

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**RED WHITE & BLOOM BRANDS INC.**  
**(formerly TIDAL ROYALTY CORP.; TULLOCH RESOURCES LTD.;**  
**ELKHORN GOLD MINING CORPORATION; TREMINCO RESOURCES LTD.)**  
(Exact name of Registrant specified in its charter)

**BRITISH COLUMBIA**  
(Jurisdiction of incorporation or organization)

**789 West Pender Street, Suite 810**  
**Vancouver BC**  
**Canada V6C 1H2**  
(Address of principal executive offices)

**Contact Person: Brad Rogers**  
**Address: 8810 Jane Street, 2<sup>nd</sup> Floor**  
**Concord, ON Canada L4K 2M9**  
**Email: brad.rogers@redwhitebloom.com**  
**Telephone: 416.937.1212**

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	Not applicable

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**COMMON SHARES**  
(Title of Class)

---

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

The number of outstanding shares of the Company's only class of capital or common stock as at December 31, 2020 was **191,317,226** common shares.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes ☐ No ☒

If this is an annual report or a transition report, indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
Yes ☐ No ☒

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

Indicate by check mark whether Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  
Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐  
Non-accelerated filer ☒ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by checkmark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  
YES ☐ NO ☐

---

## TABLE OF CONTENTS

PART I		5
ITEM 1	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	5
ITEM 2	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	5
ITEM 3	<u>KEY INFORMATION</u>	6
ITEM 4	<u>INFORMATION ON THE COMPANY</u>	17
ITEM 5	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	27
ITEM 6	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	34
ITEM 7	<u>MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS</u>	47
ITEM 8	<u>FINANCIAL INFORMATION</u>	48
ITEM 9	<u>THE OFFER AND LISTING</u>	49
ITEM 10	<u>ADDITIONAL INFORMATION</u>	51
ITEM 11	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	61
ITEM 12	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	62
PART II		63
ITEM 13	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	63
ITEM 14	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	63
ITEM 15	<u>CONTROLS AND PROCEDURES</u>	63
ITEM 16A	<u>AUDIT COMMITTEE FINANCIAL EXPERTS</u>	64
ITEM 16B	<u>CODE OF ETHICS</u>	64
ITEM 16C	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	65
ITEM 16D	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	65
ITEM 16E	<u>PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	65
ITEM 16F	<u>CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT</u>	65
ITEM 16G	<u>CORPORATE GOVERNANCE</u>	65
ITEM 16H	<u>MINE SAFETY DISCLOSURE</u>	65
PART III		66
ITEM 17	<u>FINANCIAL STATEMENTS</u>	66
ITEM 18	<u>FINANCIAL STATEMENTS</u>	66
ITEM 19	<u>EXHIBITS</u>	66
Consolidated Financial Statements		67

---

## GENERAL

This Form 20-F is being filed as a registration statement under the Securities Exchange Act of 1934.

In this Form 20-F, references to:

“RWB”, “We”, “us”, “our” and the “Company” mean collectively and individually, Red White & Bloom Brands Inc.; and

RWB has historically used the Canadian dollar as its reporting currency. All references in this document to “dollars” or “\$” are to Canadian dollars and all references to “US\$” are to United States dollars, unless otherwise indicated.

Except as noted, the information set forth in this Form 20-F is as of September 13, 2021 and all information included in this document should only be considered correct as of such date.

## NOTE REGARDING FORWARD LOOKING STATEMENTS

This Form 20-F contains certain “forward-looking statements”. Forward-looking statements reflect the current view about future events. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “pursue”, “potential”, “capable”, “budget”, “pro forma” and similar expressions are intended to identify forward-looking statements. Such statements include, but are not limited to, statements contained in this Form 20-F relating to our business strategy, our future operating results and liquidity and capital resources outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees of assurance of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, our ability to execute our investment strategy on acceptable terms, including our ability to identify potential investments and to successfully negotiate the terms of such investments; our ability to raise capital to fund continuing operations; our ability to manage planned growth and integrate new business opportunities into existing operations; a continued decline in general economic conditions nationally and internationally; our ability to protect our intellectual property rights; the impact of any infringement actions or other litigation brought against us; competition from other providers; changes in government regulation; and other factors (including the risks contained in the section of this Form 20-F entitled “**Risk Factors**”) relating to our industry, our operations and results of operations. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

**PART I****ITEM 1            IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

The following table sets forth the name of all of our directors and officers, their business addresses, and their current positions with RWB.

Name	Position	Business Address
Brad Rogers	Chief Executive Office, Director Audit Committee member and Compensation Committee member	8810 Jane Street, 2nd Floor, Concord, Ontario, L4K 2M9
Johannes (Theo) van der Linde	Chief Financial Officer, Director and Corporate Secretary	Suite 810 – 789 West Pender Street, Vancouver, British Columbia, V7X 1J5
Brendan Purdy	Director, Audit Committee member and Compensation Committee member	37 King St. E., Suite 409 Toronto, Ontario M5C 1E9
Michael Marchese	Director	589 Wycliffe Avenue Woodbridge, ON L4L 8S8
William (Bill) Dawson	Director, Audit Committee member and Compensation Committee member	201 Creditview Road Woodbridge, Ontario L4L 9T1

The auditors of RWB are MNP, LLP located at suite 300 – 111 Richmond Street West, Toronto, ON M5H 2G4. MNP LLP is independent from RWB within the meaning of the standards established by the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario (the “OICPA”) and is registered with the OICPA.

**ITEM 2            OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3 KEY INFORMATION**
**A. Selected Financial Data**

Selected Financial Information:

The following tables set forth the Company's selected financial data. Investors should read the following selected financial data in conjunction with the Company's audited financial statements and accompanying notes in Item 18 of this Form 20-F and "Operating and Financial Review and Prospects" included in Item 5 of this Form 20-F.

The following selected financial data is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpreted by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company has derived the summary statements of comprehensive loss and financial position data for each of the Company's five most recently audited fiscal years (in Canadian dollars, except price of shares).

	Year ended December 31,		Years ended July 31,		
	2020	2019	2018	2017	2016
<b>Assets</b>					
Current assets					
Cash	1,146,569	2,961,514	33,904,759	20,265	1,585
Amounts receivable	8,747,261	-	129,415	858	2,349
Convertible debenture receivable	-	15,000,000	-	-	-
Inventory	17,561,002	-	-	-	-
Loans Receivable	51,676,623	-	-	-	-
Prepaid Expenses and deposits	1,053,658	129,418	531,859	1,211	-
	80,185,113	18,090,932	34,566,033	22,334	3,934
Deposits	-	328,700	-	-	-
Promissory note receivable	-	3,412,421	-	-	-
Property, plant and equipment, net	87,104,243	-	-	-	-
Land	-	592,655	-	-	-
Call/put option	112,658,740	-	-	-	-
Goodwill	6,206,068	-	-	-	-
Intangible	152,979,033	-	-	-	-
Investments in equity securities	-	1,766,953	-	-	-
Total assets	439,133,197	24,191,661	34,566,033	22,334	3,934
<b>Liabilities and Deficiency</b>					
Current liabilities					
Accounts payable and accrued liabilities	24,115,714	336,540	311,357	105,225	57,387
License liability	11,997,400	-	-	-	-
Due to related parties	-	21,347	18,685	22,766	49,780
Lease liabilities	205,982	-	-	-	-
Current income taxes payable	3,125,261	-	-	-	-
Loans payable	31,349,759	-	10,000	30,000	-
	70,794,116	357,887	340,042	157,991	107,167
Non-current liabilities					
Credit facility	64,815,872	-	-	-	-
Loans Payable, net of current portion	18,704,092	-	-	-	-
Lease liabilities, net of current portion	186,487	-	-	-	-
License liability, net of current portion	47,989,600	-	-	-	-
Deferred income tax liability	27,158,251	-	-	-	-
Total liabilities	229,648,418	357,887	340,042	157,991	-
<b>Equity (Deficiency)</b>					
Convertible Series I preferred shares	5,637,175	2,388,941	1,754,721	-	-
Convertible Series II preferred shares	46,046,088	-	-	-	-
Convertible preferred shares issuable	-	-	2,000,000	-	-
Share capital	178,088,767	48,525,793	45,432,573	12,297,109	12,297,109
Reserves	14,863,863	11,816,876	5,324,016	27,464	27,464
Cumulative translation adjustment	(1,896,622)	-	-	-	-
Accumulated other comprehensive loss	-	(796)	-	-	-
Deficit	(33,254,492)	(38,897,040)	(20,285,319)	(12,460,230)	(12,427,806)
<b>Total Equity (Deficiency)</b>	209,484,779	23,833,774	34,225,991	(135,657)	(103,233)
<b>Total Liabilities and Equity</b>	439,133,197	24,191,661	34,566,033	22,334	3,934

	Year ended December 31,		Years ended July 31,		
	2020	2019	2018	2017	2016
Sales	23,338,528	-	-	-	-
Cost of sales, before fair value adjustments	9,486,087	-	-	-	-
	13,852,441	-	-	-	-
Unrealized change in fair value of biological assets	(543,116)	-	-	-	-
Realized fair value amounts included in inventory sold	45,232	-	-	-	-
Gross Profit	13,354,557	-	-	-	-
<b>Expenses</b>					
Consulting	-	1,333,704	1,933,550	6,000	31,480
General and administration	10,695,379	223,985	93,861	1,285	12,518
Depreciation and amortization	15,291,977	-	-	-	-
Investor relations and stock promotions	-	2,521,416	1,196,309	1,508	6,083
Insurance	-	135,493	-	-	-
Professional fees	-	1,100,143	461,192	14,717	8,679
Rent	-	195,050	84,670	-	-
Salaries and benefits	6,777,330	915,585	244,526	-	-
Earn-out compensation	9,805,500	-	-	-	-
Share based payments	3,955,976	7,329,800	3,250,476	-	-
Sales and marketing	1,762,223	-	-	-	-
Transfer agent and filing fees	-	88,215	76,869	5,919	-
Travel	-	131,552	106,368	2,995	-
Total expenses	48,288,385	13,974,943	7,447,824	32,424	58,790
Loss from operations before other expenses	(34,933,828)	(13,974,943)	(7,447,824)	(32,424)	(58,790)
<b>Other expense (income):</b>					
Dividend income	-	2,467	-	-	-
Finance expense	5,272,428	-	-	-	-
Foreign exchange gain (loss)	1,677,976	260,880	(377,265)	-	-
Management fees	(425,610)	-	-	-	-
Gain on revaluation of call/put option	(53,619,465)	-	-	-	-
Gain on disposal of property, plant and equipment	(232,874)	-	-	-	-
Write off of deposit	1,853,059	-	-	-	-
Listing expense	31,705,481	-	-	-	-
Gain on debt extinguishment	-	10,000	-	-	-
Interest income	-	404,921	-	-	-
Realized gain on investment in equity securities and convertible debenture	-	281,892	-	-	-
Unrealized loss on investment in equity securities	530,451	(5,373,032)	-	-	-
Write down of sales tax receivable	-	(223,906)	-	-	-
Total other expense (income)	(13,238,554)	(4,636,778)	(377,265)	-	-
Loss before income taxes	(21,695,274)	(18,611,721)	(7,825,089)	(32,424)	(58,760)
Current income tax expense	3,125,261	-	-	-	-
Deferred income tax recovery	(6,243,668)	-	-	-	-
Net Loss	(18,576,867)	(18,661,721)	(7,825,089)	(32,424)	(58,760)
Translation adjustment on consolidation of foreign subsidiaries	(1,896,622)	-	-	-	-
Comprehensive Loss	(20,473,489)	(18,661,721)	(7,825,089)	(32,424)	(58,760)
Loss and comprehensive loss per share, basic and diluted	(0.14)	(0.07)	(0.26)	(0.01)	(0.01)
Weighted average number of common shares outstanding	137,571,316	271,055,333	30,039,081	2,843,636	8,306,386

#### Exchange Rates:

The following table sets forth information as to the period end, average, the high and the low exchange rate for Canadian dollars ("CDN") and U.S. Dollars for the periods indicated based on the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (Canadian dollar amounts = US \$1):

	Average	Period End	High	Low
Year ended December 31, 2020	1.3412	1.2808	1.4058	1.2808
Year ended July 31, 2019	1.3233	1.3148	1.3642	1.2803
Year ended 2018	1.2731	1.3030	1.3131	1.2294
Year ended 2017	1.3239	1.2490	1.3745	1.2436
Year ended 2016	1.3276	1.3040	1.4592	1.2544
Year ended 2015	1.1923	1.3047	1.3059	1.0857
Year ended 2014	1.0732	1.0889	1.1251	1.0237
Year ended 2013	1.0070	1.0259	1.0578	0.9710

The following table sets forth the high and low exchange rates for the past six months. As of December 31, 2020, the exchange rate was CDN \$1.2808 for each US \$1.00.

Month	High	Low
April 2021	1.2613	1.2277
March 2021	1.2697	1.2389
February	1.2828	1.2530
January 2021	1.2810	1.2627
December 2020	1.2952	1.2718
November 2020	1.3257	1.2965

## B. Capitalization and Indebtedness

The following table presents our capitalization in accordance with IFRS as of December 31, 2020 (audited –in Canadian Dollars). It is important that you read this table together with, and it is qualified by reference to, our audited financial statements set forth in this Registration Statement on Form 20-F beginning on page F-1 hereof.

	As of December 31, 2020
	\$
<b>Shareholders' equity:</b>	
Convertible Preferred shares	5,637,175
Convertible Series 2 Preferred shares	46,046,088
Common shares	178,088,767
Reserves	14,863,863
Cumulative translation adjustment	(1,896,622)
Accumulated deficit	(33,254,492)
<b>Total shareholders' equity</b>	<b>209,484,779</b>
<b>Total capitalization</b>	<b>209,484,779</b>

## C. Reasons for the Offer and Use of Proceeds

Not applicable.



## **D. Risk Factors**

### **Risks Relating to an Investment in our Common Shares**

***We have source of operating revenue but it is likely we will operate at a loss until we are able to realize cash flow from our financings.***

We may require additional financing in order to fund our businesses or business expansion. Our ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to arrange additional financing on terms satisfactory to us, or at all. If additional financing is raised by the issuance of common shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, we may not be able to operate our businesses at their maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

***We may issue a substantial number of our common shares without investor approval to raise additional financing and we may consolidate the current outstanding common shares.***

Any such issuance or consolidation of our securities in the future could reduce an investor's ownership percentage and voting rights in us and further dilute the value of the investor's investment.

***The market price of our common shares may experience significant volatility.***

Factors such as announcements of quarterly variations in operating results, revenues, costs, changes in financial estimates or other material comments by securities analysts relating to us, our competitors or the industry in general, announcements by other companies in the industry relating to their operations, strategic initiatives, financial condition or performance or relating to the industry in general, announcements of acquisitions or consolidations involving our companies, competitors or among the industry in general, as well as market conditions in the cannabis industry, such as regulatory developments, may have a significant impact on the market price of our common shares. Global stock markets and the Canadian Securities Exchange ("CSE") in particular have, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operations of particular companies. Share prices for many companies in our sector have experienced wide fluctuations that have been often unrelated to the operations of the companies themselves. In addition, there can be no assurance that an active trading or liquid market will be sustained for our common shares.

***We do not anticipate that any dividends will be paid on our common shares in the foreseeable future.***

We anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may not be able to sell their shares on favorable terms or at all.

***The Company has a limited operating history with respect to financings in the U.S. cannabis sector, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment in the Company.***

The Company has a history of negative cash flow and losses that is not expected to change in the short term. Financings may not begin generating cash flow to the Company for several years following any financing.

***The Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company.***

Currently, the U.S. cannabis industry generally is comprised of individuals and small to medium-sized entities. However, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the trend in connection with most state laws and regulations may deter this type of takeover, this industry remains quite nascent, and therefore faces many unknown future developments, which in itself is a risk.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. The Company may not have sufficient resources to remain competitive, which could materially and adversely affect the business, financial condition and results of operations of the Company.

***Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.***

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company's vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in the business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

***The Company's revenues and expenses may be negatively impacted by fluctuations in currency.***

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

#### **Risks Related to the Cannabis Industry**

***While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.***

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("CSA"), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

***The funding of businesses in the cannabis industry may expose us to potential criminal liability.***

As we distribute and sell cannabis vape products, the funding of businesses in the medical and adult-use cannabis industry is deemed to be participating in marijuana cultivation, which remains illegal under federal law pursuant to the CSA and exposes us to potential criminal liability, with the additional risk that our properties, or those of our companies, could be subject to civil forfeiture proceedings.

***Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.***

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Such risks are difficult to predict. For instance, it is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by

either the federal government or private citizens; or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. The regulatory uncertainties make identifying the new risks applicable to the Company and its business and the assessment of the impact of those risks on the Company and its business extremely difficult.

***The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Company and its portfolio company and may affect the financial condition of market participants, including the Company.***

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the participant and, thereby, on the Company's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's financings in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Changes to or the imposition of new government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings and could make future financing uneconomic.

***The Company and our portfolio companies it funds may become subject to litigation which could have a significant impact on the Company's profitability.***

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Company, or one or more of the Company's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially averse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

***The U.S. cannabis industry is subject to extensive controls and regulations, which impose significant costs on the Company and its portfolio companies and may affect the financial condition of market participants, including the Company.***

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the participant and, thereby, on the Company's prospective returns.

It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's financings in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Changes to or the imposition of new government regulations, including those relating to taxes and other government levies, may affect the marketability of cannabis products. Such changes in government levies (including taxes), which are beyond the control of the participant and which cannot be predicted, could reduce the Company's earnings and could make future financing uneconomic.

***The Company and the companies it funds may become subject to litigation which could have a significant impact on the Company's profitability.***

The cannabis industry is subject to numerous legal challenges and could become subject to new, unexpected legal challenges. The Company, or one or more of the Company's portfolio companies, may become subject to a variety of claims and lawsuits, such as U.S. federal actions against any individual or entity engaged in the marijuana industry. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially averse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

***As the possession and use of cannabis is illegal under the CSA, we may be deemed to be aiding and abetting illegal activities through the funding of our portfolio companies, and as such may be subject to enforcement actions which could materially and adversely affect our business.***

The possession, use, cultivation, or transfer of cannabis remains illegal under the CSA. As a result, law enforcement authorities regulating the illegal use of cannabis may seek to bring an action or actions against us, including, but not limited to, a claim of aiding and abetting another's criminal activities. The federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." 18 U.S.C. §2(a). Such an action would have a material adverse impact on our business and operations.

***Losing access to traditional banking and the application of anti-money laundering rules and regulations to our business could have a significant effect on our ability to conclude financings and achieve returns.***

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business. Furthermore, the Company's U.S. subsidiaries may be unable to open bank accounts with U.S. financial institutions, which may also make it difficult to operate the Company's business.

***Proceeds from the Company's financings could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.***

The Company's future financings, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

***The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry.***

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds in the future, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

***The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada, which could lead to the imposition of certain restrictions on the Company's ability to invest in the U.S.***

It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Company's Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the Exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future.

For the reasons set forth above, the Company's future financings in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

***The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines which could increase compliance costs substantially or require the alteration of business plans.***

The Company's business operations will indirectly be affected by laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

***As consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis evolve, the Company may face unfavorable publicity or consumer perception.***

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or

consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed royalty business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

***Cannabis use may increase the risk of serious adverse side effects which could subject the Company or its portfolio companies to product liability claims, regulatory action and litigation.***

As a company that finances businesses in the cannabis industry, we face the risk of exposure to, or having our portfolio companies exposed to, product liability claims, regulatory action and litigation if the products or services of our portfolio companies are alleged to have caused loss or injury. The Company and portfolio companies may become subject to product liability claims due to allegations that their products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, may exacerbate the symptoms for individuals with bipolar disorder, may increase the risk for the development of depressive disorders, may impair learning, memory and attention capabilities, and result in other side effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could also occur. There can be no assurance that the Company and portfolio companies will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in our portfolio companies becoming subject to significant liabilities that are uninsured and also could adversely affect their commercial arrangements with third parties. Such a product liability claims or regulatory action against an operator could result in increased costs, could adversely affect the Company's financing and reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

***If the Company and portfolio companies do not comply with applicable packaging, labeling and advertising restrictions on the sale of cannabis in the adult-use market, we could face increased costs, our reputation could be negatively affected and there could be a material adverse effect on our results of operations and financial condition.***

Products distributed by the Company and portfolio companies into the adult-use market may be required to comply with legislative requirements relating to product formats, product packaging, and marketing activities around such products, among others. As such, the portfolio of brands and products of the Company and portfolio companies will need to be specifically adapted, and their marketing activities carefully structured, to enable them to develop their brands in an effective and compliant manner. If the Company and portfolio companies are unable to effectively market their cannabis products and compete for market share, or if the costs relating to compliance with government legislation increase beyond what can be absorbed in the price of products, our earnings could be adversely affected which could make future financing uneconomic.

***The products of the Company and our portfolio companies may become subject to product recalls, which could negatively impact our results of operations.***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products of our portfolio companies are recalled due to an alleged product defect or for any other reason, such recall may disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations. In addition, a product recall involving one or multiple of our portfolio companies may require significant attention by our senior management. If the products of one of our portfolio companies were subject to recall, the image of that brand and the Company as an investor could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the products of our portfolio companies and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of our operations by the U.S. FDA,

Health Canada or other regulatory agencies, requiring further senior management attention and potential legal fees and other expenses.

### **General Business Risks**

*There can be no assurance that future financings made by the Company will be profitable.*

As part of the Company's overall business strategy, the Company intends to pursue its financing policy and objectives. There are always risks associated with any business transaction, particularly one that involves a largely cash based operation, operating in a new and growing field, with conflicting federal and state laws. There is no assurance any financings will be profitable.

*As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.*

Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

*The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management.*

While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such people. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

*The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.*

Litigation, complaints, and enforcement actions the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

*The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.*

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

*The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities.*

Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an operator, and consequently, the Company.

*The success of the Company may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.*

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.



***Insurance coverage obtained by an operator may be insufficient to cover all claims to which the operator may become subject.***

The Company will require an operator to have insurance coverage for applicable risks. However, there can be no assurance that such coverage will be available or sufficient to cover claims to which the operator may become subject. Each operator may be affected by a number of operational risks and may not be adequately insured for certain risks, including: civil litigation; labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, an operator's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the operator's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, an operator may be subject to or affected by liability or sustain loss for certain risks and hazards against which it may elect not to insure because of the cost. If insurance coverage is unavailable or insufficient to cover any such claims, an operator's financial resources, results of operations and prospects, as well as the Company's financing, could be adversely affected.

***Maintaining a public listing is costly and will add to the Company's legal and financial compliance costs.***

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

***The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.***

Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

***The Company may experience difficulty implementing its business strategy.***

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

***Conflicts of interest involving the Company's directors and officers may arise and may be resolved in a manner that is unfavorable to the Company.***

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

***The available talent pool may not be large enough for the Company to identify and hire personnel required to develop the business, which may mean that the growth of the Company's business will suffer.***

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of financings and cannabis may be difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.



***If the requirements of the Investment Company Act of 1940 (the “1940 Act”) were imposed on the Company, such requirements would adversely affect our operations.***

The Company intends to conduct its operations so that it is not required to register as an investment company under the 1940 Act. Section 3(a)(1)(A) of the 1940 Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the 1940 Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term “investment securities,” among other things, are securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c) (7) of the 1940 Act.

The Company is organized as a holding company that conducts business primarily through wholly-owned or majority-owned subsidiaries. The Company intends to conduct operations so that it complies with the 40% test. The Company will monitor our holdings to comply with this test. Failure to comply with the 40% test could require the Company to register as an investment company under the 1940 Act, which would have a material adverse effect on our operations.

***There could be adverse tax consequence for our shareholders in the United States if we are deemed a passive foreign investment company.***

Under United States federal income tax laws, if a company is (or for any past period was) a passive foreign investment company (which we refer to as “**PFIC**”), it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change. Furthermore, the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. The Company believes based on current business plans and financial expectations that it may be a PFIC for the current tax year and future tax years. United States purchasers of our common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC.

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences such as the ineligibility for any preferred tax rates on capital gains, the ineligibility for actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund (or QEF) election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership, and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.

#### **ITEM 4 INFORMATION ON THE COMPANY**

We are a British Columbia corporation existing under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) which conducts business as an operating company with a focus on the legal cannabis industry in the United States.

##### **A. History and Development of the Company**

###### **Name**

Our legal and commercial name is Red White & Bloom Brands Inc.

###### **Principal Office**

Our principal office and place of business is located at 8810 Jane Street, 2<sup>nd</sup> Floor, Concord, ON L4K 2M9

###### **Incorporation and Continuation**

We are a British Columbia corporation existing with perpetual existence under the BCBCA.

The Company was incorporated on March 12, 1980 as Treminco Resources Ltd. under the laws of British Columbia as a mineral exploration company. Treminco Resources Ltd. was listed initially on the Vancouver Stock Exchange (as it was then known) and subsequently on the Toronto Stock Exchange (“**TSE**”).

The name of the Company was changed to Elkhorn Gold Mining Corporation on February 8, 1999. On September 4, 2001, the common shares of Elkhorn Gold Mining Corporation were delisted from the TSE for failure to meet the continued listing requirements of the TSE. Cease Trade Orders (“**CTOs**”) were imposed on Elkhorn Gold Mining Corporation by the Ontario Securities Commission and the British Columbia Securities Commissions (the “**Commissions**”) on January 11, 2002 and January 3, 2002, respectively.

Between April 2001 and July 2010, Elkhorn Gold Mining Corporation was inactive and did not carry on any business.

On October 12, 2011, Elkhorn Gold Mining Corporation changed its name to Tulloch Resources Ltd.

On January 16, 2012, pursuant to Section 171 of the *British Columbia Securities Act* and Section 144 of the *Ontario Securities Act*, the Commissions issued revocation orders with respect to the prior CTOs issued against Elkhorn Gold Mining Corporation. As part of the revocation, Tulloch Resources Ltd. undertook not to complete a transaction that would result in a reverse takeover while it was not listed on a “recognized stock exchange” unless, prior to closing of such transaction, the Company provided the British Columbia Securities Commission with 10 business days’ notice of the transaction.

Between 2012 and 2016, Tulloch Resources Ltd. undertook three equity financings, raising an aggregate of \$125,000, through private placements of its pre-Consolidated (as defined below) common shares to cover expenses involved in the restoration of the Company, ongoing costs, and expenses involved in searching for an appropriate project. From 2014 to 2017, Tulloch Resources Ltd. identified and reviewed a number of opportunities but did not proceed with any project.

