	-	11,288	-	(1,883)	-	(4,170)	114,502	-	114,502
[i,ii]SDIL Note A	10,091	-	-	1,165	-	-	(699)	(464)	10,093	-	10,093
[i,ii] SDIL Note B	-	-	10,312	1,148	-	-	-	(573)	10,887	-	10,887
[i]SIL Note	521	-	-	61	-	-	(27)	(24)	531	-	531
[i]TAII Note	5,277	-	-	598	(65)	-	(395)	(236)	5,179	-	5,179
Total Notes Payable	**246,576**	**39,925**	**41,268**	**36,691**	**(299)**	**(2,555)**	**(5,804)**	**(10,197)**	**345,605**	**39,365**	**306,240**

The continuity of the outstanding notes payable held by the Company for the period ended December 31, 2024, is as follows.

	Balance 01-Jan-24	Additions	Interest Accretion	Interest	Interest Payments	Principal Payments	Debt Modification	Transaction costs	Extinguish -ment	Extinguishment Gain/(loss)	FX (gain)/loss	Balance 31-Dec-24	Short -term	Long -term
	$	$	$	$	$	$	$	$	$	$	$	$		
[i,ii,iii] BJMDSD Note	3,029	-	12	461	(138)	(150)	-	-	-	-	-	3,214	3,214	-
ELL Note	-	5,750	-	218	(187)	(38)	-	-	-	-	-	5,743	127	5,616
MV Ops Note	-	1,626	-	11	-	-	-	-	-	-	-	1,637	1,637	-
Oakshire Note	-	4,608	-	-	-	(3,005)	-	-	-	-	62	1,665	1,665	-
[i,ii,iv] RGR CAD Grid Note	31,098	-	-	100	-	-	-	50	(31,198)	(50)	-	-	-	-
[i,ii,iv] RGR CAD Grid Note	-	23,062	-	5,701	(15)	(3,000)	31,198	-	-	-	-	56,946	56,946	-
RGR Note C	-	-	-	2,198	-	-	30,460	-	-	-	883	33,541	-	33,541
[i,ii,,iv] RGR USD Grid Note	30,293	-	-	97	-	-	-	50	(30,390)	(50)	-	-	-	-
[i,ii ,iv] RGR USD Grid Note	-	34,648	-	6,092	-	-	30,390	-	-	-	4,772	75,902	75,902	-
[i,ii]SDIL Note	9,366	-	73	1,323	(460)	(1,032)	-	-	-	-	821	10,091	10,091	-
[i] SIL Note	412	-	4	65	-	-	-	-	-	-	40	521	521	-
[i] TAII Note	4,303	-	35	663	(128)	-	-	-	-	-	405	5,278	5,278	-
[ii,v]USD$18,300,000 RGR Note	25,138	-	-	1,847	-	(27)	-	1,842	(30,460)	(67)	1,727	-	-	-
[i,ii,vi] USD$25,885,000 RGR Note	41,454	-	124	6,490	-	-	-	-	-	-	3,970	52,038	52,038	-
Balance, end of period	**145,093**	**69,694**	**248**	**25,266**	**(928)**	**(7,252)**	**92,048**	**1,942**	**(92,048)**	**(167)**	**12,680**	**246,576**	**207,419**	**39,157**

[i] Matured Debt
[ii] Related party lender
[iii] Amended February 1, 2025 into BJSD Note
[iv] Amended January 1, 2024
[v] Amended November 29, 2024 into RGR Note C
[vi] Amended February 1, 2025 into RGR Note A

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

B. CONVERTIBLE DEBENTURES

Below are the terms of each of the convertible notes held by the Company, and assumptions used to value each of the respective embedded convertible features in the Company's outstanding convertible debentures as at December 31, 2025, and 2024.

	AB Convertible Note	FCC Convertible Note	IBGL Convertible Note	[i]VMOS Convertible Note	MV Convertible Note	[i,ii] DCIL Convertible Note	[i,ii] SDIL Convertible Note	[i,ii] CPIL Convertible Note
Purpose of issuance	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Florida Acquisition	Debt restructure	Debt restructure	Debt restructure
Details and terms								
Original note value	USD$781,250	USD$1,562,500	USD$1,562,500	USD$1,093,750	USD$20,112,015	USD$5,400,000	USD$5,400,000	CAD$17,000,000
Original date of issue	2021-04-22	2021-04-22	2021-04-22	2021-04-22	2021-06-04	2021-10-04	2021-10-04	2022-09-15
Amendment date	n/a	n/a	2024-12-31 effective 2024-06-04	2024-12-31 effective 2024-06-04	2024-11-29 effective 2024-06-04	2021-11-25 2022-09-15	2021-11-25 2022-09-15	-
Maturity date	2024-04-22	2024-04-22	2024-04-22 amended 2026-11-30	2024-04-22 amended 2026-11-30	2024-06-04 amended 2026-11-30	2024-09-12	2024-09-12	2024-09-12
Interest rate/annum	8% post maturity 12%	8% post maturity 12%	8% amended 12%	8% amended 12%	8% amended 12%	8%	8%	8%
Additional interest/annum	-	-	-	-	4% in shares amended 0%	-	-	-
Default rate/annum	5%	5%	5%	5%	8% amended 15%	10%	10%	8%
Conversion price/share	N/A	N/A	USD$2.75	USD$2.75	USD$2.75	USD$0.15	USD$0.15	CAD$0.20
Interest due	On Demand	On Demand	On maturity	On maturity	On maturity	On maturity	On maturity	On maturity
Security	Unsecured	Unsecured	Unsecured	Unsecured	Secured	Secured	Secured	Secured
Collateral	None	None	None	None	RWB Florida LLC Class A Membership	Shares of RWB Platinum Vape, LLC	Shares of RWB Platinum Vape, LLC	1st priority security interest RWB Michigan, LLC
Valuation method used for embedded derivatives	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Binomial Lattice based on CRR	Residual Method

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

[i] Related party
[ii] Amended into promissory note on February 1, 2025

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

A continuity of convertible debentures held by the Company for the period ended December 31, 2025, and 2024, is as follows:

	AB Convertible Note	FCC Convertible Note	IBGL Convertible Note	[i] VMOS Convertible Note	MV Convertible Note	[i,ii] DCIL Convertible Note	[i,ii] SDIL Convertible Note	[i,ii] CPIL Convertible Note	Total
	$	$	$	$	$	$	$	$	$
Carrying Value, January 1, 2024	**1,242**	**2,485**	**2,485**	**1,739**	**30,987**	**8,378**	**8,378**	**18,030**	**73,724**
Interest accrued	26	52	52	37	1,078	829	829	1,673	4,576
Interest Accretion	14	28	28	20	1,506	153	153	737	2,639
Extinguishment	-	-	(2,658)	(1,860)	(34,684)	-	-	-	(39,202)
Amendment	-	-	2,658	1,860	34,684	-	-	-	39,202
Interest accrued post-amendment	92	184	184	129	2,486	-	-	-	3,075
Effects of foreign exchange	113	225	225	157	2,958	783	783	-	5,244
Carrying Value, December 31, 2024	**1,487**	**2,974**	**2,974**	**2,082**	**39,015**	**10,143**	**10,143**	**20,440**	**89,258**
Interest accrued	131	262	262	183	4,608	102	102	204	5,854
Amendment	-	-	-	-	-	(10,311)	(10,311)	(20,644)	(41,266)
Effects of foreign exchange	(73)	(146)	(146)	(102)	(1,939)	66	66	-	(2,274)
Carrying Value, December 31, 2025	**1,545**	**3,090**	**3,090**	**2,163**	**41,684**	**-**	**-**	**-**	**51,572**
Short-term									**51,572**
Long-term									**-**

Convertible note transactions during the year ended December 31, 2025:

The Company successfully concluded negotiations with three related party lenders to renew previously issued convertible notes payable that had matured during the fiscal year ended December 31, 2024 (the "Matured Convertible Debt"). Originally scheduled to mature on September 12, 2024, the Matured Convertible Debt was formally amended on February 1, 2025 into promissory notes, with the amendments effective as of September 15, 2024. See Notes Payable in the above sections for details on the continuity of the Matured Convertible Debt as promissory notes.

The Matured Convertible Debt was amended to a promissory note, extending the maturity date to September 12, 2027, adjusted the annual interest rate to 12%, defer principal and interest payments to the respective maturity dates, and remove convertible features.

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

a) **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:** 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.

[i] Related party
[ii] Matured Convertible Debt

During the year ended December 31, 2025, the Company remained engaged in negotiations to renew the AB and FCC Convertible debt that matured during the reporting period. The principal renewal terms of the debt instruments have been acknowledged as acceptable by the lenders. 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.

C. DEBT SETTLEMENTS

On July 19, 2024, the Company entered into a settlement agreement with Oakshire Holdings Inc. and its affiliates (the "Oakshire Parties") to resolve a series of financial obligations and claims, including the extinguishment of $1,123 due under the Due to Oakshire Note (the "Oakshire Settlement Agreement"). Under the terms of the agreement, the Company will pay the Oakshire Parties $3,357 in scheduled installments. The obligations under the Oakshire Settlement Agreement is secured by tangible assets held by the Company, in concert with the Oakshire Note. Payments made by the Company in connection with the Oakshire Note amounted to $3,440 as at year end December 31, 2025.

D. OFF BALANCE SHEET ARRANGEMENTS

The Company did not enter any off-balance sheet arrangements during period ending December 31, 2025 (2024; nil).

During the years ended December 31, 2025 and December 31, 2024, the Company satisfied all financial and operating covenants associated with its debt obligations, with the exception of the scheduled payment obligations under the Oakshire Note. The note provides for a series of scheduled principal payments, with the final scheduled payment having been originally due on February 28, 2025. As at December 31, 2025, the remaining balance owing was $1,413, which represents the outstanding portion of the original obligation. The Company has been engaged in active and ongoing discussions with the noteholder regarding the remaining balance and is working collaboratively toward a mutually acceptable resolution. The Company has continued to recognize the obligation in accordance with IFRS 9 — *Financial Instruments*, and the full carrying amount has been classified as a current liability in the consolidated statement of financial position to reflect the noteholder's contractual right to demand payment. Default interest at a rate of 18% per annum accrues on the outstanding balance in accordance with the terms of the note and is recognized as a finance cost in the period in which it is incurred.

The Company does not consider the remaining obligation under the Oakshire Note to have a material adverse effect on its operations, liquidity position, or ability to execute its strategic plan, and continues to engage in good-faith negotiations toward resolution. The Oakshire Note relates to a single legacy commercial arrangement and is not representative of the Company's broader credit standing or its compliance posture across its remaining note payable portfolio.

22. SHARE CAPITAL AND RESERVES

A. AUTHORIZED

As at December 31, 2025, 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, issuable in series, without par value with special rights and restrictions, and which are non-voting except in specific circumstances related to dividend defaults.

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

B. ISSUED AND OUTSTANDING

Changes in share capital for the period ended December 31, 2025, 2024, and the balances outstanding is as follows:

Common Shares	Common Shares	Share Capital
	#	$
Balance, December 31, 2024	**470,221,901**	**342,111**
Issuance of shares for settlement agreement	375,000	13
Balance, December 31, 2025	**470,596,901**	**342,124**

Share Capital transactions during the year ended December 31, 2025:

On June 10, 2025, in connection with a settlement agreement and mutual release of all claims arising from an independent contractor agreement, the Company issued 375,000 common shares at a deemed price of $0.035 per share, for total deemed consideration of $13,125, as partial consideration for the settlement of outstanding obligations owed to a former independent contractor.

Share Capital transactions during the year ended December 31, 2024:

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.