On July 18, 2017, the Company changed its name to Tidal Royalty Corp. and changed its business to become a financing company with a focus on the U.S. legal cannabis industry. On July 26, 2017, we consolidated our share capital on a one-for-three basis (the “**Consolidation**”).

Our common shares began trading in CAD on the Canadian Securities Exchange (“**CSE**”) on June 25, 2018 under the symbol “**RLTY**”. We received approval from the CSE to begin trading our common shares in USD and commenced trading our common shares in USD on June 29, 2018 under the symbol “**RLTY.U**”.

On July 12, 2018, our common shares began trading on the OTC Markets under the symbol “**TDRYF**”. On August 13, 2018 we secured Depository Trust & Clearing Corp. (“**DTCC**”) eligibility for our common shares on the OTC Markets.

After the close of trading on September 10, 2018, OTC Markets ceased listing our common shares on the OTC Markets under the symbol “**TDRYF**” as a result of an October 12, 2010 order issued by the SEC. The order, issued pursuant to Section 12(j) of the *Securities Exchange Act of 1934* (the “**Exchange Act**”), revoked the registration of the securities of Elkhorn Gold Mining Corp., registered pursuant to Section 12(g) of the Exchange Act, as Elkhorn Gold Mining Corp. was delinquent in its periodic filings with the SEC having not filed any periodic reports since it filed an amended Form 20-F registration statement on November 4, 1999. Prior to being notified of the actions of the OTC Markets, management of Tidal Royalty was not aware of the filing of the amended Form 20-F by Elkhorn Mining Corp. nor the order of the SEC revoking the registration of the registered securities of Elkhorn Gold Mining Corp.

On May 13, 2019, the Company entered into a business combination agreement (the “**Definitive Agreement**”) with MichiCann Medical Inc. (d/b/a Red White & Bloom) (“**MichiCann**”), with respect to the acquisition of all of the issued and outstanding shares of MichiCann (“**Proposed Transaction**”). Pursuant to the definitive agreement, all of the issued and outstanding common shares of MichiCann will be exchanged on the basis of 2 common shares of tidal for 1 MichiCann common share. The Proposed Transaction is considered as a reverse take-over. The Proposed Transaction will be completed by way of a three-cornered amalgamation (“**Amalgamation**”), whereby 2690229 Ontario Inc., a wholly owned subsidiary of the Company will amalgamate with MichiCann. The Amalgamation was approved by the shareholders of MichiCann.

MichiCann is a private cannabis investment Company that holds an 8% senior secured convertible debenture to acquire all of the issued and outstanding shares of its Michigan based investee (“**OpCo**”), a private company incorporated under the laws of the state of Michigan. OpCo has been granted a step 1 prequalification by the Medical Marijuana Licensing Board and has been awarded multiple municipal approvals for grower permits (cultivation), manufacturing (extraction and derivative manufacturing) and provisioning centers (dispensaries).

The Definitive contemplates the following terms:

- \* The Company will complete a share consolidation on an 8:1 basis;
- \* Change its name to “Red White & Bloom Inc.” or such other name as may be approved by the board of directors;
- \* Reconstitute the board to include a total of 6 directors, of which 4 are nominees of MichiCann and 2 existing board members of the Company.

On April 24, 2020, the Company closed the Definitive Agreement, and 2690229 Ontario Inc. amalgamated with MichiCann by way of a three-corned amalgamation whereby MichiCann was amalgamated with a newly incorporated subsidiary to form the Company.

Immediately prior to the amalgamation, the Company completed a consolidation of its common shares on the basis of one post-consolidated share for every sixteen pre-consolidation common shares and changed its name from “Tidal Royalty Corp.” to “Red White & Bloom Brands Inc.”. The shares of the Company were exchanged for shares of MichiCann on a 2:1 basis. Due to the terms of the exchange ratio, the previous shareholders of MichiCann acquired a controlling interest in the Company and as such, the amalgamation has been accounted for as a reverse takeover transaction with MichiCann.

The amalgamation resulted in all the issued and outstanding shares of MichiCann being exchange for one common share and one convertible series II preferred share of the Company. Holders of MichiCann common share purchase warrants and MichiCann stock options received one replacement warrant or stock option, as applicable, with each exercisable for units consisting of one common share and one convertible series II preferred share.

#### **Change of Business**

On September 5, 2017, we received approval from our shareholders to change our business from mineral exploration to that of a financing company with a focus on the U.S. legal cannabis industry. Among others, we took the following steps to develop and execute our new business:

1. Retained new management with a track record in the U.S. legal cannabis industry and of acquiring and divesting in arm's-length enterprises;
2. Changed our name from Tulloch Resources Ltd. to Tidal Royalty Corp.;
3. Consolidated our common shares on a three (3) old for one (1) new basis;
4. Considered and created a clearly defined financing policy; and
5. Undertook various financing transactions, described in greater detail below.

#### **Financing Following the Change of Business**

On February 8, 2018, the Company completed a non-brokered private placement of 59,370,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,968,500. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 3,757,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The fair value of \$187,850 was charged to warrant issue costs. On June 8, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company. As of November 28, 2019, the Company has issued 6,020,000 common shares for gross proceeds of \$301,000 pursuant to the exercise of 6,020,000 share purchase warrants issued as a result of this June 8, 2018 conversion.

On March 1, 2018, the Company completed a non-brokered private placement of 57,120,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$2,856,000. Each special warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 5,292,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The fair value of \$264,600 was charged to warrant issue costs. On July 1, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company. As of November 28, 2019, the Company has issued 21,900,000 common shares for gross proceeds of \$1,095,000 pursuant to the exercise of 21,900,000 share purchase warrants issued as a result of this July 1, 2018 conversion.

On April 30, 2018, the Company completed a non-brokered private placement of 12,690,000 special warrants of the Company at a price of \$0.05 per special warrant for gross proceeds of \$634,500. Each special warrant entitles the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one share purchase warrant; each warrant entitling the holder to acquire one additional share at \$0.05 for a period of 24 months. An additional 1,220,000 special warrants were issued as finders' fees with the same terms as the special warrants received pursuant to the private placement. The fair value of \$61,000 was charged to warrant issue costs. On August 31, 2018, the Company converted the special warrants and special finders' warrants into an equivalent number of units in the capital of the Company. As of November 28, 2019, the Company issued 3,105,000 common shares for gross proceeds of \$155,250 pursuant to the exercise of 3,105,000 share purchase warrants issued as a result of this August 31, 2018 conversion.

On May 25, 2018, the Company issued 40,000,000 units in the capital of the Company at a price of \$0.05 per unit for gross proceeds of \$2,000,000. Each unit consists of one Series 1 Convertible Preferred share (a "**Preferred Share**") and one preferred share purchase warrant; each warrant (a "**Warrant**") is exercisable by the holder to acquire one additional Preferred Share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date.

A total of 4,000,000 special finders' warrants were issued as finder's fees in respect of the May 25, 2018 issuance, which special finders' warrants were granted with a fair value of \$141,440. The fair value of the special finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.05; exercise price - \$0.05; expected life — 2 years; volatility — 147%; dividend yield — \$0; and risk-free rate — 1.96%. Each special finders' warrant entitled the holder to receive, without payment of any additional consideration or need for further action, one unit of the Company, each unit comprising of one common share and one common share purchase warrant. Each share purchase warrant is exercisable by the holder to acquire one additional common share in the capital of the Company at a price of \$0.05 for a period of 24 months following the issuance date of the convertible preferred share units. The special finder's warrants were converted into an equivalent number of units in the capital of the Company on September 26, 2018. As of November 28, 2019, the Company has issued 1,000,000 common shares for gross proceeds of \$50,000 pursuant to the exercise of 1,000,000 share purchase warrants issued as a result of this September 26, 2018 conversion.

On June 12, 2018, the Company issued 94,355,026 common shares at a price of \$0.33 per common share for gross proceeds of \$31,137,159. In consideration for their services, the finder's received a cash commission of \$2,067,500 and the Company paid other legal and finders' fees of \$64,000. A total of 5,182,365 finder's warrants were granted with a fair value of \$1,209,136; each finder warrant entitling the holder to acquire one additional common share at \$0.33 for a period of 24 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - \$0.33; exercise price - \$0.33; expected life — 2 years; volatility — 147%; dividend yield — \$0; and risk-free rate — 1.90%.

On July 28, 2018, the holders of the 40,000,000 preferred share purchase warrants exercised these warrants and paid the \$0.05 exercise price for total proceeds of \$2,000,000. On October 31, 2018, the Company issued the 40,000,000 Series 1 Convertible Preferred shares pursuant to the exercise of the 40,000,000 preferred share purchase warrants. During the period ended April 30, 2019, the Company converted 29,100,000 preferred shares into common shares on a one to one basis.

On September 24, 2020, the Company closed the bought deal offering for a total issuance of 33,350,000 units of the Company at a price of \$0.75 per unit for aggregate gross proceeds of \$25,012,500, which includes the full exercise of the over-allotment option.

Each of these capital raises was primarily conducted in Canada with Canadian investors.

## **Reporting Issuer Status under Canadian Securities Laws**

The Company became a Canadian reporting issuer on November 27, 1985 whereby the Company and its insiders became subject to the continuous disclosure obligations under the securities laws of the province of British Columbia, Canada. The Company is also a reporting issuer in the province of Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, Canada. British Columbia is the principal regulator of the Company.

## **Capital Expenditures and Divestitures**

The Company purchased material Capital expenditures and divestitures in the last five years have not been material.

### Mid-American Growers

On January 10, 2020, the Company acquired 100% of the issued and outstanding shares of Mid-American Growers, Inc. ("MAG"). MAG is a company that cultivates and sells hemp-based products throughout North America. Under the terms of the agreement, the Company paid \$31,249,391 in cash and issued rights to receive 17,133,600 common shares of MichiCann with a fair value of \$44,984,267.

### 1251881 B.C. Ltd.

On June 10, 2020, the Company acquired 100% of the issued and outstanding shares of 1251881 B.C. Ltd. Under the terms of the agreement, the Company issued 13,500,000 common shares and 4,500,000 special warrants as a consideration. The special warrants are automatically convertible into 4,500,000 common shares of the Company should the volume weighted average price of the Company's common shares be less than \$1.50 for the first 180 days following the acquisition date. In connection with the acquisition, the Company issued 1,800,000 common shares to a finder. On December 15, 2020, all special warrants were converted into common shares for the finder's fee.

The fair value of special warrants amounting to \$4,995,000 was based on the market price of \$1.11 per common share of the Company as of the acquisition date. The fair value of finder's fee amounting to \$1,998,000 was based on the market price of \$1.11 per share as of the acquisition date.

### Platinum Vape LLC

On September 14, 2020, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding equity interest of Platinum Vape LLC ("Platinum Vape" or "PV") in a cash and convertible note payable amounting to USD \$35,000,000, comprised of USD \$7,000,000 in cash paid at closing, a further USD \$13,000,000 in cash payable 120 days after closing and USD \$15,000,000 convertible promissory note payable on the third anniversary of closing, which may be converted into Company stock only after 12 months. Concurrently, the Company entered an earn-out agreement with the sellers of PV whereby the Company will pay cash or common shares of the Company with equivalent value of USD \$25,000,000 payable based on achievement of the following milestones during the 12-month period immediately following the closing:

- USD \$7,500,000 paid on PV achieving revenue of USD \$80,000,000 and maintain 15% earnings before interest and taxes;
- USD \$7,500,000 paid on PV achieving revenue of USD \$90,000,000 and maintain 15% earnings before interest and taxes; and
- USD \$10,000,000 paid on PV achieving revenue of USD \$100,000,000 and maintain 15% earnings before interest and taxes.

### Florida operations from Acreage Holdings

On April 28, 2021, the Company completed the acquisition of 77.17% of the issued and outstanding shares of Acreage Florida, Inc. ("RWB Florida"). The Company has recorded a 22.83% non-controlling interest at its fair value and consolidated the results of RWB Florida from the date of acquisition onwards. RWB Florida is licensed to operate medical marijuana dispensaries, a processing facility, and a cultivation facility in the state of Florida.

The previous shareholders of RWB Florida received aggregate consideration as follows:

- A cash payment of \$12,438,531;
- 5,950,971 Common Shares of the Company on closing, subject to a 12 month lock-up agreement pursuant to which 1/6 if the shares will be released each month commencing the 6th month after close; and
- \$34,644,437 in vendor take back promissory notes maturing within 13 months from close of the transaction and bearing interest at 8% per annum.

#### **Takeover Offers**

We are not aware of any indication of any public takeover offers by third parties in respect of our Common Shares during our last and current financial years.

#### **B. Business Overview**

The Company is a publicly traded company with a focus on financing in businesses that pertain in any way to cannabis which are carried out in compliance with applicable U.S. state laws (“**legal cannabis industry**”). For a historical overview of the development of the Company, please see “*A. History and Development of the Company — Incorporation and Continuation*”.

The Company’s business objective is to provide capital solutions to companies in the U.S. legal cannabis industry with large-scale potential and a highly-skilled and experienced management team across multiple industry verticals, including cultivation, processing and distribution. Such financing arrangements may involve royalties, debt, equity and other forms of financings in both private and public companies. Our team has cannabis-related legal, financial and strategic experience.

The Company is actively pursuing opportunities to provide expansion capital to licensed, qualified operators. An investment in Tidal Royalty allows shareholders to participate in the broader US cannabis market’s growth while diversifying against specific operational risks.

#### **Royalties**

A royalty is a largely contractually-based financing arrangement whereby, in exchange for expansion capital, the Company receives the legal right to collect future streams of royalty payments that are based on a percentage of revenues from specified operations. Royalty transactions are intended to provide durable, predictable returns for Tidal Royalty while not restricting or inhibiting the growth potential of the portfolio company. Our benchmark standard royalty terms include a royalty of 15% of net revenue, for a period of 99 years and secured by first priority interests on assets of the operator. Specific financing arrangements may vary from the benchmark standard terms depending on the agreement reached by the parties. In addition to royalties, we may explore transactions that are structurally similar to royalties, for example a stream of payments tied to the revenue of a particular asset or business over a defined period of time, in so long as the transaction meets our deal selection criteria and complements our portfolio composition.

#### **Deal Assessment**

We pursue transactions after assessing expected internal rate of return weighted against the expected risks of the particular transaction. We generally seek to mitigate transaction risks by obtaining some form of security against the portfolio company’s assets.

In order to assess financing opportunities, we undertake a comprehensive due diligence process and use a scorecard method to evaluate the accretive potential of an opportunity. While we evaluate many financing opportunities, only selected opportunities that align with our scorecard metrics are pursued.

In addition to the assessment of the qualities of a particular transaction, we also assess the macro factors that may impact an investment, for example regulatory developments, market changes and consumer behavior. We regularly assess these macro factors and continually refine our conclusions with respect to the expected impact of such factors on current and future investments. As such, we strive to select and structure investments such that Tidal Royalty benefits from the outcomes relating to a particular selected portfolio company as well as from market growth in general.

## Portfolio

We seek to balance our portfolio of investments such that there is no concentration of investments in any particular states, with any particular operators or in any particular industry vertical. As such, the composition of our portfolio may vary over time.

On August 31, 2018, we executed a definitive agreement with Diem Cannabis to finance its expansion into Massachusetts. Diem is an experienced licensed operator in the highly-competitive Oregon market. Pursuant to the agreement, we will provide Diem Cannabis with up to US\$12.5 million over the next three years to develop and operate a large-scale cultivation and processing facility and up to four dispensaries in Massachusetts.

On November 15, 2018, we purchased 3,029 Units (“Units”) for \$3,029,000 of FLRish Inc., the parent company of Harborside (“Harborside”) and entered into a non-binding memorandum of understanding with Harborside to provide royalty financing to prospective “Harborside” brand dispensary operators. We agreed to provide up to US\$10 million in royalty financing to prospective dispensary operators licensing the “Harborside” brand. Each potential dispensary financing transaction will be assessed by us on a case-by-case basis and will be subject to the satisfactory completion of due diligence and the consummation of definitive documentation with the prospective dispensary operator.

On January 9, 2019, we closed a strategic private placement for US \$5,000,000 of Lighthouse Strategies LLC (“Lighthouse”) Series A membership units concurrently with a financing arrangement for certain Lighthouse beverage lines. Pursuant to the Financing Fee Agreement, the Company we are entitled to a 1% of net sales of certain of Lighthouse’s beverage lines, including Cannabiniers, Two Roots Brewing Co and Creative Waters Beverage Company. Financing fees will accrue until December 1, 2019, at which point the Company may choose receive such fees in cash or Series A membership units of Lighthouse. Thereafter, financing fees are payable quarterly in cash. The terms of the Financing Fee Agreement are between four and six years, depending on certain milestones and includes acceleration provisions in certain events (including a substantial asset divestiture, change of control, or initial public offering).

On February 25, 2019, the Company completed an advance of \$15,000,000 to MichiCann Medical Inc. (operating as Red White & Bloom) pursuant to a senior secured convertible debenture (the “MichiCann Debenture”). The MichiCann Debenture is non-interest bearing, other than in the event of a default by MichiCann thereunder, and will mature on November 30, 2019 (the “Maturity Date”), with the Maturity Date being extendable in certain circumstances.

The obligations under the MichiCann Debenture are secured by way of a first ranking security against the personal property of MichiCann. In the event that the proposed acquisition by the Company of all of the issued and outstanding shares of MichiCann (the “Proposed Transaction”) is not completed by the Maturity Date as result of, among other things, MichiCann’s failure to comply with the definitive documentation for the Proposed Transaction, and MichiCann is at such time pursuing an alternative go public transaction or a change of control transaction (an “Alternate Liquidity Transaction”), the Company may elect to convert, in whole or in part, the outstanding amount under the MichiCann Debenture into common shares of MichiCann (“MichiCann Shares”) at a price per MichiCann Share that is the lesser of (i) \$2.50 per MichiCann Share, and (ii) a 20% discount to the issue or effective price per MichiCann Share under the Alternate Liquidity Transaction.

It is anticipated that MichiCann will use the funds advanced by the Company, solely to fund the acquisition of additional cannabis Provisioning Centers (dispensaries) in Michigan by its Michigan based investee Opco, and for general working capital purposes.

On April 24, 2020, Tidal Royalty Corp. (“Tidal”) and a private Ontario company named MichiCann Medical Inc. (“MichiCann”) completed an amalgamation structured as a three-corned amalgamation whereby MichiCann was amalgamated with a newly incorporated subsidiary of Tidal, forming the Company.

Immediately prior to the amalgamation, Tidal completed a consolidation of the Tidal common shares on the basis of one post-consolidated Tidal share for every sixteen pre-consolidation Tidal common shares and changed its name from “Tidal Royalty Corp.” to “Red White & Bloom Brands Inc.”. Each MichiCann share was exchanged to one common share and one convertible series II preferred share of the Company. Due to the terms of the exchange ratio, the previous shareholders of MichiCann acquired a controlling interest in Tidal and as such, the amalgamation has been accounted for as a reverse takeover transaction with MichiCann being the resulting issuer for financial reporting purposes.

We seek to create lasting partnerships with our portfolio companies such that we participate in their growth and success over time. Further, we expect that the synergies among our portfolio companies will also contribute to the success of our portfolio companies.

## Competition

As the cannabis industry is at an early stage, we expect to face intense competition from other financing companies, including from new entrants, in the future. Currently, we are experiencing intensifying competition among financiers in the legal cannabis industry. As investors worldwide are becoming more accustomed to cannabis investments, family offices, private equity funds and high-net-worth individuals are beginning to offer financing alternatives to cannabis companies. However, we believe that our experienced management team, deal selection process and financing product distinguishes us from alternative sources of financing.

## Effects of Government Regulations

In the U.S., cannabis is largely regulated at the state level. To the Company's knowledge and as of the date of this Form 20-F, 30 states and Washington, DC have legalized medical cannabis, while nine states and Washington, DC have legalized recreational cannabis use. Notwithstanding the permissive regulatory environment of medical or recreational cannabis at the state level in certain states, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such violates federal law in the U.S. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, financings with cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of a memorandum (the "**Cole Memorandum**"), acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes, in January 2018.

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("**DOJ**") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**") The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."



The Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625—a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (“**Leahy Amendment**”). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018, however, Congress approved a nine-week continuing resolution from the 2018 fiscal year (the “**Continuing Resolution**”). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 fiscal year appropriations since February 2018. The much relied on appropriations protecting the medical cannabis industry was renewed in both the House and Senate versions of the 2019 fiscal year appropriations bills, with the expectation that the language will be enacted in the final 2019 fiscal year appropriations bill. However, it should be noted that there is no assurance that the final 2019 fiscal year appropriations bill will include appropriations protecting the medical cannabis industry.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher Blumenauer Appropriations Amendment in the 2019 fiscal year appropriations bill, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state’s recreational cannabis laws.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company’s financing of such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold a financing, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, the USA PATRIOT Act, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Treasury Department's Financial Crimes Enforcement Network ("**FinCEN**") issued guidance on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in the 2014 Cole Memo issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA on the same day. The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

Proceeds of the Company's financings may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

### C. Organizational Structure

The following table sets out the current organizational structure of the Company and its subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Ownership
MichiCann Medical Inc.	Ontario, Canada	100%
1251881 B.C. Ltd.	British Columbia, Canada	100%
Mid-American Growers, Inc.	Delaware, USA	100%
Mid-American Cultivation LLC	Delaware, USA	100%
RWB Platinum Vape Inc.	California, USA	100%
Vista Prime Management, LLC	California, USA	100%
GC Ventures 2, LLC	Michigan, USA	100%
RWB Licensing Inc.	British Columbia, Canada	100%
RWB Freedom Flower, LLC	Illinois, USA	100%
RWB Illinois, Inc.	Delaware, USA	100%
Vista Prime 3, Inc.	California, USA	100%
PV CBD LLC	California, USA	100%
Vista Prime 2, Inc.	California, USA	100%
Royalty USA Corp.	Delaware, USA	100%
RLTY Beverage 1 LLC	Delaware, USA	100%
RLTY Development MA 1 LLC	Delaware, USA	100%

## D. Property, Plants and Equipment

### Corporate Office

Our executive offices are located at 8810 Jane Street, 2nd Floor, Concord, ON, L4K 2M9

## ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion and analysis of our activities, results of operations and financial condition as of December 31, 2020, July 31, 2019 and July 31, 2018. It should be read in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2020, July 31, 2019 and July 31, 2018. Our consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

### A. OPERATING RESULTS

*Fiscal year ended December 31, 2020 compared to fiscal year ended July 31, 2019*

For the year ended	December 31, 2020	July 31, 2019
Sales	\$ 23,338,528	-
Cost of sales, before fair value adjustments	9,486,087	-
	13,852,441	-
Unrealized change in fair value of biological assets	(543,116)	-
Realized fair value amounts included in inventory sold	45,232	-
Gross Profit		
<b>Expenses</b>		
Consulting	-	1,333,704
General and administration	10,695,379	233,985
Depreciation and amortization	15,291,977	-
Investor relations and stock promotion	-	2,521,416
Insurance	-	135,493
Professional fees	-	1,100,143
Rent	-	195,050
Salaries and benefits	6,777,330	915,585
Earn-out compensation	9,805,500	-
Share based payments	3,955,976	7,329,800
Sales and marketing	1,762,223	-
Transfer agent and filing fees	-	88,215
Travel	-	131,552
Total expenses	48,288,828	13,974,943

Loss from operations before other expenses	(34,933,828)	(13,974,943)
<b>Other income (expense)</b>		
Dividend income	-	2,467
Finance expense	5,272,428	-
Foreign exchange gain (loss)	1,677,976	260,880
Management fees	(425,610)	-
Gain revaluation of call/put option	(53,619,465)	-
Gain on disposal of property, plant and equipment	(232,874)	-
Write off of deposit	1,853,059	-
Listing expense	31,705,481	-
Gain on debt extinguishment	-	10,000
Interest income	-	404,921
Realized gain on investment in equity securities and convertible debenture	-	281,892
Unrealized loss on investment in equity securities	530,451	(5,373,032)
Write down of sales tax receivable	-	(223,906)
Total other expenses (income)	(13,238,554)	(4,636,778)
Loss before income taxes	(21,695,274)	(18,611,721)
Current income tax expense	3,125,261	-
Deferred income tax recovery	(6,243,668)	-
Net Loss	(18,576,867)	(18,661,721)
Translation adjustment on consolidation of foreign subsidiaries	(1,896,622)	-
Comprehensive loss	(20,473,489)	(18,661,721)

Most categories of expenses showed increases in 2020 compared with 2019. The Company acquired MAG and PV on January 10, 2020 and September 13, 2020, respectively. As a result of acquisition of MAG and PV, the Company began generating revenue on January 10, 2020 and revenue increased significantly in the fourth quarter of the year. However, the Company still relies on external financings to generate capital. As a result, the Company has continued to incur losses since the its inception including for the years ended December 31, 2020 and 2019.

Explanations of the nature of costs incurred, along with explanations for those significant changes in costs are discussed below:

- General and administration relates to general office expenditures and its increase is a result of the Company's activity level during the period along with other costs associated with operations in the Company's office in Toronto. The increase is to support increased operating activities. Significant changes include increase in professional fees to support increase in legal and other professional work related to the amalgamation agreement, negotiations and the reverse takeover transactions, and increase in insurance expense.
- Depreciation and amortization expenses consist of depreciation of property, plants and equipment and amortization of intangible assets. Increase of \$15,290,079 in depreciation from \$1,898 in 2019 to \$15,291,977 in 2020. The increase is driven by an increase in depreciable property as a result of the MAG and Platinum Vape acquisitions.
- Investor relations and stock promotion consist of marketing costs to promote the Company. The increase is a result of the Company's officers increasing their presence at several key industries related conferences throughout the period. Furthermore, the Company created brand awareness in the Company's key target markets in North America that may lead to potential partnerships. The Company's advertising effort has led to several key letter of intents and definitive agreements. This is an important step to establishing the Company's foothold in the legal marijuana sector in the United States.
- Salaries and wages related to compensation expenses for employees of the Company. The increase was to support management in its effort to build infrastructure necessary for the Company's growth. Another cause of the increase is the increased number of employees as a result of the MAG and Platinum Vapes acquisitions.
- Earn-out compensation relates to earn-out compensation agreement of PV acquisition.

- During the year ended December 31, 2020, the Company granted stock options to various employees and consultants. The Company used the Black Scholes Pricing Model and recorded share-based compensation of \$3,955,976 (2019 - \$7,329,800).
- The increase in sales and marketing to supported increased sales and marketing activities.
- Consulting, investor relations and stock promotions, insurance, professional fees, rent and travel expenses were reclassified as general and administration for the year ended December 31, 2020.
- Finance expense relates to interest expenses and various finance charges.
- Foreign exchange gain relates to fluctuations in foreign exchange rate between the USD and Canadian dollar.
- Management fees relates to management fee charged to the investee of the Company.
- The Company recognized an unrealized gain of \$53,619,465 on revaluation of call/put option
- The Company recognized a gain of \$232,874 on disposal of property, plant and equipment
- The Company wrote off a deposit of \$1,853,059.