C. STOCK OPTIONS

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

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

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

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 December 31, 2025:

Grant Date	Vesting Start Date	Expiry Date	Share price on Date of Grant	Exercise Price	Volatility	Risk Free Rate	Dividends
			$	$	%	%	$
12-Nov-21	21-Nov-21	26-Nov-26	0.63	0.63	88.00%	1.23%	$nil
12-Nov-21	22-Jan-22	26-Nov-26	0.63	0.63	88.00%	1.23%	$nil
12-Nov-21	8-Nov-21	12-Nov-26	0.63	0.63	88.00%	1.23%	$nil
12-Nov-21	1-Jul-22	12-Nov-26	0.63	0.63	88.00%	1.23%	$nil
12-Nov-21	20-Sep-22	12-Nov-26	0.63	0.63	88.00%	1.23%	$nil
12-Nov-21	4-Oct-22	12-Nov-26	0.63	0.63	88.00%	1.23%	$nil
7-Oct-22	7-Jan-23	7-Oct-27	0.15	0.14	94.35%	3.98%	$nil
7-Oct-22	7-Jan-23	7-Oct-27	0.15	0.20	94.35%	3.98%	$nil
7-Oct-22	7-Jan-23	7-Oct-27	0.15	0.50	94.35%	3.98%	$nil
15-Mar-23	15-Mar-24	15-Mar-33	0.10	0.10	94.35%	3.98%	$nil
3-Oct-24	3-Oct-25	3-Oct-29	0.07	0.10	150.63%	3.28%	$nil

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

The number of stock options and weighted average exercise prices as at December 31, 2025, and 2024 are as follows:

	Options	Weighted average exercise price
	#	$
Balance Outstanding, January 1, 2024	**16,960,931**	**0.95**
Issued	1,925,000	0.10
Expired	(3,197,002)	2.07
Forfeited	(102,500)	0.68
Balance Outstanding, December 31, 2024	**15,586,429**	**0.80**
Expired	(4,986,429)	0.71
Balance Outstanding, December 31, 2025	**10,600,000**	**0.16**
Exercisable		
Exercisable as at December 31, 2025	9,220,836	0.16
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 the twelve months ended December 31, 2025, the Company had share-based compensation expenses relating to stock options amounting to $87 (2024; $195).

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

The following reflects remaining contractual life for outstanding and exercisable options as at December 31, 2025:

	Outstanding			Exercisable	
Expiry date	**Exercise price**	**Options**	**Remaining contractual life**	**Options**	**Remaining contractual life**
	$	**#**	**(years)**	**#**	**(years)**
12-Nov-26	0.63	400,000	0.87	400,000	0.87
26-Nov-26	0.63	75,000	0.90	75,000	0.90
7-Oct-27	0.14	6,500,000	1.77	6,500,000	1.77
7-Oct-27	0.20	200,000	1.77	200,000	1.77
7-Oct-27	0.50	250,000	1.77	250,000	1.77
03-Oct-29	0.10	1,925,000	3.76	962,500	3.76
15-Mar-33	0.10	1,250,000	7.21	833,336	7.21
Total		**10,600,000**	**2.73**	**9,220,836**	**2.42**

23. EARNINGS (LOSS) PER SHARE ON CONTINUING OPERATIONS

Earnings/loss per share for the year ended December 31, 2025, and 2024 is as follows:

	12 months ended 31-Dec-25	12 months ended 31-Dec-24
Outstanding common shares	470,596,901	470,221,901
Earnings (loss) from continuing operations attributable to RWB shares ($)	(90,172)	(19,162)
Weighted average number of shares outstanding, basic and dilutive	470,246,559	470,221,901
Earnings/loss per share, basic and diluted ($)	**(0.19)**	**(0.04)**

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

24. REVENUES

The Company generates revenue through three distinct channels: Retail, Distribution and Licensing. Revenues by channel for the year ended December 31, 2025, and 2024 is as follows:

	12 months ended 31-Dec-25	12 months ended 31-Dec-24
	$	**$**
Distribution	44,107	58,539
Licensing	1,353	4,666
Retail	19,368	16,960
Total revenue	**64,828**	**80,165**

Revenue as a percentage of total sales for the year ended December 31, 2025, and 2024 is as follows:

	12 months ended 31-Dec-25	12 months ended 31-Dec-24
	%	**%**
Distribution	68%	73%
Licensing	2%	6%
Retail	30%	21%
Total revenue	**100%**	**100%**

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

During the year ended December 31, 2025, and 2024, the Company did not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a result, the Company has not adjusted any of the transaction prices for the time value of money.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's general and administrative expenses for December 31, 2025, and 2024 were as follows:

	12 months ended 31-Dec-25	12 months ended 31-Dec-24
	$	$
Salaries and wages	13,425	14,841
Facilities expense	2,224	1,638
Professional fees	6,559	5,841
Office and administrative fees	1,869	1,761
Travel expense	397	521
Licenses and permits	1,596	1,703
Insurance	1,652	1,895
Penalty and late fees	282	229
Total general and administrative expenses	**28,004**	**28,429**

26. INCOME TAXES

A. INCOME TAX EXPENSE

The Company conducts business within the cannabis industry in the United States. As a result, the Company is subject to the limits of Internal Revenue Code 280e under which it is only allowed to deduct expenses directly related to the cost of goods sold or the costs of production of its cannabis related finished goods.

A reconciliation of the amounts of income taxes reflected above compared to the expected income tax rates calculated at the combined Canadian federal and provincial enacted statutory rate of 26.5% for each of two years ended December 31, 2025, and December 31, 2024, is as follows:

	2025	2024
	$	$
Current tax expense (recovery)		
Continuing operations	807	2,020
Discontinued operations	103	(151)
Deferred tax expense (recovery)		
Continuing operations	(14,099)	(1,967)
Discontinued operations	497	(366)
Total income tax expense (recovery)	**(12,692)**	**(463)**

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

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2024 - 26.5%) to income before income taxes. The reconciliation of the differences are as follows:

	2025	2024
	$	$
Income before income tax including discontinued operations	(95,201)	(33,562)
Statutory income tax rate	26.50%	26.50%
Expected income tax expense (recovery)	(25,228)	(8,894)
Increase (decrease) resulting from:		
Effect of change in tax rates	(192)	(84)
Non-deductible recoveries and other	(2,672)	(3,906)
280E expenses	6,284	8,274
Impairment of goodwill	3,548	-
Return to provision true up	(7,621)	(566)
Change in unrecognized temporary differences	13,190	4,712
Income tax expense (recovery)	**(12,692)**	**(464)**

B. RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are attributable to the following:

	2025	2024
	$	$
Deferred tax assets		
Non-Capital Loss Carryforward	7,930	6,739
Lease Obligations	79	-
Other	719	56
Fixed Assets	-	32
Deferred tax assets	**8,727**	**6,827**

Deferred tax liabilities are attributable to the following:

	2025	2024
	$	$
Inventory and biological assets	(424)	(760)
Intangibles	(13,107)	(25,382)
Property, plant and equipment	(38)	-
Other	-	306
Deferred tax liabilities	**(13,569)**	**(25,836)**
	8,727	**6,827**
Net deferred tax liability	**(4,842)**	**(19,009)**

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

C. MOVEMENT IN DEFERRED TAX ASSETS & LIABILITIES

The following table summarizes the movement in deferred tax assets and liabilities:

	$
Balance, December 31, 2024	**(19,009)**
Future income tax recovery (expense)	14,099
Future income tax recovery (expense) relating to discontinued operations	(498)
Other	566
Balance, December 31, 2025	**(4,842)**

In evaluating whether it is more likely than not that all of or a portion of a deferred income tax asset will be realized, consideration is given to the estimated reversal of deferred income tax liabilities and future taxable income generated in the taxing regime in which the Company and its subsidiaries conduct operations. The Company has recognized valuation allowances for operating or non-capital losses carried forward, capital losses carried forward and other deferred income tax assets for which it is believed that it is more likely than not that these items will not be realized.

D. UNRECOGNIZED DEFERRED TAX ASSETS & LIABILITIES

The unrecognized temporary differences of the Company are comprised of:

	2025	2024
	$	$
Non Capital Loss Carryforward	319,761	282,999
Property, plant and equipment	(1,788)	(297)
Lease Obligations	151	185
Restricted IFE	41,222	23,109
Financing fees and reserves	729	7,888
Other	322	(8,548)
Intangibles	(2,035)	(1,588)
Inventory and biological assets	(6,528)	-
Right of Use Assets	(158)	(198)
	351,675	**303,550**

As at December 31, 2025, and 2024 the Company has the following tax attributes available to reduce future year's taxable income, which operating losses carried forward expire as follows:

	2025	2024
	$	$
Future tax attributes		
Expiring between 8 and 20 years	376,790	290,090
Indefinite	27,644	22,295
Total	**404,434**	**312,385**

In accordance with the guidance noted above in section (d), the Company has recognized a valuation allowance for the noted amount of losses above. Penalties and interest are accounted for as part of the income tax provision.

As of the date of the Financial Statements, the Company was in the process of finalizing prior period income tax filings. As such, the balances recognized by the Company in the aforementioned notes may be subject to change in future periods based on the respective final tax filing positions.

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

27. NON-CONTROLLING INTERESTS

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

RWB Florida, LLC ("Florida LLC") is a member-managed limited liability company that serves as the sole shareholder of Red White & Bloom Florida Inc. ("Florida Inc"). The Florida Inc. is responsible for all management, operational, and day-to-day commercial activities conducted by the Company in the state of Florida.

Membership Structure

The LLC has issued two classes of membership interests:

- Class A: Held exclusively by RWB
- Class B: RWB maintains a 54% controlling interest, with the remaining 46% held by multiple minority members

Non-Controlling Interests

Several Class B members collectively own 23% of the issued and outstanding Class B membership interests, representing the non-controlling interest in both Florida LLC and Florida Inc. No individual non-controlling Class B member holds an ownership stake exceeding 4.99% of total issued and outstanding interests.

The following table presents the summarized financial position before intragroup eliminations for non-wholly owned subsidiaries at December 31, 2025, and 2024:

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Assets		
Current	(3,636)	13,831
Non-current	144,418	195,170
Total assets	**140,782**	**209,001**
Liabilities		
Current	94,707	11,980
Non-current	22,994	108,591
Total liabilities	**117,702**	**120,571**
Net Assets	**23,081**	**88,430**

The following summarizes the financial results before intragroup eliminations for non-wholly owned subsidiaries for the year ended December 31, 2025, and 2024:

	For the year ended 31-Dec-25	For the year ended 31-Dec-24
Net Income (loss)	(61,881)	(30,137)
Interests		
Controlling interests – 77%	(47,748)	(23,254)
Non-controlling interests – 23%	**(14,134)**	**(6,883)**

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

28. RELATED PARTY TRANSACTIONS

A. KEY MANAGEMENT

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive members of the Company's Board of Directors and corporate officers. Remuneration attributed to key management personnel for the year ended December 31, 2025, and 2024, is as follows:

	Year ended 31-Dec-25	Year Ended 31-Dec-24
	$	**$**
Management salaries, bonuses, and other benefits	752	1,062
Consulting Fees Paid to a company controlled by a director of the company	60	20
Share-based payments – officers	17	40
Share-based payments – directors	-	66
Total	**829**	**1,188**

B. AMOUNTS DUE TO/FROM RELATED PARTIES

- Included in accounts payable and accrued liabilities is $1,377 in management salaries, bonuses, and other benefits to be paid out in future periods (2024; $1,092)
- The CPIL Convertible Note represents an obligation to an entity controlled by the Company's President. This note was issued with a two-year term, scheduled to mature on September 15, 2024, bearing interest at 8% per annum. Upon initial recognition, the Company valued the CPIL Convertible Note using the residual method, allocating $14,893 to long-term convertible debt liability and $2,107 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. On February 1, 2025, the Company and the noteholder renegotiated the terms of the instrument, transforming the CPIL Convertible Note into a note payable (the "CPIL Note"). For complete details regarding outstanding amounts and terms of the CPIL Convertible Note, refer to Note 21.
- The VMOS Convertible Note represents an obligation to an entity controlled by a member of the Company's Board of Directors. Originally scheduled to mature on April 22, 2024, the note was formally amended on December 31, 2024, with the amendment retroactively effective as of June 4, 2024. The amendment extended the maturity date to November 30, 2026, 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, refer to Note 21.
- The Company has identified other close family members of key management personnel that currently represent lenders to the Company during its review of related party disclosures in accordance with IFRS and 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. During the period, the Company successfully concluded negotiations with various lenders, including related party lenders, to renew multiple previously issued notes payable and convertible debentures that had matured during the fiscal year ended December 31, 2024 (the "Matured Debt"). Originally scheduled to mature on September 12, 2024, the Matured Debt was formally amended on February 1, 2025, with the amendments effective as of September 15, 2024. The renewed debt includes revised terms that align with the Company's growth strategy, allowing management to maintain adequate cash flow while continuing to pursue strategic expansion initiatives in active markets in Canada and the United States. Refer to Note 21 for details notes payable due by the Company to lenders deemed to be related parties.