***Fiscal year ended July 31, 2019 compared to fiscal year ended July 31, 2018***

For the year ended	July 31, 2019	July 31, 2018
<b>Expenses</b>		
Consulting fees	\$ 1,333,704	\$ 1,933,550
Advertising and promotions	-	1,164,458
General and administration	223,985	93,861
Investor relations and stock promotion	2,521,416	31,851
Insurance	135,493	
Professional fees	1,100,143	461,195
Rent	195,050	84,670
Share-based compensation	7,329,800	3,250,476
Salaries and benefits	915,585	244,526
Transfer agent and filing fees	88,215	76,869
Travel	131,552	106,368
	(13,974,943)	(7,447,824)
<b>Other income (expense)</b>		
Dividends income	2,467	-
Foreign exchange gain (loss)	260,880	377,265
Gain on debt extinguishment	10,000	-
Interest income	404,921	-
Realized gain on investments in equity securities and convertible debentures	281,892	-
Unrealized loss on investments in equity securities	(5,373,032)	-
Write down of sales tax receivable	(223,906)	-
<b>Net loss</b>	\$ (18,611,721)	\$ (7,825,089)
<b>Other comprehensive loss</b>		
Foreign subsidiary currency translation loss	(796)	-
<b>Net loss and comprehensive loss for the year</b>	\$ (18,612,517)	\$ (7,825,089)

Most categories of expenses showed increases in 2019 compared with 2018. In the first half of the year the increase in expenses related to activities on due diligence work performed for financing deals and related activities. In the second half of the year, expenses reflected the Company's reorganization of management and redirection of its business.

Explanations of the nature of costs incurred, along with explanations for those significant changes in costs are discussed below:

- Investor relations and stock promotion consist of marketing costs to promote the Company. The increase is a result of the Company's officers increasing their presence at several key industries related conferences throughout the period. Furthermore, the Company created brand awareness in the Company's key target markets in North America that may lead to potential partnerships. The Company's advertising effort has led to several key letter of intents and

definitive agreements. This is an important step to establishing the Company's foothold in the legal marijuana sector in the United States. The Company limited investor relations activity as the Company's stock has been halted for the latter half of the year until the MichiCann LOI is completed.

- In the second half of the year, consulting fees decreased significantly as the Company entered into the LOI with MichiCann, resulting in an overall decrease in consulting fees relative to the comparative period. The Company relies heavily on Consultants to help them achieve their goals in all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include Management, Advisors, Technical Support and other support roles.
- General and administration relates to general office expenditures and its increase is a result of the Company's activity level during the period along with other costs associated with operations in the Company's office in Toronto. Insurance increased to \$135,493 from \$Nil as the Company adopted insurance policies during the year.
- Foreign exchange gain relates to fluctuations in foreign exchange rate between the USD and Canadian dollar.
- Professional fees increased due to accounting and legal fees associated with preparing and reviewing the Company's 20-F filing. The Company incurred legal fees in connection with the closing of the Financing agreement with Diem Cannabis, review of various Letters of Intent such as Lighthouse and Harborside, and other potential partnerships.
- Rent increased as the Company made payments on the Company's head office lease.
- During the year ended July 31, 2019, the Company granted stock options to various consultants. The Company used the Black Scholes Pricing Model and recorded share-based compensation of \$7,329,800 (2018 - \$3,250,476).
- Salaries and benefits increased as a result of the Company hiring additional employees to support the growth of business and its corporate finance department. Furthermore, the Company paid its CEO and President salaries for their services.
- Travel increased as a result of flights to various industry conferences and meetings in furtherance of financing opportunities.
- The Company recorded interest income of \$404,921 (2018 - \$Nil), pursuant to the promissory notes the Company entered into with Diem and the convertible note in Harborside.
- The Company sold its investment in Harborside and realized a gain on sale on equity securities of \$281,892.
- The Company recognized an unrealized loss on investments in equity securities for Lighthouse Strategies LLC and Harborside of \$5,373,032.

During the three-month period ended July 31, 2019, the Company recorded a loss of \$7,471,800 (2018 – \$6,807,138). The vast majority of expenditures during the three-month period ended relates to stock options granted to consultants, directors and management. The discussion for the variances for the remaining income statement accounts are similar to the discussion for the year ended July 31, 2019. During the fourth quarter of 2019, the Company recorded share-based compensation of \$853,976.

### **Inflation**

Historically, inflation has not affected the Company's business in the current locations where it is doing business and the Company does not expect it to affect the Company's operations in the future.

### **Foreign exchange risk**

The Company's interest rate risk management policy is to purchase highly liquid investments with terms to maturity of three months or less on the date of purchase or redeemable at the option of the Company. The Company does not engage in any hedging activity. The Company does not have significant interest rate risk.

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency.

The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	December 31, 2020	July 31, 2019
Balance in US dollars:		
Cash and cash equivalents	\$ 214,042	\$ -
Accounts receivable	13,585,921	-
Prepaid expenses and deposits	817,915	-
Promissory note receivable	6,255,678	2,595,395
Accounts payable	(14,968,980)	-
Net exposure	5,904,577	2,845,392
Balance in Canadian dollars:	\$ 7,342,319	\$ 3,741,121

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$590,000 for the year ended December 31, 2020 (July 31, 2019 - \$374,000).

## B. LIQUIDITY AND CAPITAL RESOURCE

### Liquidity

At December 31, 2020, the Company had cash of \$1,146,569, compared to July 31, 2019 of \$2,961,514. In order to continue operations, and in particular, to fund ongoing expenditure commitments to pursue its business strategy & goals and service its obligations listed in the financial statements, the Company may need to raise additional capital. The Company's working capital is \$9,390,997 (2019 - \$17,733,045). The Company expects to finance operating costs by debt private placement of common shares, preferred shares, exercise of warrants, exercise of options and debt financing.

During the year ended, the Company closed the bought deal offering for a total issuance of 33,350,000 units of the Company at a price of \$0.75 per unit for aggregate gross proceeds of \$25,012,500, which includes the full exercise of the over-allotment option.

Subsequent to the year ended December 31, 2020, the Company issued an aggregate of \$49,962,257 debenture.

11,771,973 common shares from the exercise of common share purchase warrants for gross proceeds of \$13,174,950. 3,104,145 common shares from the exercise of stock option for gross proceeds of \$705,000.

### Capital Resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company entered into an office lease that expires on September 2, 2020. The Company is committed to the following estimated annual payments:

	\$
2020	294,205
2021	49,034
Total	343,239

## C. Research and Development, Patents and Licenses, etc.

Not applicable.

## **D. Trend Information**

### *State Legislative Trends*

While currently a controlled substance under the CSA, cannabis is legalized and regulated by various states. As of the date of this Form 20-F, 30 states and Washington, DC have legalized medical cannabis. Nine states and Washington, DC have legalized adult recreational cannabis use. The trend across the United States has been to legalize cannabis for medicinal purposes in most cases, and recreational use in some cases.

During the November 8, 2016 election California, Maine, Massachusetts, and Nevada voted to legalize adult-use cannabis and Arkansas, Florida, Montana, and North Dakota voted to legalize medical cannabis. In June 2018 Oklahoma legalized medical cannabis. In November 2018, Utah and Missouri will vote on the legalization of medical cannabis, while Michigan and North Dakota will vote on legalizing cannabis for recreational use.

### *State Regulatory Infrastructure*

Development of state programs for the regulation of medical or adult-use cannabis is state-specific. Following the approval of medical or adult-use cannabis, some states have developed the regulatory infrastructure quickly, while other states have taken several years to develop such systems. State-specific advisory boards and committees have been created with the mandate to manage the implementation of the new industries.

According to Marijuana Business Daily, the average amount of time that elapsed between the legalization of medical cannabis sales and the opening of the first dispensaries in six states that recently commenced sales was 28 months. Also, according to Marijuana Business Daily, there are signs that the industry is maturing, and states are increasingly able to efficiently and quickly establish regulatory frameworks following legalization, especially where adult-use cannabis is legalized in states where regulated medical-use cannabis systems are already in place. For example, according to Marijuana Business Daily, the average amount of time that elapsed between voters approving adult-use cannabis production and sales to the opening of the first retail stores in Colorado, Washington and Oregon was 15 months.

Pennsylvania and Ohio offer two contrasting instances of the implementation of state regulatory infrastructure having both committed to a two-year implementation timeframe at the time of legalization. The launch of Pennsylvania's medical program has largely been on-time. Successfully opened medical dispensaries within the two-year target, the state is now working to bolster the supply chain by issuing more licenses. Ohio on the other hand missed their deadline of September 8, 2018 to have implemented a fully operational supply chain. Despite the longer than expected rollout, Ohio continues to move ahead evaluating and issuing licenses.

Even where regulatory frameworks for cannabis production and sales are in place, states tend to revise these rules over time. These revisions often impact sales, making it difficult to predict the potential of new markets. States may, for example, restrict the number of cannabis businesses permitted which can limit growth of the cannabis industry in those states. Alternatively, states may relax their initial regulations relating to cannabis production and sales, which would likely accelerate growth of the cannabis industry in such states. A common adjustment to medical programs is the addition of qualifying medical conditions. Several states including Michigan, New York, Connecticut, and Arizona have added new qualifying conditions following initial legislature. Common among those new qualifying conditions are opioid replacement and chronic and severe or intractable pain. These conditions affect a wide group of people and are catalysts for medical cannabis adoption.

### *Federal Legislative and Legal Trends*

The recent political and administrative shift with the election of President Donald Trump has created uncertainty about the future of the cannabis industry. In January 2018 U.S. Attorney General. Jefferson Sessions rescinded a trio of memos including the Cole Memorandum. The Cole Memorandum was a memo created during the Obama Administration, which provided states with legal cannabis protection from Federal prosecution. Jeff Sessions said that the policy shift would be a "return to the rule of law" but did not provide details regarding pending prosecutions or the magnitude of a crackdown on legal cannabis companies.



In April 2018 Senator Cory Gardner revealed that President Trump vocalized he would support states enforcing their own cannabis laws without Federal interference. This was the first time that there were differing viewpoints between President Trump and the Attorney General Jeff Sessions with regards to cannabis regulation. In June 2018 a new bipartisan bill called the STATES Act (Strengthening the Tenth Amendment Through Entrusting States) was introduced by Massachusetts's Senator Elizabeth Warren and Colorado's Senator Cory Gardner. If passed it would exempt Federal prosecution in legal cannabis states, as well as provide banking to legal cannabis companies. Although 10 senators and 28 members of the House of Representatives support the bill, The STATES Act has seen less progression in the last several months due to opposition from Senate Majority Leader Mitch McConnell and current chair of the House Rule Committee Pete Sessions. If the Democrats can regain the Senate on November 6, 2018, the STATES Act will have a much higher probability of being passed.

#### *Public Opinion*

The increase in state legalization of cannabis use is largely a result of changing public opinion in the United States. According to an October 2017 poll conducted by Gallup, 64% of Americans think that the use of cannabis should be made legal, the highest level in the 48 years that Gallup has conducted the poll. Further, in the 2016 Gallup poll, support among adults aged 18 to 34 increased from 35% to 77% between 2005 and 2016 and support among adults aged 35 to 54 increased from 35% to 61% over the same period. In addition, according to a recent Quinnipiac University Poll, 94% of U.S. voters support the medical use of cannabis if recommended by a physician.

#### *Industry Outlook*

Due to increases in state legalization and shifting public opinion, legal cannabis industry sales have grown substantially in recent years. According to ArcView Market Research (ArcView), 2018 legal cannabis sales are expected between \$8.5 billion to \$11 billion. Furthermore, sales are projected to reach \$23.4 billion by 2022, which is over a 22% compound annual growth rate for the four years from 2018 to 2022.

ArcView expects the distribution of industry sales between medical and adult-use to shift substantially between 2017 and 2022 as more states legalize adult-use cannabis. Adult-use sales were approximately \$2.6 billion, equating to over 30% of total industry sales. By 2022, adult-use sales are expected to increase to \$15.7 billion or 67% of total industry sales.

#### **E. Off Balance Sheet Arrangements**

The Company has no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition.

#### **F. Tabular Disclosure of Contractual Obligations**

As at December 31, 2020, the Company's following contractual obligations are:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations	415,643	223,979	191,664	-	-

#### **G. Safe Harbor**

This Annual Report on Form 20-F contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, principally in ITEM #4, "Information on the Company" and ITEM #5, "Operating and Financial Review and Prospects". These statements may be identified by the use of words like "plan," "expect," "aim," "believe," "project," "anticipate," "intend," "estimate," "will," "should," "could" and similar expressions in connection with any discussion, expectation, or projection of future operating or financial performance, events or trends. In particular, these include statements about the Company's strategy for growth, future performance or results of current sales and production, interest rates, foreign exchange rates, and the outcome of contingencies, such as acquisitions and/or legal proceedings and intellectual property issues.

Forward-looking statements are based on certain assumptions and expectations of future events that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, among other things, the factors discussed in this Annual Report under ITEM #3, “Key Information, Risk Factors” and factors described in documents that the Company may furnish from time to time to the Securities and Exchange Commission. The Company undertakes no obligation to update publicly or revise any forward-looking statements because of new information.

## ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

The size of our board of directors (the “**Board**”) is currently set at five. Our directors are elected annually by the shareholders and hold office until the next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and our articles of incorporation. Our current directors and senior management are as follows:

Name <sup>(1)</sup>	Position
Brad Rogers <sup>(2)(4)</sup>	Director, CEO
William Dawson <sup>(2)(5)(6)</sup>	Director
Michael Marchese <sup>(6)</sup>	Director
Theo van der Linde	Director, Corporate Secretary and Chief Financial Officer
Brendan Purdy <sup>(2)(3)(4)(6)</sup>	Director

- (1) Neither age nor date of birth of directors or senior management is required to be reported in our home country of Canada nor otherwise publicly disclosed.  
(2) Member of the Audit Committee.  
(3) Chair of the Audit Committee.  
(4) Member of the Compensation Committee.  
(5) Chair of the Compensation Committee  
(6) “Independent” for purposes of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

The following is biographical information on our directors and officers who are acting in the capacity of director or officer as of the date hereof:

#### Brad Rogers – Director and Chief Executive officer

Mr. Rogers acted as Michicann’s Chief Executive Officer prior to the closing of the Transaction and previously served as President of Canntrust, one of Canada’s leading licensed cannabis producers. Under Brad’s direction, Canntrust created the Canadian cannabis market’s Gold Standard by producing quality, pharmaceutically standardized product across flower and extract. A recognized expert in cannabis production and a creative brand-building marketer, Mr. Rogers was instrumental in leading CannTrust into early profitability. He was the driving force behind its capital raises and IPO that peaked at a \$1.5 billion market cap.

Utilizing industry-leading scientific expertise and a disciplined “data driven” approach, Mr. Rogers managed CannTrust’s growth from 20 employees to more than 500 before his departure. Directed the creation of four adult consumer cannabis brands – Liiv; SYN.R.G, Xscape and Peak Leaf across National Distribution. To meet the needs of both the medical and recreational markets, he also supervised the opening of the first two phases of CannTrusts’ Perpetual Harvest Facility in Niagara which is expected to reach an annual output exceeding 100,000 kilograms. Mr. Rogers also worked on developing such innovative product extensions as beverages, vape pens, and edibles.

In addition, Mr. Rogers was part of the team that built one of the first ever commercially scaled cannabis production facilities in the world (for medicinal cannabis use) in 2014. That company (Metrum) was successfully sold in 2016 to Canopy Growth (NYSE:WEED) for over \$450 million.

He holds an MBA from the Richard Ivey School of Business, proudly supports Toronto’s Centre for Addiction and Mental Health, the Trillium Gift of Life Network, and Inner City EQAO Mentoring. Mr. Rogers will devote approximately 80% of his time to the business of the Issuer.

#### **Theo van der Linde – Director, Corporate Secretary and Chief Financial Officer**

Mr. van der Linde is a Chartered Accountant with 20 years of extensive experience in finance, reporting, regulatory requirements, public company administration, equity markets and financing of publicly traded companies as well as in the financial services, manufacturing, oil & gas, mining and retail industries. He has served as a CFO & Director for a number of TSX Venture Exchange and Canadian Securities Exchange listed companies over the past several years. Most recently, he has been involved with future use trends of natural resources as well as other disruptive technologies.

Mr. van der Linde's other principal business activities performed outside the Company are as follows: President of MegumaGold Corp. (since April 9, 2014); Director and Chief Financial Officer of Elcora Advanced Materials Corp (since April 1, 2016); Director of Organic Flower Investments Group (since July 18, 2018); Chief Financial Officer of Koios Beverage Corp (since December 4, 2018); Director of Slam Exploration Ltd. (since November 7, 2017); and Chief Financial Officer of Pasha Brands Ltd. (since May 29, 2019)

Mr. van der Linde received a B.Comm. (Hons) in Finance from Pretoria University, is a Chartered Accountant and is a member of good standing of the Institute of the Chartered Public Accountants of British Columbia.

Mr. van der Linde, in his capacity as the CFO of the Company, is an independent contractor, providing his services on a part-time basis. Mr. van der Linde has acted in his capacity as the CFO of the Company since July 20, 2017.

#### **Brendan Purdy – Director**

Mr. Purdy is a practicing securities lawyer, with experience in public companies and the capital markets. Mr. Purdy received his J.D. from the University of Ottawa in 2011 and received a Bachelor of Management and Organizational Studies degree from the University of Western Ontario in 2008.

Mr. Purdy has significant cannabis industry experience in both his private practice and in his capacity as management and director of public cannabis issuers. Most recently, Mr. Purdy acted as Director, CEO, and Chairman of High Hampton Holdings Corp. (CSE: HC), a CSE-listed cannabis financing company focused on acquisitions of cannabis distribution companies, branding opportunities, and state licensed producers in California, USA. Mr. Purdy was involved in identifying and facilitating the acquisition of CoachellaGro Corp., a California-based corporation holding 10.8 acres of land within the designated cannabis cultivation zone in Coachella, California. Further, in his securities law practice, Mr. Purdy has facilitated the acquisition and financing of other licensed producers and cannabis ancillary companies within Canada.

In addition to his private legal practice, Mr. Purdy's principal business activities are as follows:

General Counsel to 3 Sixty Secure Corp., a Canadian company providing static security and secure logistics for the transport and distribution of cannabis for several prominent licensed producers (since May 8, 2018); director of Supreme Metals Corp. (since December 8, 2016); director of ZTest Electronics Inc. (since December 19, 2017); director of ICC International Cannabis (since June 28, 2018); director of Conscience Capital Inc. (since August 19, 2019); director of Rotonda Ventures Corp. (since February 21, 2019); and director of Organic Flower Investments Ltd. (since March 14, 2019).

Formerly, he was CEO and President of Element 79 Capital Inc. (from February 28, 2017 to November 26, 2018); CEO and director of Enforcer Gold Corp. (from April 20, 2016 to June 25, 2018); CEO and director of High Hampton Holdings Ltd. (from November 22, 2016 to December 11, 2017); former CEO and Director of Seaway Energy Services (from April 2016 to October 2016); director of Greenock Resources Inc. (from October 2015 to February, 2016); director of Boomerang Oil, Inc. (from March 27, 2014 to April 4, 2016), director of Global Gaming Technologies Corp. (from March 23, 2017 to July 4, 2019), director of Metaverse Capital Corp. (from November 11, 2017 to November 21, 2019)

Mr. Purdy, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis and is not subject to the terms of a formal engagement agreement with the Company.

Mr. Michael Marchese, Director

Mr. Marchese is a director of the Company. Prior to the business combination agreement between Tidal and Michicann to form the Company, Mr. Marchese was the president, director and co-founder of MichiCann, and played a major role in starting, developing and organizing the company. He also co-founded Aleafia Health Inc. and directed its branding. (TSX: ALEF; OTC: ALEAF, FRA: ARAH). He continues to advise the company. For the past several decades, Mr. Marchese has successfully operated his own branding company, Marchese Design, and has developed identities and communications programs for such leading brands as Aleafia, Tutto Gourmet Foods, V Grace Bay, Turks & Caicos and Royal Group Technologies and its successor company, the Vision Group.

Mr. Marchese, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis and is not subject to the terms of a formal engagement agreement with the Company.

Mr. William Dawson, Director

Mr. Dawson is a director of the Company and a Chartered Professional Accountant and Chartered Accountant with more than 40 years of experience in the field. Mr. Dawson has served as the Chief Financial Officer of SBG – Skill Based Games Inc. since 2014 and the President and Chief Executive Officer of Play Games for Fun Limited Since 2013. Mr. Dawson previously served as Chief Financial Officer of Oakshire Holdings Limited from 2011 to 2018, Pong Game Studios Corporation from 2011 to 2018, Caliburger Canada Incorporated from 2015 to 2017 and Blow Canada Inc. from 2014 to 2017. Mr. Dawson holds a BA in economics and finance as well as an MBA from York University.

Mr. Dawson, in his capacity as a director of the Company, is an independent contractor, providing his services on a part-time basis and is not subject to the terms of a formal engagement agreement with the Company.

**Cease trade orders, bankruptcies, penalties or sanctions**

For the purposes of this section, “order” means a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

To the best of our knowledge, other than as disclosed below, no director or executive officer of Tidal Royalty is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any corporation (including Tidal Royalty) that:

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Brendan Purdy was an independent director of Boomerang Oil, Inc. (“**Boomerang**”) when cease trade orders were issued by the BCSC and ASC in 2015 due to Boomerang failing to file its annual audited financial statements for the fiscal year ended September 30, 2014, and its management’s discussion and analysis relating thereto, as required under Part 5 of National Instrument 51-102 — *Continuous Disclosure Obligations*. Boomerang continues to be subject to renewed cease trade orders.

To the best of our knowledge, no director or executive officer of RWB or a shareholder holding a sufficient number of securities of RWB to affect materially the control of RWB:

- (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including RWB) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (b) as, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of our knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of RWB's securities to affect materially the control of RWB, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

To the best of our knowledge and other than as disclosed herein, there are no known existing or potential material conflicts of interest between RWB and a director, officer or promoter of RWB except that certain of the directors, officers and promoters of RWB serve as directors, officers and promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of RWB and their duties as a director, officer and promoter of such other companies.

The directors, officers and promoters of RWB are aware of the existence of laws governing accountability of directors and officers with respect to conflicts of interest and corporate opportunity and requiring disclosure by directors of conflicts of interest, and RWB will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. We expect that any such conflicts will be disclosed by such directors or officers in accordance with applicable law and that they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

## B. Compensation

During the year ended December 31, 2020, we paid aggregate remuneration to our directors and officers as a group who served in the capacity of director or executive officer during such year of \$2,075,209

Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

		2020
Consulting fees paid or accrued to a company controlled by a director of the Company	\$	241,801
Salary paid to management of the Company		676,164
Share-based compensation		515,318
	\$	1,433,283

## Executive Compensation

### *Compensation Discussion and Analysis*

The overall objective of our compensation strategy is to offer medium-term and long-term compensation components to ensure that we have in place programs to attract, retain and develop management of high caliber and a process to provide for the orderly succession of management, including receipt on an annual basis of any recommendations of the chief executive officer, if any, in this regard. We currently have medium-term and long-term compensation components in place and intend to further develop these compensation components. The objectives of our compensation policies and procedures are to align the interests of our employees with the interests of our shareholders. Therefore, a significant portion of the total compensation is based upon overall corporate performance.

For the financial year ended July 31, 2019, the Company did not have a formal compensation program with specific performance goals nor did it employ a compensation committee. All tasks related to developing and monitoring our approach to the compensation of our officers and to developing and monitoring our approach to the nomination of directors to the Board was performed by the members of the Board. The compensation of our executive officers and employees was reviewed, recommended and approved by our independent directors.

We choose to grant stock options to executive officers to satisfy the long-term compensation component. The Board may consider, on an annual basis, an award of bonuses to key executives and senior management. The amount and award of such bonuses is discretionary, depending on, among other factors, our financial performance and the position of a participant. The Board considers that the payment of such discretionary annual cash bonuses satisfies the medium-term compensation component.

In the future, the Board may also consider the grant of options to purchase common shares of RWB with longer future vesting dates to satisfy the long-term compensation component.

We have not retained a compensation consultant or advisor to assist the Board in determining compensation for any of our directors or officers. Given our current stage of development, we have not considered the implications of the risks associated with our compensation practices. We have also not adopted any policies with respect to whether executive officers and directors are permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity, swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Since the end of the April, 2020 the Board has established a Compensation Committee. The Compensation Committee operated under supervision of the Board and has the overall responsibility for reviewing and recommending the compensation of the Company's CEO, other executive officers and key employees, overseeing the Company's compensation and benefits policies, plans and programs and general oversight of the Company's compensation structure. The Compensation Committee is appointed annually by the Board and will consist of a minimum of three directors, a majority of whom will be independent.

Meetings of the Compensation Committee occur as often as considered necessary or appropriate and shall generally occur without the presence of management. The CEO may not be present for any portion of any meeting at which the compensation of the CEO is being deliberated or voted upon.

#### *Summary Compensation Table*

The following table provides a summary of compensation that we paid to our senior management and directors during the fiscal year ended December 31, 2020:

Names and Principal Position	Salary (\$) <sup>(2)</sup>	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)			Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual incentive plans	Long-term incentive plans				
Brad Rogers	350,693	N/A	195,138	N/A	N/A	N/A	N/A	N/A	545,831
Theo Van Der Linde, CFO	Nil	N/A	67,643	N/A	N/A	N/A	N/A	140,858	208,500
David Quinn, former CFO of MichiCann Medical Inc.	Nil	N/A	50,279	N/A	N/A	N/A	N/A	184,613	234,893
Bill Dawson, Director	Nil	N/A	67,370	N/A	N/A	N/A	N/A	77,460	144,830
Brendan Purdy, Director	Nil	N/A	67,519	N/A	N/A	N/A	N/A	2,341	69,860
Michael Marchese, Director	N/A	N/A	67,370	N/A	N/A	N/A	N/A	162,000	229,370

#### *Employment and Independent Contractor Agreements*

The Company entered into a management employment agreement with Brad Rogers effective January 1, 2019 with regard to his services as Chief Financial Officer of the Company. Pursuant to the agreement, the Company has agreed to pay Mr. Rogers a base salary of \$150,000 CAD and \$150,000 USD per annum and shall continue indefinitely until terminated by either party in accordance with the terms of the Agreement.