C. RELATED PARTY TRANSACTIONS

- Officers and Directors of the Company held an aggregate of 37,220 common shares and 4,450 stock options (37,220 and 6,450, respectively). As at December 31, 2025, 4,033 of these stock options are fully vested (2024; 5,167).
- 2,000 stock options held by Directors of the Company expired (2024; 22).
- The Company expensed $17 in stock-based compensation related to stock options held by directors and officers (2024; $107).
- The Company paid directors fees to two members of the board of directors amounting to $60.
- The Company's note payable, 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 Note 21 for details on the ELL Note.
- On January 1, 2024, the Company executed the RGR Grid Note Amendments (Note 21)
- On February 1, 2025, the Company renewed related party Matured Debt (Note 21)

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A. 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.

B. CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that are subject to such risk include cash 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 (Note 9).

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 December 31, 2025, the Company held an accounts receivable balance of $8,317(2024; $16,112). Included in this balance is a provision for expected credit losses ("ECL") in the amount of $3,417 (2024; $9,186). The reader is referred to Note 9 for details relating to the Company's accounts receivable and ECL provision for the year ended December 31, 2025, and 2024.

As at December 31, 2025, the Company held note receivable balances amounting to $37,448 (2024: $15,836) (Note 9).

C. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at December 31, 2025, the Company had a cash and cash equivalents balance of $4,567 (2024; $7,285) available to apply against short-term business requirements and current liabilities of $133,955 (2024; $343,033), including short-term lease obligations (Note 17), short term notes and convertible debentures (Note 21), and income taxes payable (Note 26) and other current liabilities.

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. The Company also continues to maintain a constant focus on executing initiatives with greater expected returns to improve its cash flow and targeting reductions in operating and administrative costs as feasible.

D. INTEREST RATE RISK

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

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

As at December 31, 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.

E. 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:

- Transaction exposure from intercompany loans, dividends, and cross-border transactions
- Economic exposure affecting competitive positioning in US markets

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

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

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

	As at 31-Dec-25	As at 31-Dec-24
	$	$
Financial assets denominated in foreign currencies (USD)	55,096	388,614
Financial liabilities denominated in foreign currencies (USD)	(171,945)	(205,616)
Net exposure	**(116,849)**	**182,998**

A three (3%) and ten (10%) percent increase in the US dollar exchange rate relative to the Canadian dollar would increase the Company's net loss for the year ended December 31, 2025, by $7,901 and $26,336, respectively (2024; $,1,535 and $5,115 respectively).

F. CAPITAL RISK MANAGEMENT

The Company monitors its capital structure and adjusts according to market conditions in an effort to continue to meet its financial and strategic objectives. The Company may manage its capital structure by restructuring existing debt, 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 December 31, 2025, the Company has shareholders' deficit of $240,968 (2024; $173,029). Included in the consolidated statements of financial position as of December 31, 2025, is an accumulated deficit of $579,508 (2024; 511,134) including the impact of non-cash impairments totaling $385,025.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2025. The Company is not subject to any external capital requirements.

30. CONTINGENCIES AND COMMITMENTS

A. CLAIMS AND LITIGATION

On April 1, 2025, RWB Michigan, LLC ("RWBM") was served a summons by Skybar Vapor, LLC ("Skybar"), an entity representing a former vendor of RWBM. The summons addresses a contractual dispute, raised by Skybar, between RWBM and Skybar relating to the supply of raw materials to RWBM by Skybar. The summons details damages in excess of $1,000 being sought by Skybar regarding the contractual dispute. On September 11, 2025, RWBM agreed to damages of US$100 to fully resolve all issues between itself and Skybar. As a result of the mutual settlement, Skybar filed a dismissal of its case against RWBM with the Oakland Country Circuit Court on September 12, 2025.

Pharmaco Inc. "(Pharmaco"), previously acquired by the Company on February 7, 2022, and classified as a disposal group as of December 31, 2024, was placed under receivership on December 26, 2024, following uncured defaults under its senior secured loan agreement with Royal Group Resources Ltd. ("RGR"). On March 5, 2025, the Company's subsidiary, Red White & Bloom Michigan (2024), Inc., was confirmed by the presiding court authority as the successful bidder for the assets of Pharmaco. The purchase price for the assets was $8,850. On March 28, 2025, the court approval of the bid for the assets was formally confirmed with the expiry of a mandated appeal period for the benefit of all unsecured creditors of Pharmaco. A Release and Discharge Agreement was executed on March 29, 2025, which facilitated the settlement of debt obligations, being the RGR Credit Facility, between RGR and Pharmaco. In consideration of the receipt of the asset sale proceeds of $8,850, RGR agreed to terminate the RGR Credit Facility, release all borrowers from their repayment obligations, and discharge all security interests, with the understanding that Pharmaco's capacity to repay was limited to the $8,850 in sale proceeds. On June 9, 2025, a motion to terminate the Pharmaco receivership was filed with the presiding court authority by the receiver-in-charge confirming that the receiver had, in its opinion, completed its mandate of liquidating substantially all of Pharmaco's assets with the proceeds distributed to RGR. In addition, as of the motion filing date, substantially all of Pharmaco's contracts and agreements had been terminated and the interests of unsecured creditors addressed to the fullest extent possible. On June 25, 2025, formal approval of the motion to terminate was issued by the presiding court. As of the date of these financial statements, a final discharge of the receivership remains pending with RGR.