The Company entered into a management consulting agreement with Theo van der Linde effective July 20, 2017 with regard to his services as Chief Financial Officer of the Company. Pursuant to the agreement, the Company has agreed to pay Mr. van der Linde a base salary of \$72,000 per annum and shall continue indefinitely until terminated by either party in accordance with the terms of the Agreement. In 2020, no management consulting payment was made.

The Company entered into a management consulting agreement with David Quinn effective January 1, 2019 with regard to his services as Chief Executive Officer. Pursuant to the agreement, MichiCann Medical has agreed to pay Mr. Quinn a base salary of \$175,000 USD per annum. Mr. Quinn departed on May 19, 2020.

The Company entered into a management consulting agreement with Michael Marchese effective January 1, 2019 with regard to his services as Marketing officer. Pursuant to the agreement, MichiCann Medical has agreed to pay Mr. Marchese a consulting of \$150,000 CAD per annum.

#### *Option Based Awards*

Executive officers, directors, employees and consultants, are eligible to participate in our stock option plan (the “Plan”) to receive grants of stock options. Individual stock options are granted by the Board as a whole, with directors abstaining from voting on any proposed grant of options to themselves, and the number of options granted is dependent on, among other things, each optionee’s level of responsibility, authority and importance to the Company and the degree to which such optionee’s long term contribution to the Company will be crucial to its long-term success.

Stock options are normally granted by the Board when an executive officer or director first joins Tidal Royalty based on his or her level of responsibility within the Company. Additional grants may be made periodically to ensure that the number of options granted to any particular officer or director is commensurate with their level of ongoing responsibility within the Company. The Board also evaluates the number of options an officer or director has been granted, the exercise price of the options and the term remaining on those options when considering further grants. Options are usually priced at the closing trading price of our common shares on the business day immediately preceding the date of grant and the current policy of the Board is that options expire two to five years from the date of grant.

On October 1, 2020, the Company granted stock options to certain senior management and directors with an exercise price of \$0.65 with a term of 5 years and vested over eight quarters commencing January 1, 2021. The number of options provided to the listed senior management and directors is as follows: 500,000 to Mr. Rogers, 500,000 to Mr. Purdy, 500,000 to Mr. Marchese, 500,000 to Mr. Van Der Linde, and 500,000 to Mr. Dawson. During the year ended December 31, 2020, the Company recognized \$515,318 in share-based compensation expense related to these and existing stock options provided to the listed senior management and directors using the Black-Scholes Option Pricing Model.

On April 26, 2019, the Company granted stock options to certain senior management and directors with an exercise price of \$0.34 (US\$ 0.26) with a term of 5 years and vested immediately. The number of options provided to the listed senior management and directors is as follows: 350,000 to Mr. van der Linde, 725,000 to Mr. Woolridge, 1,500,000 to a Company controlled by Mr. Purdy and 500,000 to Mr. Penny. During year ended July 31, 2019, the Company recognized \$972,243 in share-based compensation expense related to these stock options provided to the listed senior management and directors using the Black-Scholes Option Pricing Model.

On December 12, 2018, the Company granted stock options to certain senior management and directors with an exercise price of \$0.15 (US\$ 0.12) with a term of 5 years. The options vest 12.5% every 3 months. The number of options provided to the listed senior management and directors is as follows: 200,000 to Mr. van der Linde, 2,000,000 to Mr. Rosen and 1,000,000 to Mr. Taouss. During year ended July 31, 2019, the Company recognized \$193,208 in share-based compensation expense related to these stock options provided to the listed senior management and directors using the Black-Scholes Option Pricing Model.

On June 22, 2018 the Company granted stock options to certain senior management and directors, which are exercisable into common shares on a 1:1 basis, have an exercise price of \$0.33 and a 5-year term expiring on June 22, 2023. The number of options provided to the listed senior management and directors is as follows: 4,620,000 to Mr. Rosen; 200,000 to Mr. van der Linde; 2,050,000 to Mr. Taouss; 1,500,000 to Mr. Livesley-James; 150,000 to Mr. Purdy; 300,000 to Mr. Penny; and 75,000 to Mr. Wooldridge. During year ended July 31, 2019, the Company recognized \$237,831 in share-based compensation expense related to these stock options provided to the listed senior management and directors using the Black-Scholes Option Pricing Model.

#### *Directors' Compensation*

There are no current plans for directors to receive any fees or other compensation for their acting as directors, except that directors will be entitled to (i) incentive stock options pursuant to the Plan in such individual amounts as the Board may determine from time to time, and (ii) reimbursement for out-of-pocket expenses incurred on behalf of or in providing services as a director for the Company.

#### *Other Compensation*

Other than the Plan, we have no other plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units or any other incentive plan under which awards are granted. We do not provide any retirement benefits for our directors or officers, nor do we have any long-term incentive plan or share appreciation rights agreement.

#### **Employment Agreements**

At the end of the financial year ended December 31, 2020, we employed 2 employees and had formal and informal independent contractor agreements with Theo van der Linde. At the end of the financial year ended July 31, 2019, we employed 2 employees and had formal and informal independent contractor agreements with Theo van der Linde. At the end of the financial year ended July 31, 2018, we employed 5 employees and had formal and informal independent contractor agreements with Theo van der Linde and Courtland Livesley-James.

#### **C. Board Practices**

Our directors are elected annually by the shareholders and hold office until the next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and our articles of incorporation.

The mandate of the Board, as prescribed by the BCBCA, is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its various committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company's overall business strategies, reviewing and approving significant acquisitions and capital investments; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources.

The Board is responsible for identifying individuals qualified to become new members of the Board and recommending to the Board, new director nominees for the next annual meeting of shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the required time, show support for the Company's mission and strategic objectives, and a willingness to serve.

The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company's development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate legislation and regulatory policies. However, as the Company grows, the Board may determine it is appropriate to develop a formal written mandate.

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications.

Each member of the Board understands that he is entitled, at the cost of the Company, to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances. No director found it necessary to do so during the financial year ended December 31, 2020.

The Board does not, and does not consider it necessary to, have any formal structures or procedures in place to ensure that it can function independently of management. The Board anticipates that as the Company matures as a business enterprise, it



may identify additional qualified candidates that have experience relevant to the Company's needs, who are independent of management applying the guidelines contained in applicable legislation.

The Board of the Company briefs all new directors with respect to the policies of the Board and other relevant corporate and business information. The Board does not provide any continuing education.

The Board regularly monitors the adequacy of information given to directors, communications between the Board and management and the strategic direction and processes of the Board and its committees.

The Board conducts reviews with regard to the compensation of the directors and the executive officers once a year. There is no separate compensation committee.

#### **Term of Office**

All directors have a term of office expiring at our next annual general meeting unless their office is earlier vacated in accordance with the BCBCA and our articles of incorporation.

#### **Audit, Compensation and Disclosure Committees**

##### ***Audit Committee***

###### ***Mandate***

The primary function of the audit committee (the "**Committee**") is to assist the Company's Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

###### ***Composition***

The Committee is comprised of a minimum three directors as determined by the Board of Directors. If the Company ceases to be a "venture issuer" (as that term is defined in NI 51-102), then all of the members of the Committee must be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

If the Company ceases to be a "venture issuer" (as that term is defined in National Instrument 51-102), then all members of the Committee must have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements.

The members of the Committee are elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee designate a Chair by a majority vote of the full Committee membership.

### *Meetings*

The Committee meets at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee meets at least annually with the Chief Financial Officer and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee:

#### 1. Documents/Reports Review

- (a) reviews and updates the Audit Committee Charter annually; and
- (b) reviews the Company's financial statements, MD&A and any annual and interim earnings press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

#### 2. External Auditors

- (a) reviews annually the performance of the external auditors who are ultimately accountable to the Company's Board of Directors and the Committee as representatives of the shareholders of the Company;
- (b) obtains annually a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1;
- (c) reviews and discusses with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors;
- (d) takes or recommends that the Company's full Board of Directors take appropriate action to oversee the independence of the external auditors, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) recommends to the Company's Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval;
- (f) recommends to the Company's Board of Directors the compensation to be paid to the external auditors;
- (g) at each meeting, consults with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements;
- (h) reviews and approves the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company;
- (i) reviews with management and the external auditors the audit plan for the year- end financial statements and intended template for such statements; and
- (j) reviews and pre-approves all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - i. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided,
  - ii. such services were not recognized by the Company at the time of the engagement to be non-audit services, and
  - iii. such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

#### 3. Financial Reporting Processes

- (a) in consultation with the external auditors, reviews with management the integrity of the Company's financial reporting process, both internal and external;
- (b) considers the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting;

- (c) considers and approves, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management;
- (d) reviews significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments;
- (e) following completion of the annual audit, reviews separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (f) reviews any significant disagreement among management and the external auditors in connection with the preparation of the financial statements;
- (g) reviews with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented;
- (h) reviews any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters;
- (i) reviews certification process;
- (j) establishes a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- (k) establishes a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

4. Other

- (a) reviews any related-party transactions;
- (b) engages independent counsel and other advisors as it determines necessary to carry out its duties; and
- (c) sets and pays compensation for any independent counsel and other advisors employed by the Committee.

**Compensation Committee**

The Company adopted appointed a Compensation Committee in April 2020. Previous to this the Company did not have a Compensation Committee.

The Compensation Committee operates under supervision of the Board of Directors and has the overall responsibility for reviewing and recommending the compensation of the Company's CEO, other executive officers and key employees, overseeing the Company's compensation and benefits policies, plans and programs and general oversight of the Company's compensation structure. The Compensation Committee will be reappointed annually by the Board of Directors and will consist of a minimum of three directors, a majority of whom will be independent.

Meetings of the Compensation Committee occur as often as considered necessary or appropriate and generally occur without the presence of management. The CEO may not be present for any portion of any meeting at which the compensation of the CEO is being deliberated or voted upon.

**D. Employees**

Below are the number of employees we had at the end of each indicated period:

Financial Year Ended	# of Employees in Toronto	# of Employees in Vancouver	Total
December 31, 2020	3	Nil	3
July 31, 2019	2	Nil <sup>(2)</sup>	2
July 31, 2018	5 <sup>(1)</sup>	Nil <sup>(2)</sup>	5
July 31, 2017	Nil <sup>(1)</sup>	Nil <sup>(2)</sup>	Nil
July 31, 2016	Nil	Nil	Nil

- (1) The Company entered into formal, informal and verbal independent contractor agreements with Paul Rosen, Terry Taouss, Jonathan Beland and Courtland Livesley-James effective July 20, 2017 and August 28, 2017 (see "— Executive Compensation — Employment and Independent Contractor Agreements" above). The agreement with Courtland Livesley-James was terminated on October 15, 2018.
- (2) The Company entered into a formal independent contractor agreement with Theo van der Linde effective July 20, 2017 (see "— Executive Compensation — Employment and Independent Contractor Agreements" above).

## E. Share Ownership

### Shares

The following table sets out information regarding the share ownership of the persons set out in the Summary Compensation Table as of the date of this 20-F:

Holder name	No. of Shares held	Percentage of holding		Percentage of holding on a fully diluted basis <sup>(1)</sup>	
		% in capital	% in voting	% in capital	% in voting
Brad Rogers, CEO					
<b>Michael Marchese, Director</b>					
<b>William Dawson, Director</b>					
Paul Rosen, Former CEO	14,123,000	6%	6%	4%	4%
Theo van der Linde, CFO	Nil	N/A	N/A	N/A	N/A
Courtland Livesley-James, Former EVP	4,000,000	2%	2%	1%	1%
Terry Taouss, Former President	Nil	N/A	N/A	N/A	N/A
Jonathan Beland, Former VP of Corporate Development	Nil	N/A	N/A	N/A	N/A
Brendan Purdy, Director	200,000	0%	0%	0%	0%
Stuart Wooldridge, Former Director	315,000	0%	0%	0%	0%
Kathryn Witter, Former Corporate Secretary	Nil	N/A	N/A	N/A	N/A
Brian Penny, Former Director	Nil	N/A	N/A	N/A	N/A

Notes:

- (1) “Fully diluted basis” means with the exercise of all warrants and options.

## Options

Options, exercisable into common shares of RWB, held by our officers and directors are set forth below as of the date of this 20-F.

Name	# of Options	# of Shares Underlying the Options	Option Strike Price \$	Option Expiration Date
<b>Brad Rogers, CEO and Director</b>	<b>1,000,000<sup>(1)</sup></b>	<b>1,000,000</b>	<b>\$0.50</b>	<b>Oct 1, 2023</b>
	<b>500,000</b>	<b>500,000</b>	<b>\$0.65</b>	<b>Oct 1, 2025</b>
<b>Michael Marchese, Director</b>	<b>500,000</b>	<b>500,000</b>	<b>\$0.65</b>	<b>Oct 1, 2025</b>
<b>William Dawson, Director</b>	<b>500,000</b>	<b>500,000</b>	<b>\$0.65</b>	<b>Oct 1, 2025</b>
Paul Rosen, Former CEO	N/A	N/A	N/A	N/A
	12,500	12,500	\$5.28	June 22, 2023
Theo van der Linde, CFO	12,500	12,500	US\$1.84	Dec 12, 2023
	21,875	21,875	\$5.44	April 26, 2024
	500,000	500,000	\$0.65	Oct 1, 2025
David Quinn, Former CFO	175,000	175,000	\$0.50	May 13, 2024
Brad Rogers, CEO	1,000,000	1,000,000	\$0.50	Oct 1, 2023
	500,000	500,000	\$0.65	Oct 1, 2025
Michael Marchese, Director	500,000	500,000	\$0.65	Oct 1, 2025
Bill Dawson, Director	500,000	500,000	\$0.65	Oct 1, 2025
Courtland Livesley-James, Former EVP	N/A	N/A	N/A	N/A
Terry Taouss, Former President	N/A	N/A	N/A	N/A
Jonathan Beland, Former VP of Corporate Development	N/A	N/A	N/A	N/A
Brendan Purdy, Director	9,375	9,375	\$5.28	June 22, 2023
	500,000	500,000	\$0.65	Oct 1, 2025
Stuart Wooldridge, Former Director	4,688	4,688	\$5.28	June 22, 2023
	45,313	45,313	\$5.44	April 26, 2024
Kathryn Witter, Former Corporate Secretary	N/A	N/A	N/A	N/A
Brian Penny, Former Director	18,750	18,750	\$5.28	June 22, 2023
	31,250	31,250	\$5.44	April 26, 2024

(1) Each Option is exercisable to acquire one additional Common Share and one Series 2 Preferred Share in the Capital of the Issuer at a price of \$0.50 until October 1, 2023.

## Warrants

Warrants, exercisable into common shares of RWB, held by our officers and directors are set forth below as of the date of this 20-F.

Name	Allotment date	Expiration date	Exercise price	Total
<b>Brad Rogers, CEO and Director</b>	<b>Sept 24, 2020</b>	<b>Sept 24, 2022</b>	<b>\$1.00</b>	<b>866,666</b>
<b>Michael Marchese, Director</b>	N/A	N/A	N/A	N/A
<b>William Dawson, Director</b>	N/A	N/A	N/A	N/A
Paul Rosen, Former CEO	N/A	N/A	N/A	Nil
Theo van der Linde, CFO	N/A	N/A	N/A	Nil
Courtland Livesley-James, Former EVP	N/A	N/A	N/A	Nil
Terry Taouss, Former President	N/A	N/A	N/A	N/A
Jonathan Beland, Former VP of Corporate Development	N/A	N/A	N/A	N/A
Brendan Purdy, Director	N/A	N/A	N/A	Nil
Stuart Wooldridge, Former Director	N/A	N/A	N/A	Nil
Kathryn Witter, Former Corporate Secretary	N/A	N/A	N/A	Nil
Brian Penny, Former Director	N/A	N/A	N/A	N/A

Each Warrant entitles the holder to receive upon payment of \$1.00 per Warrant, an additional Common Share in the Capital of the Issuer. The Warrants are valid for a period of two years from issuance.

### Stock Option Plan

On July 27, 2020 the Board approved a restricted share unit plan (the “2020 RSU Plan”) and a 20% rolling stock option plan (the “2020 Option Plan” and together with the 2020 RSU Plan, the “2020 Plans”) to grant restricted share units (“RSU’s”) and incentive stock options (“Options”) to directors, officers, key employees and consultants of the Company. The 2020 Plans were approved by shareholders of the Company at its annual general and special meeting held on September 9, 2020. Pursuant to the 2020 RSU Plan and the 2020 Option Plan, the Company may reserve up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under the 2020 Plans. The 2020 Plans replaced the previously approved 10% rolling Option Plan.

The 2020 Option Plan of the Company is designed to give each Option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Company to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Board considers Option grants when reviewing executive officer compensation packages as a whole.

The 2020 RSU Plan provides for granting of RSU’s for the purposes of advancing the interests of the Company through motivation, attraction and retention of employees, officers, consultants and directors by granting equity-based compensation incentives, in addition to the Company’s 2020 Option Plan.

RSUs granted pursuant to the 2020 RSU Plan will be used to compensate participants for their individual performance-based achievements and are intended to supplement stock option awards in this respect, the goal of such grants is to more closely tie awards to individual performance based on established performance criteria.

The 2020 Plans has been used to provide stock options and RSU’s which are granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of Options or RSU’s to be granted to the executive officers, the Compensation Committee with consultation of the Board takes into account the number of Options or RSU’s, if any, previously granted to each executive officer, and the exercise price of any outstanding Options to ensure that such grants are in accordance with the policies of the CSE and closely align the interests of the executive officers with the interests of shareholders.

The following information is intended to be a brief summary of the 2020 Option Plan and is qualified in its entirety by the text of the 2020 Option Plan attached hereto as Exhibit “4.1”.

- \* The maximum number of Shares with respect to which options may be granted pursuant to the 2020 Option Plan shall not exceed 20% of the issued and outstanding Shares on a non-diluted basis at any time;
- \* Options may be granted only to directors, officers, employees and consultants of the Company or any related entity of the Company;
- \* The total number of the Shares that may be reserved for issuance to any one individual under the 2020 Option Plan shall not exceed 5% of the outstanding the Shares. The maximum number of options that may be granted to any one consultant under the Option Plan, or employees performing investor relations activities for the Company, within any 12-month period shall not exceed 2% of the issued and outstanding the Shares at the time of the grant;
- \* The term of an option shall not exceed ten years from the date of the grant of the option;
- \* Subject to allowable adjustments, the option price of any option shall not be lower than the market price on the date on which the grant of the option is approved by the Board;
- \* An option shall be personal to the optionee and shall be non-assignable and non-transferable (whether by operation of law or otherwise);
- \* In the event that any optionee ceases to be an eligible person under the Option Plan (i.e. ceases to be an officer, director, employee or consultant for any reason other than death or termination with cause), the optionee will be entitled to exercise his or her options which have vested as of such date of cessation only within a period of 30 days following the date of such cessation or such other date as may be determined by the Board, but in no event may any options be exercised following the expiry date thereof. In the event an optionee is terminated with cause, the options held by such optionee will expire on the date of such termination. In the event of the death of an optionee, any options held by such optionee which have vested as of the date of death may be exercised within a period of one year following the optionee’s death;

- \* The Board may at any time amend the 2020 Option Plan or any options granted thereunder, subject to the receipt of all applicable regulatory approvals, other than substantive amendments to the 2020 Option Plan, which also require shareholder approval; and
- \* In the event that an offer to purchase or repurchase the Shares or any part thereof shall be made to all or substantially all holders of the Shares, the options shall be automatically and immediately accelerated such that all remaining options will then be available for exercise.

## **ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

To the best of our knowledge, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, securities carrying more than 5% of the voting rights attached to any class of voting securities of the Company, other than Paul Rosen as disclosed above under “E. Share Ownership — Shares”. Prior to joining the Company on July 20, 2017, Mr. Rosen was not a shareholder of the Company. The securities held by Mr. Rosen do not have different voting rights from those of the other securityholders of the same class of securities.

As at September 14, 2021, the registrar and transfer agent for our company reported that there were 205,870,345 common shares of our company issued and outstanding. Of these, 46,991,259 were registered to Canadian residents (167 recorded shareholders), 17,325,336 were registered to residents of the United States (72 recorded shareholders) and 5,314 (4 recorded shareholders) were registered to residents of other foreign countries.

There are no arrangements known to us, the operation of which may at a subsequent date result in a change in control of our company.

### **Control**

To the best of our knowledge, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

### **Insider Reports under the British Columbia Securities Act**

Since the Company is a reporting issuer under the Securities Acts of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, certain “insiders” of the Company (including its directors, certain executive officers, and persons who directly or indirectly beneficially own, control or direct more than 10% of its common shares) are generally required to file insider reports of changes in their ownership of Tidal Royalty’s common shares five days following the trade under National Instrument 55-104 - *Insider Reporting Requirements and Exemptions*, as adopted by the Canadian Securities Administrators. All insider reports must be filed electronically five days following the date of the trade at [www.sedi.ca](http://www.sedi.ca). The public is able to access these reports at [www.sedi.ca](http://www.sedi.ca).

### **B. Related Party Transactions**

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

During the years ended December 31, 2020, July 31, 2019, and 2018 key management compensation consisted of the following:

Years ended,	2020 \$	2019 \$	2018 \$
Consulting fees			
Companies controlled by Paul Rosen, Former CEO	-	-	225,000
Companies controlled by Theo Van Der Linde, CFO	140,848	101,400	67,935
David Quinn, Former CFO	184,613	-	-
Company controlled by Bill Dawson, Director	77,460	-	-
Company controlled by Michael Marchese, Director	162,000	-	-
Companies controlled by Kathryn Witter, Former Corporate Secretary	-	2,000	46,500
Companies controlled by Jonathan Beland, Former VP of Corporate Development	-	26,300	-
Companies controlled by Stuart Wooldridge, Director	-	18,200	7,500
Courtland Livesley-James, Former EVP	-	31,250	116,667
Brian Penny, Former Director	-	16,014	-
	564,931	195,164	463,602
Salaries and benefits for services rendered by management			
Paul Rosen, Former CEO		195,833	78,795
Brad Rogers CEO	350,693	195,833	78,795
Terry Taouss, Former president		189,824	82,097
Jonathan Beland, Former VP of Corporate Development		91,106	19,528
	350,693	476,763	180,420
Salaries and benefits for services rendered by management			
Paul Rosen, Former CEO		34,720	1,379,110
Theo Van Der Linde, CFO		251,790	59,702
Terry Taouss, Former president		156,633	86,664
Jonathan Beland, Former VP of Corporate Development		15,902	21,133
Courtland Livesley-James, Former EVP		(7,140)	63,398
Brendan Purdy, Director	2,341	504,197	6,340
Stuart Wooldridge, Director		229,228	22,388
Brian Penny, Former Director		217,952	12,680
	2,341	1,403,282	1,651,395

During the year ended December 31, 2020, the Company paid \$114,702 in rent (2019 - \$4,000 ,2018 - \$9,100,) to related parties comprised of directors, officers and companies with common directors.

### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8 FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

#### Financial Statements

See “Item 18. Financial Statements” for our Annual Audited Consolidated Financial Statements, related notes and other financial information filed with this annual report on Form 20-F.

#### Legal Proceedings

RWB is not involved in any legal, arbitration or governmental proceedings and, to RWB’s knowledge, no material legal, arbitration or governmental proceedings involving RWB are pending or contemplated against RWB.



**Dividends**

We have not paid any dividends on our common shares since incorporation. Our management anticipates that we will retain all future earnings and other cash resources for the future operation and development of our business. We do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the Board's discretion, subject to applicable law, after taking into account many factors including our operating results, financial condition and current and anticipated cash needs.

**B. Significant Changes**

We have not experienced any significant changes since the date of the financial statements included with this Form 20-F except as disclosed in this Form 20-F.

**ITEM 9 THE OFFER AND LISTING****A. Offer and Listing Details****Trading Markets**

Our current trading symbol on the CSE is "RWB". Previously, we also traded on the OTC Markets from July 12, 2018 to September 10, 2018 under the symbol "TDRYF". We were reinstated for trading on the OTC Markets on June 20, 2019. On June 18, 2020, the Company qualified for trading on the OTCQX and began trading under the symbol "RWBYF" on July 6, 2020. For further information regarding trading suspensions, please refer to Item 4A. "*History and Development of the Company — Incorporation and Continuation*".

The following table shows the progression in the high and low closing trading prices of our common shares on a post-Consolidation basis as reported by S&P Capital IQ, (i) on the CSE for the period from the beginning of trading on June 25, 2018 – June 28, 2018 when our common shares traded in CAD under the ticker symbol "RLTY"; (ii) on the CSE beginning on June 29, 2018 when our common shares began trading in USD under the ticker symbol "RLTY.U"; (iii) on the OTC Markets for the period beginning on July 12, 2018, when our common shares began trading on the OTC Markets, to September 10, 2018, and then from June 20, 2019 to December 30, 2020; and (iv) on the CSE beginning on June 5, 2020 following reinstatement of trading upon completion of the fundamental change

*CSE under the symbol "RLTY"*

	High (C\$)	Low (C\$)
<b>Period</b>		
June 25 – June 28, 2018	0.75	0.70

*CSE under the symbol "RLTY.U"*

	High (US\$)	Low (US\$)
<b>Monthly</b>		
February 11, 2019 to November 28, 2019	0.26	0.26
February 1, 2019 to February 8, 2019	0.29	0.21
January 2019	0.19	0.095
December 2018	0.14	0.10
November 2018	0.20	0.135
October 2018	0.22	0.13
September 2018	0.44	0.21
August 2018	0.65	0.41
July 2018	0.70	0.39
June 29, 2018	0.67	0.67

*CSE under the symbol "RWB"*

	High (C\$)	Low (C\$)
December 2020	0.78	0.62
November 2020	0.84	0.59
October 2020	0.67	0.485
September 2020	0.74	0.55
August 2020	1.03	0.65
July 2020	1.30	0.86
June 5 to June 30, 2020	1.35	0.90

*OTC Markets under the symbol "TDRYF"*

	High (US\$)	Low (US\$)
<b>Monthly</b>		
<b>July 1 – July 5, 2020</b>	-*	-*
June 2020	-*	-*
May 2020	-*	-*
April 2020	-*	-*
March 2020	-*	-*
February 2020	-*	-*
January 2020	-*	-*
December 2019	-*	-*
November 2019	0.925	0.2259
October 2019	0.1516	0.085
September 2019	0.2199	0.1232
August 2019	0.1999	0.11
July 2019	0.215	0.12
June 20, 2019 to June 28, 2019	0.28	0.20
September 1 – September 10, 2018	0.44	0.31
August 2018	0.66	0.38
July 12 – July 31, 2018	0.62	0.10

- \* Unable to obtain historical trading data for this stock symbol during these periods of time.

*OTC Markets under the symbol "RWBYF"*

	High (US\$)	Low (US\$)
<b>Monthly</b>		
December 2020	0.754	0.405
November 2020	0.758	0.466
October 2020	0.60	0.33
September 2020	0.55	0.36
August 2020	0.758	0.45
July 6 to July 31, 2020	0.873	0.85

## **B. Plan of Distribution**

Not applicable.

## **C. Markets**

Our common shares are traded on the CSE under the symbol “RWB”, and on the OTCQX sheets under the symbol “RWBYF”.

## **D. Selling Shareholders**

Not applicable.

## **E. Dilution**

Not applicable.

## **F. Expenses of the Issue**

Not applicable.

## **ITEM 10 ADDITIONAL INFORMATION**

### **A. Share Capital**

Not applicable.

### **B. Memorandum and Articles of Incorporation**

We are a British Columbia corporation existing under the BCBCA under incorporation number BC0206251.

The Company was incorporated on March 12, 1980 as Treminco Resources Ltd. under the laws of British Columbia as a mineral exploration company. The name of the Company was changed to Elkhorn Gold Mining Corporation on February 8, 1999. Between April 2001 and July 2010, Elkhorn Gold Mining Corporation was inactive and did not carry on any business. On October 12, 2011, Elkhorn Gold Mining Corporation changed its name to Tulloch Resources Ltd. On July 18, 2017 the Company changed its name to Tidal Royalty Corp. and changed its business to become a financing company with a focus on the U.S. legal cannabis industry. On April 28, 2020 the Company closed the business combination with MichiCann Medical Inc. pursuant to the terms of the Amended and Restated Business Combination Agreement dated March 12, 2020. As a result of the transaction, the Company changed its name to Red White & Bloom Brands Inc.

Pursuant to our Articles and By-Laws, directors may from time to time on behalf of the Company borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate. There is no mandatory retirement age or minimum share ownership requirement imposed on our directors.

As a Canadian public company, the convocation of our annual general meetings and special meetings are governed by Canadian corporate and securities laws, including the BCBCA, National Instrument 51-102 — *Continuous Disclosure Obligations*, National Instrument 52-110 — *Audit Committees* and National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

All of the issued common shares of the Company are fully paid and non-assessable. The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive the remaining property and assets of the Company, subject to the priority rights of the Preferred Shareholders. The Common Shares do not carry any pre-emptive rights, conversion or exchange rights, or redemption, retraction, purchase for cancellation or surrender rights. The Articles of the Company do not have any sinking or purchase fund provisions and do not have provisions permitting or restricting the

issuance of additional securities and any other material restrictions. The Articles of the Company also do not have any provisions requiring a securityholder to contribute additional capital.

Preferred Shares may be issued in one or more series and will be subject to such rights and restrictions as the Board may determine. The Series 1 Preferred Shares have the following rights and restrictions: (i) they are non-voting; (ii) they are convertible into Common Shares on a one-for-one basis, subject to customary adjustments; (iii) they are eligible to participate in dividends if and when declared on the Common Shares; (iv) they have priority rights on liquidation; and (v) they are subject to a restriction that no holder of the Preferred Shares may convert into a number of Shares that would result in such holder beneficially owning greater than 9.99% of the Shares. The Series 2 Preferred Shares have the following rights and restrictions: (i) they will carry voting rights (entitling a holder to one vote per Series 2 Preferred Share held, voting together with the holders of Common Shares), (ii) they will be entitled to 5% annual dividends payable in additional Series 2 Preferred Shares (the “Dividends”), (iii) they will be convertible (together with accrued Dividends) into Common Shares on a 1:1 basis at the option of the holder on or after the eighteen (18) month anniversary of their issuance date, and (iv) will automatically be converted on the same basis on the two (2) year anniversary of their issuance date.

### C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

### D. Exchange Controls

There may be certain consequences for a non-Canadian who proposes to acquire common shares of the Company pursuant to the terms of the *Investment Canada Act* (Canada) (the “ICA”).

The following discussion is a general summary only of the principal features of the ICA for a non-Canadian who proposes to acquire common shares of the Company and is not a substitute for independent legal advice from an investor’s own adviser; and, except where expressly noted, it does not anticipate statutory or regulatory amendments.

The ICA is a federal statute of broad application regulating the establishment and acquisition of Canadian businesses by non-Canadians (which includes individuals, governments or governmental agencies, corporations, partnerships, trusts and joint ventures). Under the ICA, transactions exceeding certain financial thresholds and which involve the acquisition of control of a Canadian business by a non-Canadian are subject to review and cannot be implemented unless the appropriate Minister is satisfied that the transaction is likely to be of net benefit to Canada.

A non-Canadian would be deemed to acquire control of the Company for the purposes of the ICA if the non-Canadian acquired a majority of the outstanding common shares. A non-Canadian may also be deemed to acquire control of the Company under the ICA if the non-Canadian acquired more than one-third of the — shares; unless it could be established that, on the acquisition, the Company is not controlled in fact by the acquirer through the ownership of such common shares.

If a transaction is subject to review (a “**Reviewable Transaction**”), an application for review must be filed with the Investment Review Division of Innovation, Science and Economic Development Canada and/or the Cultural Sector Investment Review Division of the Department of Canadian Heritage prior to the implementation of the Reviewable Transaction. The responsible Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada taking into account, among other things, certain factors specified in the ICA and any written undertakings that may have been given by the applicant.

The ICA contemplates an initial review period of up to 45 days after filing; however, if the responsible Minister has not completed the review by that date, that Minister may unilaterally extend the review period by up to 30 days (or such longer period as may be agreed to by the applicant and the Minister) to permit completion of the review.

Direct acquisitions of control of most Canadian businesses by or from World Trade Organization (“**WTO**”) investors would be reviewable only if it was an investment to acquire control of the Company and the enterprise value of the assets of the Company was equal to or greater than a specified amount, which is published by the Minister after its determination for any particular year. This amount is currently \$1 billion (unless the WTO member is party to one of a list of certain free trade agreements, in which case the amount is currently \$1.5 billion). Starting January 1, 2019, and for subsequent years, both thresholds will be adjusted annually by a Gross Domestic Product-based index. There are lower, asset-based review thresholds applicable to investments by state-owned enterprises or non-WTO investors, as well as for acquisitions of control of a Cultural Business, as defined under the ICA.

Where a transaction involves the acquisition of control of the Company for the purposes of the ICA, but does not meet the relevant financial thresholds, the non-Canadian must submit a notification to either or both of the Investment Review Division or the Cultural Sector Investment Review Division, as appropriate. The notification may be submitted up to 30 days following the implementation of the investment.

Certain transactions relating to the Company's common shares would be exempt from review under the ICA, including, among others, the following:

- (a) the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities; and
- (b) the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control of the Company, through the ownership of voting interests, remains unchanged.

## **E. Taxation**

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including, without limitation, specific tax consequences to a U.S. Holder under an applicable income tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

#### **Scope of this Summary**

##### Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (which we refer to as the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable, and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied retroactively. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

##### U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- \* an individual who is a citizen or resident of the United States;

- \* a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- \* an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- \* a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

#### U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a “functional currency” other than the U.S. dollar; (e) own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquire common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are required to accelerate the recognition of any item of gross income with respect to common shares as a result of such income being recognized on an applicable financial statement; or (i) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such entity or arrangement and the partners (or other owners or participants) of such entity or arrangement generally will depend on the activities of the entity or arrangement and the status of such partners (or owners or participants). This summary does not address the tax consequences to any such partner (or owner or participants). Partners (or other owners or participants) of entities or arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

#### **Passive Foreign Investment Company Rules**

##### PFIC Status of the Company

If the Company were to constitute a “passive foreign investment company” under the meaning of Section 1297 of the Code (a “PFIC”, as defined below) for any year during a U.S. Holder’s holding period, then certain potentially adverse rules may affect the U.S. federal income tax consequences to a U.S. Holder as a result of the acquisition, ownership and disposition of common shares. The Company believes based on current business plans and financial expectations that it may be a PFIC for the current tax year and future tax years. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or any subsidiary of the Company) concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company and each subsidiary of the Company. In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting

requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company is passive income (the “PFIC income test”) or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the “PFIC asset test”). “Gross income” generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation’s commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and PFIC asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and PFIC asset test described above, and assuming certain other requirements are met, “passive income” does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from certain “related persons” (as defined in Section 954(d)(3) of the Code) also organized in Canada, to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any non-U.S. company that is also a PFIC (a “Subsidiary PFIC”), and will generally be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of common shares. Accordingly, U.S. Holders should be aware that they could be subject to tax under the PFIC rules even if no distributions are received and no redemptions or other dispositions of common shares are made.

#### Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC for any tax year during which a U.S. Holder owns common shares, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership, and disposition of common shares will depend on whether and when such U.S. Holder makes an election to treat the Company and each Subsidiary PFIC, if any, as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “QEF Election”) or makes a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder.”

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of common shares and (b) any “excess distribution” received on the common shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the common shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on common shares or with respect to the stock of a Subsidiary PFIC, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective common shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income (and not eligible for certain preferred rates). The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would

be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such common shares were sold on the last day of the last tax year for which the Company was a PFIC.

#### QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which the holding period of its common shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the common shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the common shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for the common shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder makes a QEF Election but does not make a “purging” election to recognize gain as discussed in the preceding sentence, then such U.S. Holder shall be subject to the QEF Election rules and shall continue to be subject to tax under the rules of Section 1291 discussed above with respect to its common shares. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders are required to report under the QEF rules, in the event that the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF



Election with respect to their common shares. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if the Company does not provide the required information with regard to the Company or any of its Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules of Section 1291 of the Code discussed above that apply to Non-Electing U.S. Holders with respect to the taxation of gains and excess distributions.

#### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares are marketable stock. The common shares generally will be “marketable stock” if the common shares are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the common shares for which the Company is a PFIC and such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the common shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares, as of the close of such tax year over (b) such U.S. Holder's adjusted tax basis in such common shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder's adjusted tax basis in the common shares, over (b) the fair market value of such common shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the common shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A U.S. Holder makes a Mark-to-Market Election by attaching a completed IRS Form 8621 to a timely filed United States federal income tax return. A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the common shares cease to be “marketable stock” or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the common shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to avoid the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or excess distributions from a Subsidiary PFIC to its shareholder.

#### Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of

common shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisors regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

#### **General Rules Applicable to the Ownership and Disposition of Common Shares**

The following discussion describes the general rules applicable to the ownership and disposition of the common shares but is subject in its entirety to the special rules described above under the heading “Passive Foreign Investment Company Rules.”

#### Distributions on Common Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current and accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares. (See “Sale or Other Taxable Disposition of Common Shares” below). However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares by corporate U.S. Holders generally will not be eligible for the “dividends received deduction.” Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention or the common shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

#### Sale or Other Taxable Disposition of Common Shares

Upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder’s tax basis in such common shares sold or otherwise disposed of. A U.S. Holder’s tax basis in common shares generally will be such holder’s U.S. dollar cost for such common shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares have been held for more than one year.

Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

## **Additional Considerations**

### Additional Tax on Passive Income

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) will be subject to a 3.8% tax on all or a portion of their “net investment income,” which includes dividends on the common shares and net gains from the disposition of the common shares. Further, excess distributions treated as dividends, gains treated as excess distributions under the PFIC rules discussed above, and mark-to-market inclusions and deductions are all included in the calculation of net investment income.

Treasury Regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, that distributions of previously taxed income will be treated as dividends and included in net investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of common shares that will be subject to the additional tax on net investment income, a U.S. Holder who has made a QEF Election will be required to recalculate its basis in the common shares excluding QEF basis adjustments.

Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in a PFIC for which a QEF Election has been made and which is held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on QEF income inclusions and on gains calculated after giving effect to related tax basis adjustments. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the common shares.

### Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of common shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

### Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's “foreign source” taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, and subject to certain exceptions, a portion of the dividends paid by a foreign corporation will be treated as U.S. source income for U.S. foreign tax credit purposes, in proportion to its U.S. source earnings and profits, if U.S. persons own, directly or indirectly, 50 percent or more of the voting power or value of the foreign corporation's shares. The amount of a distribution with respect to the common shares that is treated as a “dividend” may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

## Backup Withholding and Information Reporting

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain thresholds. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares will generally be subject to information reporting and backup withholding tax, at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

**THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR OWN PARTICULAR CIRCUMSTANCES.**

**F. Dividends and Paying Agents**

The Company does not anticipate the declaration of dividends to shareholders at this time and plans to re-invest the profits of its financings to further the growth and development of the Company's portfolio.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

When this registration statement on Form 20-F becomes effective, we will be subject to the information reporting requirements of the Exchange Act applicable to foreign private issuers and under those requirements will file reports with the SEC. Those other reports or other information and this registration statement may be inspected at our offices located at 789 West Pender Street, Suite 810, Vancouver BC, Canada, V6C 1H2. Copies of our financial statements and other continuous disclosure documents required under securities rules are available for viewing on the internet at [www.sedar.com](http://www.sedar.com).

**I. Subsidiary Information**

Discussion regarding our subsidiaries is contained in Item 4.C, Information on the Company - Organizational Structure.

**ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****A. Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum credit risk is equal to the carrying value of cash and cash equivalents, deposits, convertible debenture receivable and promissory note receivable.

The Company deposits the majority of its cash with high credit quality financial institutions in Canada. Therefore, management considers its exposure to credit risk arising from its cash to be minimal.

**B. Foreign Exchange Rate and Interest Rate Risk**

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has not entered into any foreign currency contracts to mitigate this risk, but manages the risk by minimizing the value of financial instruments denominated in foreign currency. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	December 31, 2020	July 31, 2019
Balance in US dollars:		
Cash and cash equivalents	\$ 214,042	\$ -
Accounts receivable	13,585,921	-
Prepaid expenses and deposits	817,915	-
Promissory note receivable	6,255,678	2,595,395
Accounts payable	(14,968,980)	-
Net exposure	5,904,577	2,845,392
Balance in Canadian dollars:	\$ 7,342,319	\$ 3,741,121

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$590,000 for the year ended December 31, 2020 (July 31, 2019 - \$374,000).

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is exposed to interest rate risk with respect to its convertible debenture receivable and its promissory note receivable.

### 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 currently settles its financial obligations using cash. The ability to do so relies on the Company raising equity financing in a timely manner. The Company manages liquidity risk through the management of its capital structure and financial leverage. It makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares while minimizing dilution for its existing shareholders.

The following are contractual maturities of financial liabilities as at December 31, 2020:

	Carrying amount	Contractual cash flows	Within 1 year
Accounts payable and accrued liabilities	\$ 18,328,458	\$ 18,328,458	\$ 18,328,458
Due to related parties	374,232	374,232	374,232

The following are contractual maturities of financial liabilities as at July 31, 2019:

	Carrying amount	Contractual cash flows	Within 1 year
Accounts payable and accrued liabilities	\$ 336,540	\$ 336,540	\$ 336,540
Due to related parties	21,347	21,347	21,347

## ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

None

**PART II****ITEM 13        DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None

**ITEM 14        MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF  
PROCEEDS**

None

**ITEM 15        CONTROLS AND PROCEDURES****Disclosure Controls and Procedures**

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management, including Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended) as of December 31, 2020. The Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2020, were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS as issued by IASB. The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. Management reviewed the results of their assessment with the Company's Audit Committee.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, Management has used the Internal Control – Integrated Framework (2013), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of December 31, 2020.

**Limitations on the Effectiveness of Controls**

The Company's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that

all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### **Attestation Report of the Registered Accounting Firm.**

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 20-F Annual Report.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

There have been no changes in the Company's internal controls over financial reporting during the period covered by this annual report that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting with regard to deficiencies or material weaknesses other than the corrective actions to ensure proper disclosure is included in the Company's filings under the Exchange Act, including the Form 20-F Annual Report.

#### **ITEM 16 AUDIT COMMITTEE FINANCIAL EXPERTS**

##### **16A**

Mr. Johannes (Theo) van der Linde is a financially literate member of the Company's Audit Committee.

#### **ITEM 16B CODE OF ETHICS**

The Company has not adopted a formal code of ethics because, as a Canadian Securities Exchange issuer, the Company is only required have an audit committee.

In lieu of a code of ethics, the Company has adopted the following methodology with respect to corporate governance.

The management of the Company is responsible for establishing and maintaining disclosure controls and procedures for information relating to the Company, including its consolidated subsidiaries. The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's Board of Directors facilitates its exercise of independent supervision over management by ensuring that the Board of Directors is composed of a majority of independent directors. The Board of Directors, at present, is composed of three directors, one of which is considered to be independent. In determining whether a director is independent, the Board considers, for example, whether the director has a relationship, which could, or could be perceived to, interfere with the director's ability to objectively assess the performance of management.

The Board of Directors monitors the ethical conduct of RWB and its management and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board of Directors has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board of Directors in which the director has an interest, have been sufficient to ensure that the Board of Directors operates independently of management and in the best interests of the Company.

The Board of Directors is specifically responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management. Board consideration and approval is also required for all material contracts, business transactions and all debt and equity financing proposals. The independent directors on the Board of Directors are also responsible for approving senior executive compensation and retirement plans.



The Board of Directors delegates to management, through the offices of Chief Executive Officer and Chief Financial Officer, responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board of Directors also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

Given the relatively small composition of the Board of Directors and the Company's management over the last several years, the Board of Directors has not appointed a corporate governance committee and these functions are currently performed by the Board of Directors as a whole.

## **ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES**

### **External Auditor Service Fees**

The Company's auditors were Manning Elliott LLP, Chartered Accountants, Smythe, LLP Chartered Professional Accountants, MNP LLP and MGO LLP for the financial year ended December 31, 2020 and Manning Elliott LLP, Chartered Accountants during the financial years ended July 31, 2019 and 2018. The following table sets out the aggregate fees billed by Manning Elliott LLP, Chartered Accountants, Smythe, LLP Chartered Professional Accountants and MNP, LLP for the financial year ended December 31, 2020 and Manning Elliott LLP, Chartered Accountants for the years ended July 31, 2019 and 2018.

Year ended	Audit Fees	Audit Related Fees(1)	Tax Fees(2)	All Other Fees(3)
December 31, 2020	\$889,409	\$391,898	\$Nil	\$Nil
July 31, 2019	\$35,000	\$17,725	\$4,025	\$Nil
July 31, 2018	\$10,000	\$13,350	\$1,500	\$Nil

(1) "Audited related fees" include the aggregate fees billed in each of the last three fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit fees" above. The services provided include accounting consultations on proposed transactions and registration statements.

(2) "Tax fees" include the aggregate fees billed in each of the last three fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.

(3) "All other fees" include the aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than "Audit fees", "Audit related fees" and "Tax fees" above.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted an Audit Committee Charter (see "Exhibit") governing the provision of audit and non-audit services by the external auditor. This charter requires the Audit Committee to recommend to the Board of Directors the external auditor to be nominated by the Board of Directors and the compensation of the external auditor. The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

## **ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

None

## **ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None

## **ITEM 16F CHANGES TO REGISTRANT'S CERTIFYING ACCOUNTANT**

None

## **ITEM 16G CORPORATE GOVERNANCE**

Not applicable

## **ITEM 16H MINE SAFETY DISCLOSURE**

Not applicable

## PART III

### ITEM 17 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

### ITEM 18 FINANCIAL STATEMENTS

The following financial statements are filed as part of this Annual Report on Form 20-F, together with the report of the independent auditors:

- (a) Audited Consolidated Financial Statements for the years ended December 31, 2020 and July 31, 2020 including:
  - \* Reports of Independent Registered Public Accounting Firms
  - \* Statements of Consolidated Financial Position as of December 31, 2020 and July 31, 2020
  - \* Consolidated Statements of Comprehensive Loss for the years ended December 31, 2020 and July 31, 2020
  - \* Consolidated Statements of Changes in Equity (Deficiency) for the years ended December 31, 2020 and July 31, 2020
  - \* Consolidated Statements of Cash Flows for the years ended December 31, 2020 and July 31, 2020
  - \* Notes to the Consolidated Financial Statements

### ITEM 19 EXHIBITS

The following exhibits are included in this Form 20-F:

Exhibit Number	Description
1.1	**** <a href="#">Certificate of Name Change</a> (from Tidal Royalty Corp. to Red White & Bloom Brands Inc.)
1.2	** <a href="#">Certificate of Name Change</a> (from Tulloch Resources Ltd. to Tidal Royalty Corp.)
1.3	** <a href="#">Certificate of Name Change</a> (from Elkhorn Gold Mining Corporation to Tulloch Resources Ltd.)
1.4	** <a href="#">Certificate of Name Change</a> (from Tremingo Resources Ltd. to Elkhorn Gold Mining Corporation)
1.5	** <a href="#">Certificate of Incorporation</a>
1.6	<a href="#">Amended By-Laws/Articles</a> , filed with the Company's Form 6-K on August 4, 2021
4.1	***** Company <a href="#">Amended and Restated Stock Option</a> and <a href="#">RSU Plan</a>
8.1	*** <a href="#">Subsidiaries</a>
10.1	* <a href="#">Management Consulting Agreement by and among Executive Management Solutions Limited, Tidal Royalty Corp. and Theo van der Linde</a>
12.1	*** <a href="#">Certificate of Principal Executive Officer</a> pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	*** <a href="#">Certificate of Chief Financial Officer</a> pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	*** <a href="#">Certificate of Principal Executive Officer</a> pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	*** <a href="#">Certificate of Principal Financial Officer</a> pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	***** <a href="#">Audit Committee Charter</a>
*	Filed as an exhibit to the Company's registration statement (amended) on Form 20-F/A filed with the SEC on November 29, 2018
**	Filed as an exhibit to the Company's registration statement on Form 20-F filed with the SEC on October 17, 2018.
****	Filed as an exhibit to the Company's Form 6-K on May 11, 2020.
*****	Filed as an exhibit to the Company's Form 6-K on December 14, 2020.
***	Filed herewith.



**Red White & Bloom Brands Inc.**  
**(Formerly Tidal Royalty Corp.)**

Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Canadian dollars)

# **Red White & Bloom Brands Inc.**

**(Formerly Tidal Royalty Corp.)**

## **Table of Contents**

For the Years ended December 31, 2020 and 2019

Management's responsibility for financial report	F-1
Report of independent registered public accounting firm	F-2-3
Consolidated annual financial statements	
Consolidated statements of financial position	F-4
Consolidated statements of loss and comprehensive loss	F-5
Consolidated statements of changes in shareholder's equity	F-6
Consolidated statement of cashflows	F-7
Notes to the consolidated annual financial statements	F-8 - 59

## **Management's 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.

July 22, 2021

/s/ Michael  
Marchese  
Michael Marchese,  
Director

/s/ Brad Rogers  
Brad Rogers, Director

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
Red White & Bloom Brands Inc. (Formerly Tidal Royalty Corp.)

### Opinion

We have audited the consolidated statement of financial position of Red White & Bloom Brands Inc. (Formerly Tidal Royalty Corp.) (the "Company"), as of December 31, 2020, and the related consolidated statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2020, and the related notes and schedules (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the year ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has accumulated significant losses since inception and its operations are mainly funded with debt and equity financing that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Other Matter**

The consolidated financial statements of the Company as of and for the year ended December 31, 2019, were audited by another auditor in accordance with Canadian generally accepted auditing standards who expressed an unmodified opinion on those financial statements on April 29, 2020.

We have served as the Company auditors since 2020.