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

B. CONTINGENCIES

The Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, as of the date of the financial statements, and based on management's consultation with legal counsel, the ultimate outcome of any such matters will not have a material adverse effect on the Company. Accordingly, no provision has been made in 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.

31. SEGMENTED RESULTS

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

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

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

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

The following exhibits summarize the consolidated financial information of the Company's reportable segments for the year ended December 31, 2025, and 2024.

Year ended December 31, 2025	Corporate	Distribution	Licensing	Retail	Other	Consolidated
Sales revenue	-	44,107	1,353	19,368	-	64,828
Cost of goods sold	-	28,778	202	15,710	-	44,690
Gross profit before fair value adjustments	-	15,329	1,151	3,658	-	20,138
Unrealized changes in fair value of biological assets	-	4,636	-	1,441	-	6,077
Realized fair value amounts included in inventory sold	-	324	-	(3,962)	-	(3,638)
Total Gross Profit (loss)	-	20,289	1,151	1,137	-	22,577
Total gross Profit (%)	0%	46%	85%	6%	0%	35%
Total operating expenses	5,061	16,462	506	13,697	1,220	36,946
Total other expenses (income)	35,161	202,287	101	(152,267)	17,947	103,229
Profit (loss) before Income Taxes	**(40,222)**	**(198,460)**	**544**	**139,707**	**(19,167)**	**(117,598)**
Income tax	-	795	(348)	8,436	4,408	13,291
Net profit (loss) from continuing operations	**(40,222)**	**(197,665)**	**196**	**148,143**	**(14,759)**	**(104,307)**
Loss from discontinued operations	-	-	-	-	21,798	21,798
Net loss for the year	**(40,222)**	**(197,665)**	**196**	**148,143**	**7,039**	**(82,509)**
Attributed to:						
Red White and Bloom	(40,222)	(197,665)	196	162,277	(14,759)	(90,173)
Non-controlling interests	-	-	-	(14,134)	-	(14,134)
As at 31-Dec-25						
Intercompany Balances	399,675	(242,679)	(38,735)	(73,158)	(45,102)	-
Total Assets	565,636	(146,254)	1,525	105,536	(299,696)	226,747
Total non-current assets	164,656	20,049	40,037	160,112	(262,408)	122,446
Total liabilities	284,752	25,785	(94)	119,563	37,708	467,714
Total non-current liabilities	278,952	20	(207)	22,994	32,000	333,759
% of sales revenue	0%	68%	2%	30%	0%	100%
% of loss for the period	17%	83%	0%	0%	0%	100%
% of income for the period	0%	0%	3%	0%	97%	100%

Year ended December 31, 2024	Corporate	Distribution	Licensing	Retail	Other	Consolidated
Sales revenue	-	58,539	4,666	16,960	-	80,165
Cost of goods sold	-	45,015	1,236	13,605	-	59,856
Gross profit before fair value adjustments	-	13,524	3,430	3,355	-	20,308
Unrealized changes in fair value of biological assets	-	11,158	-	2,959	-	14,117
Realized fair value amounts included in inventory sold	-	(535)	-	(5,446)	-	(5,981)
Total Gross Profit (loss)	-	24,147	3,430	868	-	28,444
Total gross Profit (%)	0%	41%	74%	5%	0%	35%
Total operating expenses	6,905	17,050	864	15,300	281	40,400
Total other expenses (income)	7,256	(4,797)	(6,464)	17,782	259	14,036
Profit (loss) before Income Taxes	(14,161)	11,894	9,030	(32,214)	(540)	(25,992)
Income tax	-	(1,661)	431	1,182	(5)	(53)
Net profit (loss) from continuing operations	(14,161)	10,233	9,461	(31,032)	(545)	(26,045)
Loss from discontinued operations	-	-	-	-	(7,054)	(7,054)
Net loss for the year	(14,161)	10,233	9,461	(31,032)	(7,599)	(33,099)
Attributed to:						
Red White and Bloom	(14,161)	10,231	9,462	(24,149)	(545)	(19,162)
Non-controlling interests	-	-	-	(6,883)	-	(6,883)
As at 31-Dec-24						
Intercompany Balances	394,340	(234,860)	(38,396)	(65,349)	(55,735)	-
Total Assets	560,509	68,756	1,777	183,967	(520,618)	294,391
Total non-current assets	164,645	234,913	39,159	209,822	(465,509)	183,029
Total liabilities	251,304	36,993	(595)	157,175	22,543	467,420
Total non-current liabilities	-	1,298	(582)	108,270	15,400	124,387
% of sales revenue	0%	73%	6%	21%	0%	100%
% of loss for the period	31%	0%	0%	69%	0%	100%
% of income for the period	0%	52%	48%	0%	-63%	100%

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

Revenues and total assets/liabilities by geographic region for the year ended December 31, 2025, and 2024:

	Canada	USA	Canada	USA
	Year ended 31-Dec-25		Year ended 31-Dec-24	
	$'000	$'000	$'000	$'000
Total revenues	30,806	34,022	35,329	44,836
	Canada	USA	Canada	USA
	As at 31-Dec-25		As at 31-Dec-24	
Total assets	70,146	156,600	105,474	188,917
Total liabilities	283,221	184,492	249,559	217,862

32. DISCONTINUED OPERATIONS

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

Components of residual loss from discontinued operations for the year ended December 31, 2025, and 2024:

	Year ended 31-Dec-25	Year ended 31-Dec-24
	$	**$**
Revenue	-	4,694
Cost of sales	-	3,786
Gross profit (loss)	**-**	**908**
General and administration	1,036	4,930
Sales and marketing	-	151
Depreciation and amortization	-	376
Bad debt expense (recovery)	4	1,591
Loss from operations before other expenses	**(1,040)**	**(6,141)**
Other expenses (income)	(9,696)	(581)
Finance expense	521	2,571
Accreted interest: leases	-	121
(Gain) loss on disposal - capital assets	(31)	(71)
(Gain) loss on debt settlement	(10,119)	-
Inventory write-downs	-	141
Unrealized/realized (gain) loss on foreign exchange	(4,114)	(752)
Net income (loss) before taxes from discontinued operations	**22,399**	**(7,570)**
Current income tax (recovery) expense	103	(151)
Deferred income tax (recovery) expense	498	(366)
Net income (loss) from discontinued operations	**21,798**	**(7,054)**
Net loss per share, basic and diluted on discontinued	0.05	(0.02)
Weighted average number of outstanding common shares, basic and diluted	470,246,559	470,221,901