*Macias Gini & O'Connell LLP*

July 22, 2021

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**  
Consolidated Statements of Financial Position  
As at December 31, 2020 and 2019  
(Expressed in Canadian dollars)

	Notes	2020	2019
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 1,146,569	\$ 1,378,687
Prepaid expenses		1,053,658	124,140
Accounts receivable	7	8,747,261	1,463,388
Inventory	9	17,561,002	-
Loans receivable	11	51,676,623	36,504,397
		<b>80,185,113</b>	<b>39,470,612</b>
Non-current assets			
Property, plant and equipment, net	10	87,104,243	10,847
Deposits	6	-	12,530,659
Call/put option	12	112,658,740	55,967,351
Goodwill	6	6,206,068	-
Intangible assets, net	13	152,979,033	-
		<b>358,948,084</b>	<b>68,508,857</b>
Total assets		<b>\$ 439,133,197</b>	<b>\$ 107,979,469</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 24,115,714	\$ 1,334,370
License liability	6	11,997,400	-
Convertible debentures	14	-	17,597,600
Current loans payable	16	31,349,759	-
Lease liabilities	17	205,982	-
Credit facility	15	-	36,610,075
Current income taxes payable	20	3,125,261	-
		<b>70,794,116</b>	<b>55,542,045</b>
Non-current liabilities			
Credit facility	15	64,815,872	-
Loans payable, net of current portion	16	18,704,092	-
Lease liabilities, net of current portion	17	186,487	-
License liability, net of current portion	6	47,989,600	-
Deferred income tax liability	20	27,158,251	-
Total liabilities		<b>229,648,418</b>	<b>55,542,045</b>
Shareholders' equity			
Share capital	18	229,772,030	61,366,160
Contributed surplus		14,863,863	5,748,889
Cumulative translation adjustment		(1,896,622)	-
Accumulated deficit		(33,254,492)	(14,677,625)
Total shareholders' equity		<b>209,484,779</b>	<b>52,437,424</b>
Total liabilities and shareholders' equity		<b>\$ 439,133,197</b>	<b>107,979,469</b>

Going concern (Note 2)  
Commitments and contingencies (Note 27)  
Subsequent events (Note 29)

Approved and authorized for issuance on behalf of the Board of Directors on July 22, 2021 by:

/s/ Michael

Michael Marchese,  
Director

/s/ Brad Rogers

Brad Rogers, Director

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



**Red White & Bloom Brands Inc.****(formerly Tidal Royalty Corp.)**

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

			2020		2019
	<b>Notes</b>				
Sales	25	\$	23,338,528	\$	-
Cost of sales, before fair value adjustments			9,486,087		-
			13,852,441		-
Unrealized change in fair value of biological assets	8		(543,116)		-
Realized fair value amounts included in inventory sold			45,232		-
Gross profit			13,354,557	-	
Expenses					
General and administration			10,695,379		2,951,403
Salaries and wages			6,777,330		568,167
Depreciation and amortization	10, 13		15,291,977		1,898
Earn-out compensation	6		9,805,500		-
Share-based compensation	18		3,955,976		3,796,095
Sales and marketing			1,762,223		913,412
			48,288,385		8,230,975
Loss from operations before other expenses (income)			(34,933,828)		(8,230,975)
Other expense (income)					
Finance expense (income), net			5,272,428		(399,060)
Foreign exchange			1,677,976		1,385,803
Management fees			(425,610)		(1,111,637)
(Gain) Loss on revaluation of call/put option	12		(53,619,465)		4,407,819
Gain on disposal of property, plant and equipment	10		(232,874)		-
Write off of deposit	6		1,853,059		-
Listing expense	5		31,705,481		-
Revaluation of financial instruments			530,451		-
Total other expense (income)			(13,238,554)		4,282,925
Loss before income taxes			(21,695,274)		(12,513,900)
Current income tax expense	20		3,125,261		-
Deferred income tax recovery	20		(6,243,668)		-
Net loss			(18,576,867)		(12,513,900)
Translation adjustment on consolidation of foreign subsidiaries			(1,896,622)		-
Comprehensive loss		\$	(20,473,489)		(12,513,900)
Net loss per share, basic and diluted	19	\$	(0.14)	\$	(0.16)
Weighted average number of shares outstanding			137,571,316		80,700,135

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

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

	Notes	Convertible Series I Preferred Shares #	Convertible Series I Preferred Shares \$	Convertible Series II Preferred Shares #	Convertible Series II Preferred Shares \$	Common Shares #	Common Shares \$	Subscriptions Receivable	Contributed Surplus	Translation Adjustment	Accumulated Deficit	Total
Balances, January 1, 2019		-	-	-	-	74,222,182	35,111,680	(125,000)	1,952,794	-	(2,163,725)	34,775,749
Shares issued, net	18	-	-	-	-	9,989,570	26,254,480	125,000	-	-	-	26,379,480
Share-based compensation	18	-	-	-	-	-	-	-	3,796,095	-	-	3,796,095
Net loss		-	-	-	-	-	-	-	-	-	(12,513,900)	(12,513,900)
Balances, December 31, 2019			-	-	-	84,211,752	61,366,160		5,748,889		(14,677,625)	52,437,424
Shares issued for acquisition	6	-	-	17,133,600	27,363,787	17,133,600	17,620,480	-	-	-	-	44,984,267
Shares issued on RTO	5	-	-	84,211,749	-	-	-	-	-	-	-	-
Deemed shares issued	5	3,181,250	5,637,175	-	-	23,464,462	27,031,042	-	-	-	-	32,668,217
Replacement warrants issued	5	-	-	-	-	-	-	-	303,749	-	-	303,749
Replacement options issued	5	-	-	-	-	-	-	-	486,518	-	-	486,518
Shares issued for asset acquisition	6	-	-	-	-	19,800,000	41,900,000	-	-	-	-	41,900,000
Shares issued for finders	5	-	-	7,381,000	13,204,609	7,381,000	8,502,900	-	-	-	-	21,707,509
Share-based compensation	18	-	-	-	-	-	-	-	3,955,976	-	-	3,955,976
Shares issued debt settlement	18	-	-	2,339,200	3,555,584	2,339,200	2,292,416	-	-	-	-	5,848,000
Warrants exercised	18	-	-	470,340	319,871	1,087,212	739,399	-	(95,430)	-	-	963,840
Stock options exercised	18	-	-	2,050,000	1,602,237	2,050,000	1,202,074	-	(1,691,811)	-	-	1,112,500
Currency translation adjustment		-	-	-	-	-	-	-	-	(1,896,622)	-	(1,896,622)
Shares issued for bought deal	18	-	-	-	-	33,350,000	17,144,296		6,155,972	-	-	23,300,268
Shares issued for debenture repayment	18	-	-	-	-	500,000	290,000	-	-	-	-	290,000
Net loss		-	-	-	-	-	-	-	-	-	(18,576,867)	(18,576,867)
Balances, December 31, 2020		3,181,250	5,637,175	113,585,889	46,046,088	191,317,226	178,088,767		14,863,863	(1,896,622)	(33,254,492)	209,484,779

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

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**  
Consolidated Statement of Cash Flows  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian dollars)

		2020	2019
	Notes		
Operating activities			
Net loss for the year		\$ (18,576,867)	\$ (12,513,900)
Items not affecting cash:			
Share-based compensation		3,955,976	3,796,095
Foreign exchange		1,027,601	(1,442,606)
Interest not received in cash		(4,099,526)	(3,832,577)
Revaluation of call/put option	12	(53,619,465)	4,407,819
Listing expense	5	31,705,481	-
Depreciation and amortization	10, 13	15,291,977	1,898
Write off of deposit		1,853,059	-
Realized gain in cost of sales		(45,232)	-
Fair value adjustment on biological assets		543,116	-
Gain on disposal of property, plant and equipment	10	(232,874)	-
Revaluation of financial instruments		(673,585)	-
PV accretion expense (PV sellers)		307,239	-
PV fair value adjustment on convertible loan	6	1,093,248	-
Finance fees		1,581,005	-
Accrued interest payable		-	229,399
Financing expense (income)		-	(2,340,164)
		(19,888,847)	(11,694,036)
Changes in non-cash operating working capital	24	(25,198,759)	(410,435)
		(45,087,606)	(12,104,471)
Investing activities			
Disposition of property, plant and equipment	10	288,846	-
Purchase of property, plant and equipment	10	(180,420)	(12,745)
Deposits	6, 11	-	(12,246,787)
Cash received on RTO	5	1,822,156	-
Cash paid on business combination of MAG	6	(20,482,087)	-
Cash paid on business combination of PV	6	(7,477,069)	-
Loan receivable		-	(79,090,092)
		(26,028,574)	(91,349,624)
Financing activities			
Issuance of share capital, net	18	22,241,753	26,299,820
Funds received for shares to be issued	18	-	125,000
Exercise of warrants	18	963,840	-
Exercise of stock options	18	1,112,500	-
Convertible debentures	14	-	17,650,000
Loans payable	16	15,819,517	36,380,676
Credit facility - repayment of existing loan	15	(36,610,075)	-
Credit facility - new borrowing	15	63,524,867	-
		67,052,402	80,455,496
Decrease in cash		(4,063,778)	(22,998,599)
Net effects of foreign exchange		3,831,660	-
Cash, beginning		1,378,687	24,377,286
Cash, ending		\$ 1,146,569	\$ 1,378,687

Supplemental disclosure of cash flow information (Note 24)

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

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

**1. BACKGROUND AND NATURE OF OPERATIONS**

Red White & Bloom Brands Inc. (formerly Tidal Royalty Corp.) (the “Company” or “RWB”) was incorporated on March 12, 1980 pursuant to the *Business Corporations Act*, British Columbia.

The Company’s head office and registered office is located at Suite 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

On April 24, 2020, Tidal Royalty Corp. (“Tidal”) and a private Ontario company named MichiCann Medical Inc. (“MichiCann”) completed an amalgamation structured as a three-corned amalgamation whereby MichiCann was amalgamated with a newly incorporated subsidiary of Tidal, forming the Company.

Immediately prior to the amalgamation, Tidal completed a consolidation of the Tidal common shares on the basis of one post-consolidated Tidal share for every sixteen pre-consolidation Tidal common shares and changed its name from “Tidal Royalty Corp.” to “Red White & Bloom Brands Inc.”. Each MichiCann share was exchanged to one common share and one convertible series II preferred share of the Company. Due to the terms of the exchange ratio, the previous shareholders of MichiCann acquired a controlling interest in Tidal and as such, the amalgamation has been accounted for as a reverse takeover transaction with MichiCann being the resulting issuer for financial reporting purposes.

The amalgamation resulted in all the issued and outstanding shares of MichiCann being exchanged for one common share and one convertible series II preferred share of the Company. Holders of MichiCann common share purchase warrants and MichiCann stock options received one replacement warrant or stock option, as applicable, with each exercisable for units consisting of one common share and one convertible series II preferred share.

All convertible series II preferred shares are convertible into common shares, on a one for one basis, at any time between thirteen months and twenty-four months from April 24, 2020. Upon conversion of series II preferred shares into common shares, preferred shareholders will receive equivalent common shares plus an additional 5% common shares for each twelve month period up to twenty-four months.

An aggregate 101,345,349 common shares, 101,345,349 convertible series II preferred shares, 595,430 share purchase warrants and 7,962,679 stock options were issued to the former holders of MichiCann common shares, MichiCann warrants and MichiCann stock options, respectively. Each option and warrant is convertible to one common share and one series II preferred share. Refer to Note 5 for further details on the amalgamation.

Certain shareholders have entered into voluntary escrow and/or escrow and leak out agreements totaling 36,613,819 Common shares and the underlying shares for 3,000,000 Options. The escrow agreements carry various release terms between 6 and 20 months.

As a result of the completion of this transaction, the former holders of MichiCann Shares now hold approximately 76.67% of the issued and outstanding common shares and former holders of Tidal shares now hold 17.75% of the Common Shares and 5.58% of Common Shares are held by finders, on a non-diluted basis. A new board and new management assumed control of the Company on April 24, 2020, the shares of the Company resumed trading on the Canadian Stock Exchange under the new trading symbol “RWB”.

## 2. GOING CONCERN

These consolidated 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, 2020, the Company has accumulated losses of \$33,254,492 since inception, and for the year ended December 31, 2020, the Company incurred a net loss of \$18,576,867 and net cash used in operations was \$45,761,083. The Company's operations are mainly funded with debt and equity financing, which is dependent upon many external factors and may be difficult to raise additional funds when required. The Company may not have sufficient cash to fund the acquisition and development of assets therefore will require additional funding, which if not raised, may result in the delay, postponement, or curtailment of some of its activities.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve-month period following December 31, 2020. To address its financing requirements, the Company will seek financing through debt and equity financing, asset sales, and rights offering to existing shareholders. The Company will also seek to improve its cash flows by prioritizing certain projects with a greater expected return and reducing operating costs by streamlining its operations and support functions. While the Company has been successfully in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company's ability to raise capital may be adversely impacted by: market conditions that have resulted in a lack of normally available financing in the cannabis industry; increased competition across the industry, and overall negative investor sentiment in light of the ongoing COVID-19 pandemic. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favorable to the Company or at all.

If the going concern assumption were not appropriate for these consolidated 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.

### COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID- 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. Government measures did not materially disrupt the Company's operations during the year ended December 31, 2020. The production and sale of cannabis has been recognized as an essential service across the U.S and the Company has not experienced production delays or prolonged retail closures as a result.

The duration and further impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Management has been closely monitoring the impact of COVID-19. The Company has implemented various measures to reduce the spread of the virus, including implementing social distancing at its cultivation facilities, manufacturing facilities and dispensaries, enhancing cleaning protocols and encouraging employees to practice preventive measures recommended by governments and health officials.

Due to the uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the business and financial position. In addition, the estimates in the Company's consolidated financial statements will possibly change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in impairment of long-lived assets including intangibles (Note 13).

### 3. BASIS OF PRESENTATION

#### a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with International Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the years ended December 31, 2020 and 2019.

These consolidated financial statements were authorized for issue by the Board of Directors on July 22, 2021.

#### b) Basis of Presentation

These consolidated 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, as detailed in Note 21. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### c) Basis of Consolidation

The consolidated financial statements for the years ended December 31, 2020 and 2019 include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation. These consolidated financial statements include the accounts of the following active entities:

Name of Subsidiary	Jurisdiction	Percentage Ownership 2020	Percentage Ownership 2019
MichiCann Medical Inc.	Ontario, Canada	100%	-
1251881 B.C. Ltd.	British Columbia, Canada	100%	-
Mid-American Growers, Inc.	Delaware, USA	100%	-
Mid-American Cultivation LLC	Delaware, USA	100%	-
RWB Platinum Vape Inc.	California, USA	100%	-
Vista Prime Management, LLC	California, USA	100%	-
GC Ventures 2, LLC	Michigan, USA	100%	-
RWB Licensing Inc.	British Columbia, Canada	100%	-
RWB Freedom Flower, LLC	Illinois, USA	100%	-
RWB Illinois, Inc.	Delaware, USA	100%	100%
Vista Prime 3, Inc.	California, USA	100%	-
PV CBD LLC	California, USA	100%	-
Vista Prime 2, Inc.	California, USA	100%	-
Royalty USA Corp.	Delaware, USA	100%	-
RLTY Beverage 1 LLC	Delaware, USA	100%	-
RLTY Development MA 1 LLC	Delaware, USA	100%	-
RLTY Development Orange LLC	Massachusetts, USA	100%	-
RLTY Development Springfield LLC	Massachusetts, USA	100%	-

d) Functional and Presentation Currency

The Company's presentation currency, as determined by management, is the Canadian dollar. Management has determined that the functional currency of its parent and Canadian subsidiaries is the Canadian dollar and the functional currency of its United States subsidiaries is the United States dollar. These financial statements are presented in Canadian dollars unless otherwise specified.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

a) New accounting pronouncements

*Amendments to IFRS 3, Business Combinations ("IFRS 3") – Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. Effective January 1, 2020, the Company adopted the amendments to IFRS 3, with no material impact on its consolidated financial statements.

*Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"); and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8") – Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Effective January 1, 2020, the Company adopted the amendments to IAS 1 and IAS 8, with no material impact on its consolidated financial statements.

*Amendments to IAS 1 – Presentation of financial statements: classifications of liabilities as current or non-current*

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. The Company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its consolidated financial statements.

b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated financial statements, management has made significant assumptions which are applied in determining the fair values of the various instruments at the reporting date. Should any of the assumptions be incorrect, it would result in a material adjustment to the carrying amount of certain assets and liabilities.

Other significant assumptions about the future and other sources of estimation uncertainty that management has made as at the statement of financial position date that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

*Valuation of Biological assets and inventory*

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested hemp inventory. These estimates include a number of assumptions including estimations of the stage of growth of the hemp, pre-harvest and post-harvest costs, sales price and expected yields.

Inventories of harvested finished goods and packaging materials are valued at the lower of cost or net realizable value. Management determines net realizable value, which is the estimated selling price less the estimated costs to completion, and the estimated selling costs. The Company estimates the net realizable value of inventories by using the most reliable evidence available at each reporting date. The future realization of these inventories may be different from estimated realization. A change to these assumptions could impact the Company's inventory valuation and gross profit from sales of inventories.

*Share-based compensation*

The Company provides compensation benefits to its consultants, directors and officers through a stock option plan. The fair value of each option award is estimated using the Black-Scholes option pricing model which utilizes subjective assumptions such as expected price volatility and expected life of the option. Share-based compensation expense also utilizes subjective assumptions on forfeiture rate. Changes in these input assumptions can significantly affect the fair value estimate.

*Convertible Preferred Share Units*

The Company issues convertible preferred share units consisting of one common share and one series II convertible preferred shares. The convertible preferred shares units were issued to holders of MichiCann common shares upon completion of amalgamation. Holders of MichiCann warrants and MichiCann stock options also received the convertible preferred shares units when those warrants and stock options are exercised. The fair value of the unit is determined using capitalization details of the Company. The fair value is separated between the common share and preferred share component using the relative fair value of each instrument on the issuance date. The separation of the components is based on the conversion rate of the preferred shares, which requires management to estimate the amount of time that will lapse between the initial issuance of the preferred share and its conversion date.



*Assessment of the Transactions as an Asset Acquisition or Business Combination*

Management has had to apply judgment relating to acquisitions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

*Determination of Purchase Price Allocations and Contingent Consideration*

Judgements are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods, if any. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

*Derivative Financial Instruments*

A derivative is a financial instrument whose value is based on an underlying asset or set of assets. The Company has determined that its call/put option represents a derivative financial instrument and as such has been measured at fair value in accordance with level 3 of the fair value hierarchy. Accordingly, the fair value of derivative financial instruments was determined using inputs that are not based on observable market data and therefore requires judgment from management.

*Income Taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of these consolidated financial statements.

*Expected Credit Loss*

Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts and other receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received.

*Going Concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

*Estimated useful lives and depreciation of property, plant and equipment*

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

*Fair value of financial instruments*

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

*Estimated useful lives and amortization of intangible assets*

Amortization of intangible assets with finite lives is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

*Determination of cash-generating units*

The Company's assets are aggregated into cash-generating units ("CGU's"). CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's was based on management's judgment in regards to several factors such as shared infrastructure, geographical proximity, and exposure to market risk and materiality.

*Consolidation*

Judgment is applied in assessing whether the Company exercises control and has significant influence over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Significant influence is defined as the power to participate in the financial and operating decisions of the subsidiaries. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained. These Consolidated financial statements include the consolidated results of all subsidiaries as the Company has determined that it has control over these subsidiaries requiring consolidation.

*Leases*

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, Management considers all facts and circumstances that create an economic incentive to exercise an extension operation, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to the Company's specific incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

*Impairment of non-financial assets*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, based on the estimated useful lives of the assets, is provided using the following methods:

Building and improvements	10 - 20 years	Straight-line
Machinery and equipment	4 - 20 years	Straight-line
Right of use assets	lesser of lease term or 2 years	Straight-line

Property, plant and equipment acquired during the period but not placed into use are not depreciated until they are placed into use.

Gains and losses on disposal of property, plant and equipment items are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statement of loss and comprehensive loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in consolidated statements of loss as incurred.

e) Biological assets

f)

The Company's biological assets consist of hemp plants which are valued at fair value less cost to sell. Their fair value is determined using the income approach. The Company measures and adjusts the biological assets to the fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

Production costs include all direct and indirect costs relating to biological transformation, which are capitalized to biological assets as they were incurred on the consolidated statements of loss and comprehensive loss.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

The direct and indirect costs include the following:

- Direct materials consumed in the growing process such as soil, chemicals, fertilizers and other supplies
- Direct labour for individuals who work in the cultivation department
- Indirect labour for other personnel's time spent related to the cultivation process
- Indirect materials consumed related to the cultivation process
- Utility related to the cultivation process
- Depreciation and maintenance of production equipment
- Quality assurance on the plants

Unrealized gains or losses arising from the changes in fair value during the period are included as a separate line in the gross profit calculation on the consolidated statements of loss and comprehensive loss.

g) Inventory

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested medical cannabis and harvested hemp are transferred from biological assets at their fair value less costs to sell at harvest which becomes the initial cost. Inventories of harvested hemp are transferred from biological assets at their fair value upon harvest which becomes the initial cost. Any subsequent post-harvest costs, either direct or indirect, are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value.

The post-harvest direct and indirect costs include the following:

- Direct materials such as packages, labels and bottles
- Direct labour for individuals who work in the processing department
- Indirect labour for other personnel's time spent related to the production and packaging process
- Indirect materials consumed related to the production process
- Utility related to the post-harvest process
- Depreciation and maintenance on dried cannabis processing and packaging equipment
- Quality assurance for the final product

The post-harvest costs capitalized in finished cannabis products and costs of other resale products are subsequently recorded in cost of goods sold on the consolidated statements of loss and comprehensive loss when they are sold. The realized initial costs upon sales, transferred from biological assets measured at fair value less costs to sell at harvest are presented as a separate line in the gross profit calculation on the consolidated statements of loss and comprehensive loss.

h) Share capital

*Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

*Equity units*

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and warrants based on the relative fair value of each instrument on the issuance date. Transaction costs directly attributable to the issuance of units are recognized as a reduction from equity.

i) Revenue recognition

The Company follows the following steps for accounting for revenue from contracts with customers:

1. Identify the contract with customer
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation(s)
5. Recognize revenue when/as performance obligations(s) are satisfied

Sales are recognized when control of the goods has been transferred to the purchaser and the collectability is reasonably assured. This is generally when goods have been delivered, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenue from sales of cannabis and hemp products to customers is recognized when the Company transfers control of the goods to the customer and the customer has accepted the goods. Revenue for branded manufacturing sales is recognized upon delivery to the customer. Sales are recorded net of discounts and incentives but inclusive of freight. Excise and cultivation taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of sales. Excise and cultivation taxes are netted against gross sales.

There is a formal Licensing Agreement entered into by the Company and third party licensed producer. The Company has granted the license to the licensed producer, and the license consists of a right to manufacture, package, label and sell products containing the branding of the Company within Michigan state. The Company recognizes the License Fee based on terms as the third party licensed producer sells the products manufactured under the Licensing Agreement.

j) Intangible assets

The Company's intangible assets include retail and product license acquired with the acquisition of 1251881 B.C. Ltd., and licenses and brand acquired with the acquisition of Platinum Vape (Note 6). Intangible assets acquired are recorded at fair value. Intangible assets with finite lives are assessed for indicators of impairment at each reporting date, or more frequently if changes in circumstances indicate that the carrying value may be impaired. Amortization for intangible assets with finite lives is calculated on a straight-line basis over the life of the asset less its residual value. The Company's amortization policy for intangible assets with finite lives is as follows:

Retail license	5 years	Straight-line
Product license	5.5 years	Straight-line

Retail license and product license are amortized using a useful life consistent with retail licensing agreement with High Times (Note 6). Licenses, brand and goodwill have indefinite useful lives.

k) Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

To date the Company has not recognized any impairment losses.

l) Share-based compensation

Share-based compensation to employees and those providing employee-like services are measured at the fair value of the instruments issued at the grant date and recognized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based expense is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. For both employees and non-employees, the fair value of share-based compensation expense is recognized in profit or loss, with a corresponding increase in contributed surplus. When options expire unexercised, these amounts are reclassified into accumulated deficit.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

m) Loss per share and diluted income loss per share

Basic loss per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through the exercise or conversion of stock options, restricted stock awards, warrants and convertible securities. In certain circumstances, the conversion of options, warrants and convertible securities are excluded from diluted loss per share if the effect of such inclusion would be anti-dilutive.

The inclusion of the Company's stock options, restricted stock awards, warrants and convertible securities in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluding from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

n) Income taxes

Deferred tax is calculated on all temporary differences at the consolidated statements of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

o) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in profit and loss.

The financial statements of subsidiaries that have a functional currency other than the Canadian dollar were translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statements of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as foreign currency translation adjustments.

**p) Financial instruments**

The Company recognizes a financial asset or liability when it becomes party to the contractual provisions of the instrument. The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value through profit or loss (“FVTPL”);
- ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and
- iii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets if and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Financial assets at amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets in this category include accounts receivable, deposits and loans receivable, which are held in a business model solely to collect payments of principal and interest.

*Financial assets at fair value through profit or loss*

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income, are measured at FVTPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. The Company has no designated hedges. Financial instruments classified as FVTPL are stated at fair value with changes in fair value recognized in profit or loss for the period. Financial assets in this category include cash, call/put option, and loans receivable which are not held in a business model solely to collect payments of principal and interest.

*Financial assets at fair value through other comprehensive income*

Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive loss is reclassified to profit or loss. The Company does not have financial assets in this category.

*Business model assessment*

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.



*Contractual cash flow assessment*

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

*Impairment*

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. For loan receivable, expected credit losses are used as the basis for calculating the impairment allowance and the risk adjusted interest. After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

*Derecognition of financial assets*

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

*Financial liabilities*

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

*Financial liabilities at amortized cost*

Financial liabilities at amortized cost are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities at amortized cost are classified as current or non-current based on their maturity date. Financial liabilities in this category include accounts payable and accrued liabilities, credit facilities, and loans payable.

*Financial liabilities at fair value through profit or loss*

This category is comprised of derivative financial liabilities. Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. Financial liabilities in this category include convertible debentures and license liabilities.

*Derecognition of financial liabilities*

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Summary of the Company's classification and measurements of financial assets and liabilities:

	Classification and Measurement
Cash	FVTPL
Accounts receivable	Amortized cost
Loans receivable - TDMA loan	FVTPL
Loans receivable	Amortized cost
Deposits	Amortized cost
OpCo debenture	FVTPL
Call/put option	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable - PV convertible loan	FVTPL
Loans payable	Amortized cost
Credit facility	Amortized cost

*Fair value hierarchy*

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

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

*Offsetting financial assets and liabilities*

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

q) Accounts receivables and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

r) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is re-measured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a bargain gain on acquisition.

s) Provisions and contingent liabilities

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of 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 end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

t) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

u) Lease arrangements

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occur and are included in the consolidated statements of loss and comprehensive loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, unless it has been reduced to zero.

**5. REVERSE TAKEOVER**

On April 24, 2020, Tidal and MichiCann entered into a Business Combination Agreement (the "Combination Agreement"). The Combination Agreement was structured as a three-cornered amalgamation whereby MichiCann was combined with a newly incorporated subsidiary of Tidal, forming the Company. The amalgamation resulted in all the issued and outstanding shares of Tidal and MichiCann being exchanged for common shares and convertible series II preferred shares of the Company as described in Note 1.

The amalgamation was considered a reverse takeover ("RTO") as the legal acquiree's (Tidal) former shareholders control the consolidated entity after completion of the amalgamation. Consequently, the legal

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

acquiree (MichiCann) is the accounting acquirer and the historical financial results presented in these consolidated financial statements are those of MichiCann.

At the time of the amalgamation, Tidal's assets consisted primarily of cash and receivables and it did not have any processes capable of generating outputs; therefore, Tidal did not meet the definition of a business. Accordingly, as Tidal did not qualify as a business in accordance with IFRS 3 *Business Combinations*, the amalgamation did not constitute a business combination; however, by analogy it has been accounted for as a reverse takeover. Therefore, MichiCann, the legal subsidiary, has been treated as the accounting acquirer, and Tidal, the legal parent, has been treated as the accounting acquiree.

Upon completion of the amalgamation 375,431,661 Tidal common shares and 50,900,000 Tidal preferred shares were consolidated into 23,464,462 common shares and 3,181,250 convertible series I preferred shares of the Company on the basis of one post-consolidated share for every sixteen pre-consolidation shares. The consideration relating to the deemed shares issued in the reverse acquisition was based on the fair value of common shares of \$27,031,042 was based on the market price of \$1.152 per share of Tidal on April 24, 2020 and fair value of convertible series I preferred shares of \$5,637,175, was estimated using the option pricing model with the following assumptions.

Volatility	80%
Risk-free rate	0.319%
Time to liquidation in years	2.0

In addition, exchanged on the reverse takeover 1,186,711 Tidal common share purchase warrants and 1,799,110 Tidal stock options were fair valued on the acquisition date using a Black-Scholes option pricing model and included in the consideration paid by the Company.

The Company used Black-Scholes option pricing model to determine the fair value of the warrants and stock options with the following weighted average assumptions:

Expected life in years	2.38
Volatility	80%
Risk-free rate	0.39%
Share Price	\$1.152
Dividend yield	0.00%

In connection with the amalgamation, the Company issued 7,381,000 common shares and 7,381,000 convertible series II preferred shares to a finder. The fair value of these common shares amounting to \$8,502,900 was determined based on the market price of \$1.152 per share of Tidal on April 24, 2020 and fair value of convertible series II preferred shares of \$13,204,609, was estimated using the option pricing model with the following assumptions.