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

33. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Changes in items not involving cash during the year ended December 31, 2025, and 2024 are as follows:

	Notes	Year ended 31-Dec-25	Year ended 31-Dec-24
		$	$
Items not involving cash:			
Accreted interest on leases	17	2,764	2,577
Depreciation of right-of-use assets	17	1,740	1,576
Depreciation of property, plant and equipment	15	4,588	4,575
Disposal of property, plant and equipment on discontinued operations	14	159	2,016
Disposal of right-of-use assets	17	720	2,121
Acquisition of right-of-use assets	17	(2,373)	(2,105)
Gain on valuation of financial instruments	21	-	(691)
Accrued interest on notes payable	21	36,690	25,265
Accrued interest on notes payable on discontinued operations		39	-
Accreted interest on notes payable	21	-	248
Accrued interest on convertible debentures	21	5,855	7,651
Accreted interest on convertible debentures	21	-	2,639
Accrued interest on credit facility held for sale	14	-	2,466
Finance Fees	21	-	3,125
Accrued interest on interest receivable	9	(2,914)	(1,123)
Amendment fees on credit facility	-	-	(45)
Loan forgiveness on notes payable	21	(5,804)	-
Gain/(Loss) on Debt modification	21	-	(167)
Gain on investment	7,18	(878)	(7,556)
Stock based compensation	22	87	195
Addition to leases	17	2,315	(2,816)
Realized fair value (gain) loss in cost of goods sold	13	3,638	5,981
Fair value adjustment on biological assets	13	(6,077)	(14,117)
Gain on discharge of credit facility in discontinued operation	14	(9,770)	-
Gain on payables on receivership in discontinued operation	14	(12,796)	-
Amortized discount on note receivable	22	-	(59)
Impairment of intangible assets	16	41,864	-
Impairment of goodwill	19	13,220	-
Total Items not involving cash		**73,068**	**31,757**

34. SUBSEQUENT EVENTS

A. Acquisition of Ayurcann Inc.

On April 12, 2026, Emblem Cannabis Corporation ("Emblem"), a wholly-owned subsidiary of the Company, was selected as the successful bidder in the Court-supervised sale and investment solicitation process (the "SISP") approved by the Ontario Superior Court of Justice (Commercial List) (the "Court") in connection with the insolvency proceedings of Ayurcann Holdings Corp. and Ayurcann Inc. (together, "Ayurcann") under the Companies' Creditors Arrangement Act (Canada) ("CCAA"). Ayurcann obtained creditor protection under the CCAA on January 30, 2026, with Alvarez & Marsal Canada Inc. appointed as Court-appointed monitor. The Court issued the Sale Process Approval Order on February 13, 2026.

The acquisition is structured as a share purchase implemented through a reverse vesting order, pursuant to which Emblem will indirectly acquire Ayurcann's business, operations and licences through ownership of 100% of the newly issued shares of Ayurcann Inc. Certain excluded assets and liabilities of Ayurcann will be vested in an affiliate and are not being assumed by Emblem. Total cash consideration is C$5,004,200, payable at closing from facilities generally available to Emblem.

The assets to be acquired include Ayurcann's Health Canada-licensed formulation, manufacturing and packaging facility in Pickering, Ontario; the Fuego, Xplor and Happy & Stoned brand portfolio and related intellectual property; retained commercial contracts and related national distribution arrangements; and, subject to regulatory approval, the licences required to operate the acquired business.

Closing remains subject to Court approval and the satisfaction of customary closing conditions and is currently anticipated to occur no later than May 15, 2026. Upon closing, the transaction will be accounted for as a business combination in accordance with IFRS 3, Business Combinations, with Emblem identified as the acquirer. As the transaction had not closed as at the date of approval of these consolidated financial statements, the initial acquisition accounting, including the allocation of the purchase consideration to the identifiable assets acquired and liabilities assumed and the determination of any resulting goodwill or bargain purchase gain, has not been performed, and the financial effect on the Company cannot be reasonably estimated at this time.

B. Divestiture of Florida Operations

On March 12, 2026, subsequent to the reporting period, the Company entered into a binding letter of intent (the "LOI") with M&V Investment One LLC ("M&V") and Royal Group Resources Ltd. ("RGR"), a third-party senior secured lender to RWB Florida, LLC, providing for the divestiture of the Company's Florida cannabis operations, including its subsidiaries RWB Florida, LLC and Red White & Bloom Florida Inc. (collectively, "RWB Florida"), to M&V (the "Proposed Transaction"). The LOI constitutes a binding legal commitment of the parties, with definitive agreements to be negotiated and executed as promptly as reasonably practicable.

The Proposed Transaction is structured around the following principal components: (i) the extension by M&V of a revolving senior secured credit facility of up to US$1.5 million to RWB Florida for operational funding purposes, bearing interest at 12% per annum and secured by a first-priority lien on all equity and assets of RWB Florida; (ii) the acquisition by M&V from RGR of all debt instruments and related security interests held in respect of RWB Florida, including a senior secured promissory note held by RGR, together with all intercompany debt instruments held by the Company and its affiliates (collectively, the "Assumed Debt"); (iii) the transfer by the Company of all equity interests in RWB Florida to M&V, with equity transfer documentation to be held in escrow pending regulatory approval from the Florida Office of Medical Marijuana Use ("OMMU") to the extent such approval has not been obtained by the closing date; and (iv) a transitional brand license agreement permitting RWB Florida to continue use of the Company's brand portfolio through December 31, 2026, with royalties payable at 5% of applicable revenues, subject to a minimum monthly royalty of US$25 thousand. On closing, M&V will assume and fully release all guarantees previously provided by the Company and its affiliates on behalf of RWB Florida, including retail lease guarantees, the surety bond related to the Florida MMTC licence, and all guarantees relating to the Assumed Debt.