Volatility	80%
Risk-free rate	0.319%
Time to liquidation in years	2.0

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

As the acquisition was not considered a business combination, the excess of consideration paid over the net assets acquired together with any transaction costs incurred for the amalgamation is expensed as a listing expense in accordance with IFRS 2 *Share-Based Payments*.

Consideration paid:		
Common shares deemed issued	\$	27,031,042
Preferred shares deemed issued		5,637,175
Finder's fee - common shares		8,502,900
Finder's fee - preferred shares		13,204,609
Fair value of warrants		303,749
Fair value of stock options		486,518
	\$	55,165,993
Net identifiable assets acquired:		
Cash and cash equivalents	\$	1,822,156
Accounts receivable		2,229
Prepaid expenses		794,538
Promissory note receivable		4,169,009
Right-of-use asset		91,402
Convertible loan receivable		17,597,600
Accounts payable		(898,303)
Lease liability		(118,119)
	\$	23,460,512
Listing expense	\$	31,705,481

Convertible loan receivable consists of an amount receivable by Tidal Royalty Corp from MichiCann Medical Inc with a fair value of \$17,597,600 on the date of the amalgamation was effectively settled (Note 14).

Promissory note receivables were issued to TDMA LLC. During the year ended December 31, 2019, Tidal entered into a definitive Membership Interest Purchase Agreement (the "MIPA") with TDMA LLC to acquire all of the issued and outstanding equity in TDMA Orange, LLC, a wholly owned subsidiary of TDMA LLC. Pursuant to the terms of the MIPA, Tidal obtains 100% interest in two cultivation licenses and a processing license in the county of Orange, in the Commonwealth of the State of Massachusetts. As consideration, Tidal will forgive the promissory notes including accrued interest. These promissory notes have annual interest 10%, and measured at fair value. The fair value of TDMA loan was estimated using the Discount Cashflow method with following assumptions:

Risk adjusted rate - April 24, 2020	18.31% - 18.57%
Risk adjusted rate - December 31, 2020	18.67% - 18.95%

## 6. ACQUISITIONS

During the year ended December 31, 2020, the Company completed the following acquisitions:

### Mid-American Growers, Inc.

On January 10, 2020, the Company acquired 100% of the issued and outstanding shares of Mid-American Growers, Inc. ("MAG"). MAG is a company that cultivates and sells hemp-based products throughout North America. Under the terms of the agreement, the Company paid \$31,249,391 in cash and issued rights to receive 17,133,600 common shares of MichiCann with a fair value of \$44,984,267.

Immediately prior to the RTO on April 24, 2020, 17,133,600 common shares of MichiCann were issued to sellers of MAG, and the 17,133,600 MichiCann shares were converted to 17,133,600 common shares of the Company and 17,133,600 convertible series II preferred shares of the Company. (Note 5). 17,133,600 common shares 17,133,600 convertible series II preferred shares were escrowed, and the common shares and convertible series II preferred shares are released as follows: 1,199,352 common shares and 1,199,352 convertible series II preferred shares every month for fourteen months starting on the date that is six months following the RTO and 342,669 common shares and 342,669 convertible series II preferred shares on December 24, 2021.

The fair value of rights to receive common shares was estimated using option pricing model. Key inputs and assumptions used in the valuation methods as of the acquisition date were as follows:

Share price	\$ 2.950
Volatility	85%
Discount for lack of marketability	11%

Included in the agreement is a milestone payment of 2,640,000 common shares of the Company should the MAG sellers reasonably assist the Company in receiving a commercial cultivation license for its facility in Illinois (the "Milestone Event"). There is an additional milestone payment of USD \$5,000,000 should the Milestone Event be completed during calendar year 2020. Concurrently, the Company entered an earn-out agreement with the sellers of MAG whereby the Company will pay a 23% commission on hemp product sales during the period of April 1, 2020 to March 31, 2021. This has been accounted for as a payment for post-combination services and was not added to the purchase price.

Concurrent with the closing of the MAG acquisition, MichiCann's wholly owned subsidiary, RWB Illinois, Inc. acquired an additional 142 acres of land located in Illinois, together with the buildings, plant facilities, structures, building systems fixtures and improvements located thereon and related personal property and intangibles (together with the MAG owned property, the "Illinois Facility") for USD \$2,000,000 pursuant to a real estate purchase agreement made and entered into as of January 10, 2020 between RWB, VW Properties LLC, as seller, and each of the MAG Sellers. The USD \$2,000,000 paid to purchase the additional land has been included in the consideration to acquire the issued and outstanding shares of MAG. A pre-existing relationship consisting of an amount receivable by the Company from MAG with a fair value of \$1,459,218 on the date of acquisition was effectively settled.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

The acquisition of MAG was accounted for as a business combination because the acquisition met requirements under IFRS 3. The consideration and net identifiable assets acquired were recorded in the accounts of the Company at its fair values as follows:

Consideration paid:		
Cash paid upon closing	\$	20,644,291
Cash paid in 2019		10,605,100
Rights to common shares		44,984,267
Settlement of pre-existing relationship		1,459,218
	\$	77,692,876
Net identifiable assets acquired:		
Cash and cash equivalents	\$	162,204
Accounts receivable		58,470
Inventory		4,395,361
Biological assets		26,842
Property, plant and equipment		94,197,701
Goodwill		6,083,036
Accounts payable		(1,539,657)
Other payable		(656,900)
Deferred tax liability		(25,034,181)
	\$	77,692,876

If the transaction had closed on January 1, 2020, the Company's revenue for the year ended December 31, 2020 would have increased by \$111,557, and net loss for the year would have increased by \$342,610. Consolidated revenue and loss for the year, of the acquiree after the acquisition date, as recorded in the consolidated statement of loss for the year ended December 31, 2020 is \$4,071,820 and \$12,505,267, respectively.

The settlement of a pre-existing relationship consists of an amount receivable by the Company from MAG with a fair value of \$1,459,218 on the date of acquisition was effectively settled.

1251881 B.C. Ltd.

On June 10, 2020, the Company acquired 100% of the issued and outstanding shares of 1251881 B.C. Ltd. Under the terms of the agreement, the Company issued 13,500,000 common shares and 4,500,000 special warrants as a consideration. The special warrants are automatically convertible into 4,500,000 common shares of the Company should the volume weighted average price of the Company's common shares be less than \$1.50 for the first 180 days following the acquisition date. In connection with the acquisition, the Company issued 1,800,000 common shares to a finder. On December 15, 2020, all special warrants were converted into common shares for the finder's fee.

The fair value of special warrants amounting to \$4,995,000 was based on the market price of \$1.11 per common share of the Company as of the acquisition date. The fair value of finder's fee amounting to \$1,998,000 was based on the market price of \$1.11 per share as of the acquisition date.

The fair value of 13,500,000 common shares amounting to \$34,907,000 was determined as a reference to the fair value of net assets acquired in accordance with IFRS 2 requirements.



**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

At the time of the acquisition, 1251881 B.C. Ltd.'s assets consisted solely of intangible assets and it did not have any processes capable of generating outputs; therefore 1251881 B.C. Ltd. did not meet the definition of a business under IFRS 3 and the acquisition was accounted for as an asset acquisition. The consideration paid and net identifiable assets acquired were recorded in the accounts of the Company at its fair value determined as follows:

Consideration paid:	
Common shares issued	\$ 34,907,000
Common shares - Finder's fee	1,998,000
Fair value of special warrants issued	4,995,000
	<hr/>
	\$ 41,900,000
Net identifiable assets acquired:	
Intangible assets	\$ 101,887,000
License Liability	(59,987,000)
	<hr/>
	\$ 41,900,000

Immediately prior to the acquisition, 1251881 B.C. Ltd. entered into (i) a retail license agreement with High Times Retail Licensing, LLC ("HT") whereby 1251881 B.C. Ltd. was granted the right-to-use certain intellectual property associated with retail dispensary and local delivery services for cannabis products, cannabis accessories and merchandise in the States of Michigan, Illinois and Florida; and (ii) a product licensing agreement with HT whereby 1251881 B.C. Ltd. was granted an exclusive license to use certain intellectual property related to the commercialization of cannabis products in Michigan, Illinois and Florida and CBD products nationally carrying HT brands.

Platinum Vape LLC

On September 14, 2020, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding equity interest of Platinum Vape LLC ("Platinum Vape" or "PV") in a cash and convertible note payable amounting to USD \$35,000,000, comprised of USD \$7,000,000 in cash paid at closing, a further USD \$13,000,000 in cash payable 120 days after closing and USD \$15,000,000 convertible promissory note payable on the third anniversary of closing, which may be converted into Company stock only after 12 months. Concurrently, the Company entered an earn-out agreement with the sellers of PV whereby the Company will pay cash or common shares of the Company with equivalent value of USD \$25,000,000 payable based on achievement of the following milestones during the 12-month period immediately following the closing:

- \* USD \$7,500,000 paid on PV achieving revenue of USD \$80,000,000 and maintain 15% earnings before interest and taxes;
- \* USD \$7,500,000 paid on PV achieving revenue of USD \$90,000,000 and maintain 15% earnings before interest and taxes; and
- \* USD \$10,000,000 paid on PV achieving revenue of USD \$100,000,000 and maintain 15% earnings before interest and taxes.

This earn-out amount has been accounted for as a payment for post-combination services and was not added to the purchase price.

The acquisition of PV was accounted for as a business combination because the acquisition met requirements under IFRS 3. The consideration and net identifiable assets acquired were recorded in the accounts of the Company at its fair value as follows:

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Consideration paid:		
Cash paid on closing	\$	9,222,500
Present value of cash payable 120 days after closing		16,655,835
Cash to be paid in one year		19,511,124
Convertible promissory note		17,219,398
	\$	62,608,857
Net identifiable assets acquired:		
Cash and cash equivalents	\$	1,745,431
Accounts receivable		4,188,780
Prepaid expenses		400,520
Inventory		3,184,355
Property, plant and equipment		319,876
Right-of-use		475,396
Licenses		29,907,250
Brand		33,991,500
Goodwill		281,172
Accounts payable		(2,416,543)
Lease liability		(475,122)
Loan		(30,628)
Deferred tax liability		(8,963,130)
	\$	62,608,857

The cash payable 120 days after closing was paid on the January 12, 2021.

If the transaction had closed on January 1, 2020, the Company's revenue for the year ended December 31, 2020 would have increased by \$14,093,729, and net loss for the year would have decreased by \$6,804,672. Consolidated revenue and income for the year, of the acquiree after the acquisition date, as recorded in the consolidated statement of loss for the year ended December 31, 2020 is \$19,266,708 and \$6,804,672, respectively.

Proposed Transaction

On July 25, 2019, the Company entered a letter of intent with Kings Garden Inc. ("Kings Garden") pursuant to which the Company will acquire all of the issued and outstanding shares of Kings Garden.

During the year, the Company determine it would no longer pursue the acquisition of Kings Garden. As such, the \$1,853,059 deposit advanced to Kings Garden under the terms of this letter of intent has been written off as the deposit is not refundable. The write off has been recorded in the consolidated net loss and comprehensive loss

## 7. ACCOUNTS RECEIVABLE

The Company's accounts receivable as at December 31, 2020 and 2019 consists of the following:

	<b>2020</b>		<b>2019</b>	
Trade receivables	\$	8,619,200	\$	1,111,637
Sales tax receivable		128,061		351,751
	\$	8,747,261	\$	1,463,388

Sales tax receivable represents excess of input tax credits on purchased goods or services received over sales tax collected on the taxable sales in Canada.

	<b>2020</b>		<b>2019</b>	
Current		\$2,835,810		\$1,111,637
1-30 Days		4,556,868		-
31-60 Days		288,226		-
61-90 Days		916,098		-
91 Days and over		22,198		-
<b>Total trade receivables</b>		<b>\$8,619,200</b>		<b>\$1,111,637</b>

## 8. BIOLOGICAL ASSETS

The Company's biological assets consist of no plants growing as at December 31, 2020 and 2019. The continuity of biological assets is as follows:

<b>Carrying amount, beginning of year</b>	<b>2020</b>		<b>2019</b>	
Acquired from MAG acquisition	\$	26,842	\$	-
Capitalized cost		12,606,343		-
Fair value adjustment		(543,116)		-
Transferred to inventory		(12,090,069)		-
Carrying value, end of year	\$	-	\$	-

*Fair Value Measurement Disclosure*

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- \* Selling price - calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices
- \* Stage of growth - represents the weighted average number of weeks out of the 15 weeks growing cycle that biological assets have reached as of the measurement date
- \* Yield by plant - represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- \* Attrition - represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
- \* Post-harvest costs - calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post harvest, consisting of the cost of direct and indirect materials and labour related to labelling and packaging

*Sensitivity Analysis*

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

	<b>Weighted average assumption</b>	<b>10% Change of inputs (\$)</b>
Selling Price	\$0.19	1,211,741
Yield by plant	71.41	1,147,615
Attrition	5.52%	70,859
Post-harvest costs (\$/gram)	\$0.01	262,754

No biological assets remained in the ground as at December 31, 2020 and 2019. All plants were harvested prior to year end. As a plant matures the likelihood of wastage declines. As a result, attrition estimates were relatively low in 2020. However, due to the onset of COVID-19, a restricted labour pool forced the Company to prioritize higher margin crops while leaving less profitable plants to die.

The Company accretes fair value of biological assets on a straight-line basis according to stage of growth. As a result, a hemp plant that is 50% through its 15-week growing cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to attrition adjustments).

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

**9. INVENTORY**

The Company's inventory as at December 31, 2020 and 2019 consists of the following:

	2020	2019
Hemp finished goods	\$ 13,101,032	\$ -
Hard Goods/Tools	265,890	-
Cannabis and CBD derivative finished goods	418,116	-
Raw materials	2,477,747	-
Consumables and non-cannabis merchandise	1,298,217	-
	\$ 17,561,002	\$ -

During the year ended December 31, 2020, the total inventory expensed through cost of sales was \$9,459,548 (2019 - \$Nil). During the year ended December 31, 2020, the total amount of salaries and wages expensed through cost of sales was \$1,220,247 (2019 - \$Nil).

**10. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment as of December 31, 2020 and 2019 consists of the following:

	Land	Building and Improve- ments	Machinery and equipment	Right of Use Asset	Total
Cost					
Balances, December 31, 2019	\$ -	\$ -	\$ 12,745	\$ -	\$ 12,745
Acquired from MAG	2,951,456	78,487,261	12,758,984	-	94,197,701
Acquired from PV	-	-	319,876	475,396	795,272
Additions	-	19,327	161,093	-	180,420
Disposals	-	-	(288,846)	-	(288,846)
Translation Adjustment	(72,141)	(1,916,190)	(322,354)	(16,250)	(2,326,935)
Balance, December 31, 2020	\$ 2,879,315	\$ 76,590,398	\$ 12,641,498	\$ 459,146	\$ 92,570,357
Accumulated depreciation					
Balances, December 31, 2019	\$ -	\$ -	\$ 1,898	\$ -	\$ 1,898
Depreciation	-	4,221,323	1,468,548	68,757	5,758,628
Disposals	-	-	-	-	-
Translation Adjustment	-	(217,607)	(75,006)	(1,799)	(294,412)
Balances, December 31, 2020	\$ -	\$ 4,003,716	\$ 1,395,440	\$ 66,958	\$ 5,466,114
Balances, December 31, 2020	\$ 2,879,315	\$ 72,586,682	\$ 11,246,058	\$ 392,188	\$ 87,104,243

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

A total \$1,124,818 depreciation was capitalized to inventory during 2020 operations, of which \$150,081 is included in cost of sales. Included in the Consolidated Statements of loss and Comprehensive loss, there is a gain on disposal of machinery and equipment amounting to \$232,874.

	Land	Building and Improve- ments	Machinery and equipment	Total
Cost				
Balances, December 31, 2018	\$ -	\$ -	\$ -	\$ -
Additions	-	-	12,745	12,745
Disposals	-	-	-	-
Balance, December 31, 2019	\$ -	\$ -	\$ 12,745	\$ 12,745
Accumulated depreciation				
Balances, December 31, 2018	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	1,898	1,898
Disposals	-	-	-	-
Balances, December 31, 2019	\$ -	\$ -	\$ 1,898	\$ 1,898
Balances, December 31, 2019	\$ -	\$ -	\$ 10,847	\$ 10,847

# 11. LOANS RECEIVABLE

Loans receivable as at December 31, 2020 and 2019 consists of the following:

	Notes	2020	2019
Advances to PharmaCo Inc.		\$ 11,084,278	\$ 4,381,329
Promissory note receivable from PharmaCo Inc.		32,627,616	30,648,517
Promissory note acquired with RTO	5	4,231,664	-
Accrued interest on promissory note acquired with RTO	5	686,288	-
Net receivable from sellers of Platinum Vape	6	3,046,777	-
Settlement of pre-existing relationship in MAG acquisition	6	-	1,474,551
Total		\$ 51,676,623	\$ 36,504,397

## Advances to PharmaCo Inc.

The loan receivable balance was amounting to \$4,810,000 as at December 31, 2018. During the year ended December 31, 2019, PharmaCo paid \$428,671 to the Company. The loan receivable balance was amounting to \$4,381,329 as at December 31, 2019.

During year ended December 31, 2020, the Company issued 2,339,200 units consisting of one common share and one convertible series II preferred share to a third-party to pay for \$5,848,000 owed by PharmaCo to its related party. The amount of \$5,848,000 has been recorded as a loan receivable from Pharmaco. The loan receivable is interest free and does not have fixed terms of repayment. During the year ended December 31, 2020, the Company advanced additional \$854,949 to PharmaCo, and the balance was amounting to \$11,084,278 as at the December 31, 2020. The balance is expected to be settled upon the closing of the acquisition of PharmaCo.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Promissory note receivable from PharmaCo Inc

On June 7, 2019, the Company entered a Promissory Note Agreement ("Promissory Note") with PharmaCo. Under the terms of this agreement, the Company advanced a principal amount of \$30,648,517. The Promissory Note is non-interest bearing, unsecured, and matured on January 2, 2020. On January 2, 2020, the Company agreed to extend the Promissory Note with PharmaCo until January 22, 2021.

On January 2, 2020, the Company advanced a principal amount of \$1,979,099. The Promissory Note is non-interest bearing, unsecured, and matures on January 22, 2021. The funds advanced under the Promissory Note were received from the Bridging Finance Inc. on which date under the credit facility (Note 15). The Promissory Note is included in current loans receivable as of December 31, 2020 and the balance as of December 31, 2020 was amounting to \$32,627,616.

Promissory note acquired with RTO

On April 24, 2020, promissory note of value of \$4,169,009 was acquired pursuant to the RTO transaction (Note 5). During the year ended December 31, 2020, the Company recorded revaluation gain of \$673,585. The promissory note balance as of December 31, 2020 was \$4,231,664.

During the year ended December 31, 2020, the Company recorded accrued interest of \$686,288.

Other amounts

The net balance receivable amount from sellers of Platinum Vape (Note 6) as at December 31, 2020 was \$3,046,777. The balance is non-interest bearing, unsecured and matures on September 14, 2021.

During the year ended December 31, 2019, \$1,474,551 was advanced to MAG as a partial deposit for the acquisition of MAG and the Illinois Facility and was included in loans receivable as presented in the above schedule. During the year ended December 31, 2020, the Company completed the acquisition of MAG (Note 6) and this amount was transferred to the consideration paid.

**12. CALL/PUT OPTION**

On January 4, 2019, MichiCann entered into a call/put option agreement (the "Call/Put Option Agreement") with PharmaCo Inc. ("PharmaCo") and its shareholders ("PharmaCo Shareholders") pursuant to which the PharmaCo Shareholders granted MichiCann the call right to acquire 100% of the issued and outstanding shares of PharmaCo from the PharmaCo shareholders, and MichiCann granted all of the PharmaCo Shareholders the put right to sell 100% of the issued and outstanding shares of PharmaCo to MichiCann, in exchange for the issuance of 37,000,000 MichiCann common shares in aggregate (subject to standard anti-dilution protections) subject to all state and local regulatory approvals including the approval of the Medical Marihuana Licensing Board and/or the Bureau of Medical Marihuana Regulation within the Department of Licensing and Regulatory Affairs ("LARA") in the State of Michigan. Each PharmaCo shareholder shall have the right, but not the obligation, as its sole direction, to sell to MichiCann all, but not less than all, of the PharmaCo common shares held by it. 37,000,000 MichiCann common shares will be converted to 37,000,000 common shares and 37,000,000 convertible series II preferred shares of the Company in accordance with the terms outlined in the amalgamation transaction disclosed in note 5.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

On January 4, 2019, MichiCann entered a Debenture Purchase Agreement with PharmaCo. Under the terms of this agreement, the MichiCann will advance a principal amount of up to USD \$114,734,209. The principal amount of the Opco Debenture is convertible into common shares of PharmaCo at a conversion price equal to the then outstanding balance of the Opco Debenture divided by the total number of PharmaCo common shares then outstanding. As of December 31, 2019, MichiCann has advanced \$48,502,029, plus \$5,700,400 that was advanced during the year ended December 31, 2018, and was transferred to the OpCo Debenture in 2019. The OpCo Debenture earns interest at 8% per annum and is secured by all real and personal property and interests in the real and personal property of PharmaCo, whether now owned or subsequently acquired. The principal amount and accrued interest of the Opco Debenture outstanding is convertible at any time on or prior to the earlier of the business day immediately preceding: (i) the Maturity Date; and (ii) the date that is 30 days after the Company received LARA's written approval of the application seeking permission to convert the Opco Debenture and own the common shares of PharmaCo. The OpCo Debenture including all accrued interest has a maturity date of January 4, 2023.

During the year ended December 31, 2019, MichiCann recorded accretion income of \$2,340,164 and accrued interest income of \$3,832,577 on the OpCo Debenture. Amount of \$23,955,576 was transferred to call/put option. The fair value of OpCo Debenture as of December 31, 2019 was amounting to \$36,419,594.

During the year ended December 31, 2019, MichiCann recorded a loss on revaluation of call option of \$4,407,819. The fair value of call/put option as of December 31, 2019 was amounting to \$19,547,757.

OpCo Debenture and call/put option are measured at fair value through profit or loss. OpCo Debenture and call/put option are presented as one financial instrument for a financial statements presentation purpose. The combined fair value of OpCo Debenture and call/put option as of December 31, 2019 was amounting to \$55,967,351.

The fair value of the convertible debenture and the fair value of the call/put option are measured together as one instrument. The fair value of call/put option component was estimated using a Monte Carlo simulation valuation model. Key inputs and assumptions used for the valuations as of December 31, 2020 and 2019 were as follows.

	2020	2019
Share Price	\$2.25	\$2.95
Volatility - MichiCann	100%	90%
Volatility - PharmaCo Inc.	210%	180%
Risk-free rate	0.13% for 2.01 years	1.61% for 3.01 years
Pharmaco Inc. enterprise value	\$154.3 mm	\$126.8 mm

As at December 31, 2020, the fair value of the OpCo Debenture including accrued interest was determined to be \$50,583,840 (2019 - \$36,419,594) and the fair value of the call/put option was determined to be \$62,074,900 (2019 - \$19,547,757). During the year ended December 31, 2020, the company recorded in its consolidated statement of loss and comprehensive loss a fair value gain of \$53,619,465, interest income of \$4,099,526 and a loss of \$1,027,602 from foreign currency translation.



**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian dollars)

**13. INTANGIBLE ASSETS AND GOODWILL**

Intangible assets as of December 31, 2020 and 2019 consist of the following:

		<b>Platinum Vapes license</b>	<b>Platinum Vapes brand</b>	<b>1251881 B.C. Ltd. license</b>	<b>Total</b>
Cost					
Balances, December 31, 2019	\$	-	\$ -	\$ -	\$ -
Acquired from Platinum Vapes		29,907,250	33,991,500	-	63,898,750
Acquired from 1251881 B.C. Ltd.		-	-	101,887,000	101,887,000
Additions		-	-	-	-
Disposals		-	-	-	-
Translation Adjustment		(1,005,610)	(1,142,940)	-	(2,148,550)
Balance, December 31, 2020	\$	28,901,640	\$ 32,848,560	\$ 101,887,000	\$ 163,637,200
Accumulated amortization					
Balances, December 31, 2019	\$	-	\$ -	\$ -	\$ -
Amortization		-	-	10,658,167	10,658,167
Disposals		-	-	-	-
Translation Adjustment		-	-	-	-
Balance, December 31, 2020	\$	-	\$ -	\$ 10,658,167	\$ 10,658,167
Balances, December 31, 2019	\$	-	\$ -	\$ -	\$ -
Balances, December 31, 2020	\$	28,901,640	\$ 32,848,560	\$ 91,228,833	\$ 152,979,033

The Company has determined that the Platinum Vape License (California) and Brand (California and Michigan) have indefinite lives. The retail license and product license acquired on 1251881 B.C. Ltd. acquisition has a useful life of 5.0 years and 5.5 years, respectively. For the year ended December 31, 2020, \$10,658,167 of amortization was expensed.

The following table outlines the estimated future annual amortization expense related to intangible assets acquired from 1251881 B.C. Ltd.

	<b>Estimated amortization</b>
2021	\$ 18,986,865
2022	18,986,865
2023	18,986,865
2024	18,986,865
2025	15,281,373
	\$ 91,228,833

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a Cash Generating Unit (“CGU”) or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment. The following factors were identified as impairment indicators:

1. Sales decline – Constraints in the retail distribution network, including a decrease of expected sales and profitability as compared to outcomes initially forecasted by management;
2. Change in strategic plans – The Company’s management determined that certain business units were no longer commercially viable and decided to halt all further construction and operations;
3. Decline in stock price and market capitalization – As at December 31, 2020, the carrying amount of the Company’s total net assets exceeded the Company’s market capitalization.

Key assumptions used in calculating the recoverable amount for each CGU grouping tested for impairment as at December 31, 2020 are outlined in the following table:

	PV license (CA)	PV brand (CA)	PV brand (MI)	High Times Retail lic. Agreement	High Times Product lic. Agreement
Discount rate	43.50%	38.50%	38.50%	21.00%	19.00%
Terminal growth rate	2.69%	2.69%	2.69%	-%	-%
Terminal capitalization multiple	4.36	5.25	6.49	-	-
Recoverable amount	\$ 34,249,080	\$ 10,440,240	\$ 34,631,040	\$ 23,044,920	\$ 73,336,320

*PV License (CA)* CGU - The Company’s PV License (CA) represents its operations including development, manufacturing and distribution of cannabis vape products within the state of California. This CGU is attributed to the Company’s California operating segment. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment.