Upon closing of the Proposed Transaction, the Company expects to lose control of RWB Florida within the meaning of IFRS 10, Consolidated Financial Statements. On the date on which control is lost, the Company will derecognize the assets and liabilities of RWB Florida at their carrying amounts, derecognize any previously recognized non-controlling interests, recognize the fair value of any consideration received (including the present value of brand licence royalties and the release of guarantee obligations), and recognize the resulting gain or loss on disposal in profit or loss. The determination of the date on which control is lost for purposes of IFRS 10 will depend on whether OMMU regulatory approval has been obtained at or prior to the closing date.

Management did not consider RWB Florida to have met the criteria for classification as held for sale under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, as at December 31, 2025, as the requisite management commitment was not demonstrable until execution of the LOI on March 12, 2026. As of the date of publication of this report, the transaction remains subject to regulatory approvals (as a closing condition) and that both parties have not agreed on final comprehensive transaction terms to be memorialized in definitive documents.

C. Board of Director Changes

Effective January 12, 2026, a founding director of the Company tendered his resignation from the Board of Directors to pursue other business interests. Concurrent with the resignation, and confirmed by the Company on January 13, 2026, the Board appointed a new director effective January 12, 2026, ensuring continuity of governance and uninterrupted Board oversight through the transition.

D. Restructuring of Michigan Distribution Operations

RWB Michigan, LLC ("RWB Michigan"), an affiliate of the Company, has been the subject of a state-sponsored receivership since October 15, 2025, as a result of a complaint filed by Royal Group Resources Ltd. with the Oakland County Circuit Court on October 14, 2025. The genesis of the complaint was a default by RWB Michigan under the terms of the RGR USD Grid Note.

Subsequent to the reporting period, the Company completed a court-approved restructuring of its Michigan distribution operations through a series of related transactions, as follows:

On November 19, 2025, the Oakland County Circuit Court approved the terms of a sale of select assets of RWB Michigan, pursuant to a court-approved purchase and sale agreement, to MPV Wellness Inc., ("MPV"), a newly incorporated, wholly-owned affiliate of the Company. Total consideration for the purchase was US$3.0 million. Funding of the purchase was completed after the expiry of a 30-day receiver-mandated waiting period. The assets acquired in this initial tranche included inventory and the assumption of lease contracts. No other liabilities of RWB Michigan were assumed by MPV as part of this or any subsequent transaction.

On March 13, 2026, MPV executed the purchase of the balance of select RWB Michigan assets, including accounts receivable, notes receivable and fixed assets, for total cash consideration of US$20.4 million. Court approval for the sale was secured by the court-appointed receiver on March 26, 2026. On April 28, 2026, upon expiry of a receiver-mandated clearing period, MPV funded the aforementioned purchase and completed the Michigan restructuring initiative.

On the closing of the second tranche noted above, RWB Michigan will be in a position to exit the state-sponsored receivership. The final court order secured by the appointed receiver confirming the exit of the receivership will confirm the extinguishment of liabilities held by RWB Michigan as of the date of filing of the receivership.

As at the date of approval of these consolidated financial statements, although the sale of the assets had been completed, the receivership discharge had not been formally filed by the appointed receiver. The effect of the restructuring on the Company's consolidated financial statements, including the impact of the settlement of RWB Michigan's remaining liabilities realized by virtue of the authority of the court approved receivership, will be reflected in the Company's second quarter interim financial statements.

The transactions between the Company and MPV represent transfers of assets between entities under common control. Management has elected to account for these transfers at carrying value in the consolidated financial statements, consistent with the Company's accounting policy for common control transactions.

This is a non-adjusting event after the reporting period within the meaning of IAS 10, Events after the Reporting Period, and accordingly no adjustments have been made to the consolidated financial statements as at and for the year ended December 31, 2025.

E. Financing and investing activities

Advances on existing notes

Subsequent to December 31, 2025, the Company received advances of USD $24,954 and CAD $1,700 under the RGR USD Grid Note and the RGR CAD Grid Note, respectively. Proceeds were used to fund the acquisition of select assets of RWB Michigan and the acquisition of Ayurcann Inc. through the investment solicitation process described above, with the balance applied to working capital and general corporate purposes.

Settlement of OPRC Note Receivable

On January 31, 2025, One Plant (Retail) Corp. ("OPRC") settled in full its $3,000 promissory note dated May 17, 2024, payable to Aleafia Retail Inc., a wholly owned subsidiary of the Company. The note bore interest at 8.00% per annum and was scheduled to mature on May 31, 2027. OPRC elected to repay all outstanding principal and accrued interest in advance of the maturity date, having secured more favourable financing terms. Upon receipt of payment, the note and all related security were discharged in accordance with the terms of the note.

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

In September 2023, the U.S. Securities and Exchange Commission (SEC) initiated proceedings to de-register the Company's common stock under Section 12(j) of the Securities Exchange Act of 1934 due to historical filing deficiencies under prior management. As the Company does not trade on exchanges requiring SEC registration and does not intend to pursue such listings in the near term, it elected to settle rather than contest the proceedings. The SEC order suspending trading became effective November 7, 2023.

On March 18, 2024, the Company finalized a settlement with its former auditors addressing the underlying matters that had prevented resolution of the filing deficiencies. The Company subsequently engaged a new audit services provider to complete the outstanding audit engagements, which remain in progress as of the date of these financial statements.

Upon completion of these audits and satisfaction of the related SEC consent requirements, the Section 12(j) order will be lifted and the Company intends to re-file a registration statement on Form 20-F, concurrent with reactivating its OTC marketplace listing. Once SEC and OTC compliance matters are fully resolved, the Company intends to seek cancellation of its SEC registration, as registration is not required to maintain its status as a foreign private issuer on OTC Markets. The Company will continue to provide shareholders with updates as these matters progress.