*PV Brand (CA)* CGU -The Company’s PV Brand (CA) represents its operations dedicated to the sale of cannabis products and accessories within the state of California. This CGU is attributed to the Company’s California operating segment. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment.

*PV Brand (MI)* CGU - The Company’s PV Brand (MI) represents its operations dedicated to the sale of cannabis products and accessories within the state of California. This CGU is attributed to the Company’s California operating segment. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment.

*High Times Retail Licensing agreement* CGU - The Company’s High Times Retail Licensing agreement represents its right to use certain intellectual property associated with retail dispensary and local delivery services for cannabis products, cannabis accessories and merchandise in the states of Michigan, Illinois and Florida. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment.

*High Times Product Licensing agreement* CGU - The Company’s High Times Retail Licensing agreement represents its right to use certain intellectual property related to the commercialization of cannabis products in Michigan, Illinois and Florida and CBD products nationally carrying HT brands. As a result of the impairment test, management concluded that the carrying value was lower than the recoverable amount and recorded no impairment.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Goodwill arose from the acquisition of MAG (Note 6) and PV (Note 6). Goodwill as of December 31, 2020 and 2019 consists of the following:

	2020	2019
As of beginning of year	\$ -	\$ -
Acquisition of PV	281,172	-
Acquisition on MAG	6,083,036	-
Translation adjustment	(158,140)	-
As of year end	\$ 6,206,068	\$ -

#### 14. CONVERTIBLE DEBENTURES

During the year ended December 31, 2019, the Company issued a \$17,650,000 (consisting of advances of CAD \$15,000,000 and USD \$2,000,000) senior secured convertible debenture (the “Tidal Debenture”) to Tidal. The Tidal Debenture becomes due and payable (the “Tidal Debenture Maturity Date”) on the earlier of: (i) September 30, 2019 (extended to April 30, 2020) and (ii) the date that all amounts owing under the Tidal Debenture become due and payable in accordance with the terms of the Tidal Debenture, including following an event of default. In the event of a default, the Tidal Debenture will bear interest at 12% per annum. On March 12, 2020, the Tidal Debenture Maturity Date was extended to April 30, 2020. The amount was settled on RTO date, and no gain or loss was recorded.

The Tidal debenture is convertible into common shares of the Company in the event that the proposed transaction, as described in Note 5 with Tidal is not completed prior to the Tidal debenture maturity date and the Company instead completes a “Change of Control” or a “Go Public Transaction” as such terms are defined in the Tidal Debenture. In such circumstances, Tidal has the right to convert the Tidal Debenture into common shares of the Company at a price equal to the lesser of (i) \$2.50; and (ii) a 20% discount to the issue price or effective price for any financing completed as part of or concurrently with the Go Public Transaction, if applicable, or the effective purchase price per common share of the Company in the case of a Change of Control transaction. The Tidal Debenture is secured against the assets of the Company pursuant to a general security and pledge agreement dated February 25, 2019 (the “GSA and Pledge Agreement”).

The Company may repay the Tidal Debenture prior to the Tidal Debenture Maturity Date at a price equal to 110% of the principal amount and any accrued interest without the prior written consent of Tidal if (i) the Proposed Transaction with Tidal is not capable of being completed prior to October 25, 2019; and (ii) both the Company and Tidal have acted in good faith and have used all commercially reasonable efforts to complete the Proposed Transaction.

On issuance, the Company determined that the conversion feature met the definition of a derivative liability and elected to measure the entire Tidal Debenture at fair value through profit or loss. This derivative liability component was determined to have a value of \$Nil as at December 31, 2019.

## 15. CREDIT FACILITY

On June 4, 2019, Bridging Finance Inc. (the “Lender”) entered into a credit agreement (the “Credit Agreement”) with the Company and PharmaCo Inc. (“PharmaCo”) (collectively, the “Borrowers”) pursuant to which the Lender established a non-revolving credit facility (the “Facility”) for the Borrowers in a maximum principal amount of \$36,610,075 (the “Facility Limit”). The purpose of the Facility was so that the Borrowers can purchase certain real estate and business assets in the state of Michigan, to make additional permitted acquisitions and for general corporate and operating purposes.

The obligations under the Facility were due and payable on the earlier of: (a) the termination date (being January 4, 2020); and (b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Credit Agreement).

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

(a) Interest at the prime rate plus 10.55% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and

(b) A work fee equal to \$909,360 (the “Work Fee”) (paid by the Company).

The obligations under the Facility are secured by general security agreements on each Borrower, mortgages on certain owned real property of PharmaCo among other security obligations.

As the funds under the Facility (net of the Work Fee, commissions and other transaction expenses of the Lender) were advanced by the Lender directly to MichiCann, MichiCann in turn advanced the funds (net of MichiCann’s transaction expenses) to PharmaCo pursuant to a Promissory Note issued by PharmaCo to MichiCann in the principal amount of \$30,648,547 (Note 11).

The Company paid financing fees related to the Facility, including the Work Fee, of \$2,361,459 which has been included as finance expenses for the year ended December 31, 2019.

The Company also deducted a debt service reserve of \$3,323,524 from the total principal amount which serves to pay the interest on the Facility as it is incurred. During the year ended December 31, 2019, the Company incurred interest expense of \$3,540,353 on the Facility. As such, as of December 31, 2019 the debt service reserve balance is \$nil as it was applied against the interest reserve amount. As at December 31, 2019, interest payable of \$235,675 has been included in the bridge financing amount. As a result, the bridge financing balance as at December 31, 2019 was \$36,610,075.

On January 10, 2020, the Facility was amended (the “Amended Facility”) pursuant to an amended and restated agreement between the Lender, MichiCann (as guarantor) and PharmaCo, RWB Illinois, Inc. (“RWB”) and MAG. The Amended Facility consisting of Non-revolving Facility A and Facility B. Non-revolving Facility A for USD\$27,000,000 was used to pay the outstanding advances from the bridge financing of CAD\$36,610,075. As a result, the old bridge financing facility balance was fully paid.

The obligations under the Amended Facility are due and payable on the earlier of:

(a) the termination date (being July 10, 2021 subject to the right of the Borrowers to extend the termination date by paying a 1% fee for two additional six-month periods for a total of 30 months); and

(b) the acceleration date (being the earlier of the date of an insolvency event or that a demand notice is delivered pursuant to the terms of the Amended Facility).

The Company's intention is to exercise the right to extend the termination date on July 10, 2021. Therefore, the outstanding balance at December 31, 2020 has been treated as a non-current liability.

In respect of the advance made by the Lender to the Borrowers under the Facility, the Borrowers agreed to pay the Lender:

(a) Interest at the prime rate plus 12% per annum calculated and compounded monthly, payable monthly in arrears on the last day of each month; and

(b) A work fee equal to \$1,492,500 (the "Amended Work Fee") (paid by the Company).

The work fee of \$1,492,500 was recognized as transaction cost and offset against the debt. \$817,462 of the total work fee was expensed in the year ended December 31, 2020.

During the year ended December 31, 2020, the Company satisfied all financial covenants. Covenants include prompt payment, preservation of corporate existence, compliance with laws, payment of taxes, maintain of records, maintenance of properties, inspection, insurance coverage, perform obligations, notice of certain events, completion of RTO, discharge of all obligations and liabilities arising under ERISA and further assurance.

The total interest recorded during the year ended December 31, 2020 was \$7,922,884 (2019 - \$3,540,353).

A continuity of the credit facility balance is as follows:

Balances, December 31, 2018	\$	-
Original credit agreement		36,610,075
Balances, December 31, 2019	\$	36,610,075
Repaid on January 10, 2020	\$	(36,610,075)
Amended credit agreement		65,490,910
Work fee recognized contra liability		(1,966,043)
Work fee expensed		1,291,005
Balances, December 31, 2020	\$	64,815,872

**Red White & Bloom Brands Inc.****(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

**16. LOANS PAYABLE**

Current loans payables as at December 31, 2020 and 2019 are as follow:

	<b>2020</b>	<b>2019</b>
Platinum Vapes loan - original loan of \$16,655,835 – non-interest bearing, principal due on maturity, due on January 12, 2021	\$ 16,394,996	\$ -
Private loans - original loan of \$1,069,616 interest bearing, principal due on demand	1,069,616	-
1260356 Ontario Ltd. - original loan of \$9,658,595 – non-interest bearing, due on demand	9,658,595	-
Mid-American Growers SBA loan 1 - original loan of \$1,364,888 - 1% interest, principal and interest payable at maturity, due on April 6, 2021	1,364,888	-
Payable to Oakshire - original loan of \$1,080,947 – non-interest bearing, no fixed payment terms	1,080,947	-
Payable to Pharmaco - original loan of \$1,717,056 – non-interest bearing, no fixed payment terms	1,717,056	-
Payable to Luna - original loan of \$63,660 – non-interest bearing, no fixed payment terms	63,660	-
<b>Total</b>	<b>\$ 31,349,758</b>	<b>\$ -</b>

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Non-current loans payable as at December 31, 2020 and 2019 are as follow:

	2020	2019
Platinum Vapes note payable - original loan of \$17,219,398 – non-interest bearing, principal due on maturity on September 11, 2023	\$ 17,705,058	\$ -
Vista Prime Management Ford loan - original loan of \$16,218 – 5.90% interest, repayable in monthly installments of principal and interest of \$314, maturing on January 12, 2023	7,313	-
Vista Prime Management Ram loan - original loan of \$26,872 – 6.10% interest, repayable in monthly installments of principal and interest of \$670, maturing on July 25, 2023	19,141	-
Mid-American Growers SBA loan 1 - original loan of \$781,727 – 1% interest, principal and interest payable at maturity on April 6, 2022	781,727	-
Mid-American Growers SBA loan 2 - original loan of \$190,853 – 1% interest, principal and interest payable at maturity on April 6, 2022	190,853	-
<b>Total</b>	<b>\$ 18,704,092</b>	<b>\$ -</b>

All short-term and long term loans are unsecured and do not have any covenants.

Interest expenses from loans payable for the year ended December 31, 2020 was \$17,534.

The Platinum vapes notes payable may be converted at the option of the holder into common shares of the Company after twelve months from issuance at a conversion price of USD \$0.57, as adjusted pursuant to the terms of the notes. Obligations under the Platinum vapes notes payable shall be secured by all assets and ownership interests of the Company. Beginning on the date four months following issuance, in the event that the closing price of the common shares of the Company quoted on OTCQX exceeds one hundred fifty percent (150%) of the conversion price for at least ten consecutive trading days, then the Company has the right to force the conversion of the notes into common shares of the Company. During the year ended December 31, 2020, the Company recorded fair value loss of \$1,064,650 and foreign exchange gain of \$578,990.

The fair value of Platinum Vapes note payable was estimated using a binomial lattice methodology based on a Cox-Ross-Rubenstein approach. Key inputs and assumptions used for the valuations as of December 31, 2020 were as follows.

Stock price as of December 31, 2020 (USD)	\$0.596
Risk-free rate	0.16%
Expected volatility	92%
Discount for lack of marketability	3%

Total debt repayments are as follows:

2021	\$	31,349,758
2022		18,677,639
2023		26,454
Total	\$	50,053,851

#### 17. LEASE LIABILITIES

The Company's leases are comprised of leases premises and offices. The Company's liabilities as of December 31, 2020 were as follows:

Contractual undiscounted cashflows		
Less than one year	\$	223,979
Two years and beyond		191,664
Total undiscounted lease obligations	\$	415,643
Current portion	\$	205,982
Non-current portion		186,487
Total Discounted lease obligations	\$	392,469

The Company has a lease for manufacturing and distribution facility in San Diego, which expires on October 15, 2022. The lease was accounted for under IFRS 16, using an incremental borrowing rate of 6.00%. The Company recognized a right-of-use asset of \$392,188 and a corresponding lease liability of \$392,469.  
Total lease payments are as follows:

Next 12 months	\$	223,979
2 years		191,664
Total undiscounted lease obligations	\$	415,643

The Company has a lease for office space in Concord, which expires on October 1, 2022. The Company's future monthly rental payments for this office space are approximately \$72,450.

#### 18. SHARE CAPITAL

##### Authorized Share Capital

Unlimited number of common shares without par value.

Unlimited number of convertible series I preferred shares without par value, each share convertible into one common share by the holder, and non-voting.

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



**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Private Placement

On September 24, 2020, the Company closed the bought deal offering for a total issuance of 33,350,000 units of the Company at a price of \$0.75 per unit for aggregate gross proceeds of \$25,012,500, which includes the full exercise of the over-allotment option.

Each unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$1.00, for a period of 24 months following the close. If, at any time prior to the expiry date of the Warrants, the volume-weighted average price of the Common Shares on the Canadian Securities Exchange (the "CSE") (or such other stock exchange where the majority of the trading volume occurs) exceeds \$1.50 for 10 consecutive trading days, the Company may provide written notice to the holders of the Warrants by way of a news release advising that the Warrants will expire at 5:00 p.m. (Vancouver time) on the 30th day following the date of such notice unless exercised by the holders prior to such date.

The Company has paid the Underwriters a cash fee of 6% (\$1,500,750) of the aggregate gross proceeds, and an aggregate of 2,001,000 non-transferable compensation warrants, with each compensation warrant being exercisable into units at a price of \$0.75 for a period of 24 months following the closing of the Offering. Other transaction fees were also incurred in the amount of \$211,482. Net cash proceeds received after the underwriter fee is \$22,241,753.

A unit price of \$0.75 per unit was allocated to a common share and a common share purchase warrant using a relative fair value of \$0.58 and \$0.178 per common share and common share purchase warrant respectively. The gross proceeds of \$19,138,852 and \$5,873,648 were allocated to common shares and common shares purchase warrants respectively. The fair value of the common share purchase warrants was determined using a Monte Carlo valuation model with the following main assumptions:

<b>Black-Scholes inputs</b>	<b>September 24, 2020</b>
Risk free rate	0.23% (2 yrs)
Exercise price	\$1.00
Stock price	\$0.58
Expected volatility	101%

The fair value of the compensation warrants of \$894,450 was estimated using both Black-Scholes and Monte Carlo valuation models with the following main assumptions:

<b>Black-Scholes inputs</b>	<b>September 24, 2020</b>
Risk free rate	0.23% (2 yrs)
Exercise price	\$0.75
Stock price	\$0.58
Expected volatility	101%

Total transaction fees paid in cash and compensation warrants amounted to \$2,606,682 which were deducted \$1,994,556 and \$612,126 from common shares and common shares purchase warrants, respectively.

The Company issued 1,411,333 units to settle a debt of \$1,058,500, of which 866,666 units were issued to the CEO of the Company.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

Debt Settlement

During year ended December 31, 2020, the Company issued 2,339,200 units consisting of one common share and one series II preferred shares to a third-party to pay for \$5,848,000 owed by PharmaCo to its related party. The balance due to the Company upon issuance of shares has been recorded as a loan receivable from Pharmaco.

Common Shares

On January 10, 2020, the Company issued rights to receive 17,133,600 common shares of MichiCann to sellers of MAG. Immediately prior to the RTO on April 24, 2020, 17,133,600 common shares of MichiCann were issued to sellers of MAG, and the 17,133,600 MichiCann shares were converted to 17,133,600 common shares of the Company and 17,133,600 convertible series II preferred shares of the Company. (Note 5, 6)

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 23,464,462 common shares to holders of Tidal common shares (Note 5).

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 7,381,000 common shares to related parties (Note 5).

On April 30, 2020, the Company issued 429,375 common shares pursuant to the exercise of 429,375 warrants for gross proceeds of \$343,500.

On May 25, 2020, the Company issued 187,500 common shares pursuant to the exercise of 187,500 warrants for gross proceeds of \$150,000.

On June 8, 2020, the Company issued 975,000 of common shares and 975,000 convertible series II preferred shares pursuant to the exercise of 975,000 stock options for gross proceeds of \$487,500.

On June 10, 2020, the Company issued 13,500,000 common shares pursuant to High Times Licensing Agreement. The fair value of shares was determined as described in Note 6.

On June 10, 2020, the Company issued 1,800,000 common shares to finder pursuant to High Times Licensing Agreement. The fair value of shares was determined based on the market price of \$1.11 per share on the issuance date (Note 6)

On June 30, 2020, the Company issued 2,339,200 units consisting of one common share and one series II preferred share at USD \$2.50 per unit to a third-party to pay for \$5,848,000 owed by PharmaCo to its related party. The balance due to the Company upon issuance of shares has been recorded as a loan receivable from Pharmaco. (Note 11(b))

On August 13, 2020, the Company issued 500,000 common shares and 500,000 convertible series II preferred shares pursuant to the exercise of 500,000 stock options for gross proceeds of \$250,000.

On September 24, 2020, the Company issued 500,000 common shares pursuant to transaction cost for \$10,000,000 convertible debenture issued on September 11, 2020. Shares were valued based on the market price of the issuance date.

On November 25, 2020, the Company issued 6,000 common shares and 6,000 convertible series II preferred shares pursuant to the exercise of warrants for gross proceeds of \$6,000.

On December 2, 2020, the Company issued 47,910 common shares and 47,910 convertible series II preferred shares pursuant to the exercise of warrants for gross proceeds of \$47,910

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

On December 3, 2020, the Company issued 175,000 common shares and 175,000 convertible series II preferred shares pursuant to the exercise of stock options for gross proceeds of \$175,000.

On December 8, 2020, the Company issued 400,000 common shares and 400,000 convertible series II preferred shares pursuant to the exercise of stock options for gross proceeds of \$200,000.

On December 15, 2020, the Company issued 4,500,000 common shares pursuant to the exercise of warrants issued as a part of the Company's acquisition agreement and amalgamation agreement with HT Retail Licensing, LLC on June 10, 2020 (Note 6) for no cash consideration.

On December 17, 2020, the Company issued 416,430 common shares and 416,430 convertible series II preferred shares pursuant to the exercise of warrants for gross proceeds of \$416,430.

Convertible Series I Preferred Shares

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 3,181,250 convertible series I preferred shares to Tidal shareholders (Note 5).

Convertible Series II Preferred Shares

On April 24, 2020, the Company issued 101,345,349 to holders of MichiCann convertible series II preferred shares pursuant to Amended Agreement of the reverse takeover transaction (Note 5).

On April 24, 2020, the Company issued 17,133,600 to sellers of MAG convertible series II preferred shares pursuant to MAG acquisition (Note 6).

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 7,381,000 convertible series II preferred shares to related parties (Note 5).

Warrants

On December 19, 2018, MichiCann issued 595,340 finders' warrants with an exercise price of \$1.00 per common share of MichiCann. No warrants were issued and exercised during the year ended December 31, 2019.

On April 24, 2020, the Company issued 862,813 warrants to holders of Tidal warrants pursuant to Amended Agreement of the reverse takeover transaction (Note 5). The warrants are exercisable at the price of \$0.80 per common share of the Company.

On April 24, 2020, as a result of the completion of the reverse takeover transaction, the Company issued 323,898 warrants towards finder's fee (Note 5). The warrants are exercisable at the price of \$5.28 per common share of the Company.

On June 10, 2020, the Company issued 4,500,000 special warrants related to the 1251881 B.C. Ltd. acquisition (Note 6). The special warrants are automatically convertible into 4,500,000 common shares of the Company should the volume weighted average price of the Company's common shares be less than \$1.50 for the first 180 days following the acquisition date. The 4,500,000 warrants were exercised on December 14, 2020.

On September 24, 2020, the Company issued 33,350,000 warrants pursuant to bought deal financing agreement. The warrants are exercisable at the price of \$1.00 per common share of the Company for a period of 24 months.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

On September 24, 2020, the Company issued 2,001,000 warrants to finders pursuant to bought deal financing agreement.

The warrants are exercisable at the price of \$0.75 per unit for a period of 24 months. The unit consists of one common share of the Company and one warrant exercisable at the price of \$1.00 per common share of the Company.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	<b>Number of Warrants</b>	<b>Weighted average Exercise Price</b>
Balances, December 31, 2018 and 2019	595,340	\$ 1.00
Issued	41,037,711	1.07
Exercised	(5,587,215)	0.17
Cancelled	(694,836)	2.92
Balances, December 31, 2020	35,351,000	\$ 0.99

The following warrants were outstanding and exercisable at December 31, 2020:

<b>Issue Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants Outstanding</b>	<b>Number of Warrants Exercisable</b>
September 24, 2020	September 24, 2022	1.00	33,350,000	33,350,000
September 24, 2020	September 24, 2022	\$0.75	2,001,000	2,001,000
Balance at December 31, 2020		\$0.99	35,351,000	35,351,000

Options

On July 27, 2020, the Company adopted a rolling stock option plan (the "Option Plan"), under which the maximum number of common shares ("Shares") reserved for issuance under the Option Plan at any one time shall not exceed at any time 20% of the then-issued and outstanding shares.

Under the Option Plan, the Board of Directors may from time to time, in its discretion, grant 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 Shares on the date preceding the option grant date.

The total number of options awarded to any one individual in any 12 month period shall not exceed 5% of the issued and outstanding Shares as at the grant date (unless the Company becomes a Tier 1 issuer of the Toronto Stock Exchange or Toronto Stock Exchange – Venture (a "Tier 1 Issuer") and has obtained disinterested shareholder approval).

The total number of options awarded to any one Consultant in a 12 month period shall not exceed 2% of the issued and outstanding Shares as at the grant date. The total number of Options awarded in any 12 month period to employees performing investor relations activities for the Company shall not exceed 2% of the issued and outstanding Shares as at the grant date.

On January 11, 2020, the Company granted 171,429 stock options to an employee of the Company. These options vested 100% on January 11, 2020. These stock options have an exercise price of 1.00 and expire on January 11, 2025.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

On January 11, 2020, the Company granted 200,000 stock options to an employee of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$1.00 and expire on January 11, 2025.

On April 1, 2020, the Company granted 161,250 stock options to employees of the Company. These options vest quarterly over 3 years. These stock options have an exercise price of \$1.00 and expire on April 1, 2025.

On July 6, 2020, the Company granted 50,000 stock options to employees of the Company. These options vest annually over 3 years. These stock options have an exercise price of \$0.90 and expire on July 6, 2025.

On July 27, 2020, the Company granted 50,000 stock options to employees of the Company. These options vest annually over 3 years. These stock options have an exercise price of \$1.00 and expire on July 27, 2025.

On August 11, 2020, the Company granted 100,000 stock options to employees of the Company. These options vested 100% on August 11, 2020. These stock options have an exercise price of \$0.60 and expire on August 11, 2025.

On September 8, 2020, the Company granted 250,000 stock options to employees of the Company. These options vest quarterly over 3 years. These stock options have an exercise price of \$0.66 and expire on September 8, 2025.

On September 10, 2020, the Company granted 15,000 stock options to employees of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$0.66 and expire on September 10, 2025.

On October 1, 2020, the Company granted 3,400,000 stock options to employees of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$0.65 and expire on October 1, 2025.

On October 1, 2020, the Company granted 800,000 stock options to employees of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$0.65 and expire on October 1, 2025.

On October 12, 2020, the Company granted 50,000 stock options to employees of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$0.65 and expire on October 1, 2025.

On November 18, 2020, the Company granted 350,000 stock options to employees of the Company. These options vest quarterly over 3 years. These stock options have an exercise price of \$0.67 and expire on November 14, 2025.

On November 18, 2020, the Company granted 185,000 stock options to employees of the Company. These options vest quarterly over 2 years. These stock options have an exercise price of \$0.67 and expire on November 18, 2025.

On November 6, 2020, the Company granted 75,000 stock options to employees of the Company. These options vest 100% on November 6, 2020. These stock options have an exercise price of \$0.60 and expire on November 6, 2025.

On December 3, 2020, the Company granted 800,000 stock options to employees of the Company. These options vest 100% on December 3, 2020. These stock options have an exercise price of \$0.75 and expire on December 3, 2025.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

The options granted during the year ended December 31, 2020 have a fair value of \$3,983,752 (2019 - \$2,593,934) estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.45%	2.27%
Stock price	\$0.77	\$1.31
Expected term (in years)	5.00	5.00
Estimated dividend yield	N/A	N/A
Estimated volatility	105.27%	100.00%

The risk-free interest rate is based on yields on Bank of Canada bonds that correspond with the term of the option contracts. Stock prices are taken from the closing market price on the option grant dates. Terms are stated on each option contract. There are no dividends on the underlying stock, hence dividends were not considered when running the Black-Scholes option pricing model. Volatility is estimated using the standard deviation of the Company's historical daily stock returns. The expected volatility of the Company's equity instruments was estimated based on the historical volatility.

During the year ended December 31, 2020, the Company recognized \$3,955,976 (2019 - \$3,796,095) in share-based compensation using the graded vesting method.

Options transactions and the number of options outstanding are summarized as follows:

	Number of Options	Weighted average Exercise Price
Balances, December 31, 2018	4,716,875	\$ 0.50
Granted	2,917,500	1.26
Balances, December 31, 2019	7,634,375	0.80
Granted	8,157,679	0.30
Assumed from RTO	1,799,110	0.64
Exercised	(2,050,000)	0.54
Cancelled	(775,000)	2.14
Balances, December 31, 2020	14,549,289	\$ 1.27

Restricted Share Units

Restricted Share Units ("RSU") and Deferred Share Units ("DSU") Under the terms of the RSU plan, directors, officers, employees and consultants of the Company may be granted RSUs that are released as common shares upon completion of the vesting period. Each RSU gives the participant the right to receive one common share of the Company. The Company may reserve up to a maximum of 20% of the issued and outstanding common shares at the time of grant pursuant to awards granted under the plan.

On October 1, 2020, the Company granted 1,500,000 restricted share units to employees of the Company. These units vest 100% on October 1, 2020. These restricted share units expire on October 1, 2025.

## 19. LOSS PER SHARE

Following is a reconciliation for the calculation of basic and diluted loss per share for the years ended December 31, 2020 and 2019:

	2020	2019
Net loss for the year	\$ (18,576,867)	\$ (12,513,900)
Average common shares outstanding during the year	137,571,316	80,700,135
Loss per share - basic and diluted	\$ (0.14)	\$ (0.16)

## 20. INCOME TAXES

The Company owns a wholly owned subsidiary, RWB Platinum Vape Inc., that operate in the cannabis industry. As such, the Company is subject to the limits of IRC Section 280E under which they are only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

Income tax expense (recovery) for the years ended December 31, 2020 and 2019 is comprised of:

	2020	2019
Income tax expense (recovery)		
Current tax	\$ 3,125,261	\$ -
Deferred tax	(6,243,668)	-
	\$ (3,118,407)	\$ -

Income tax recovery differs from the amount that would be computed by applying Canadian statutory income tax rate of 26.5% (2019 - 26.5%) to income before taxes. The reasons for the differences are as follows:

	2020	2019
Loss before income taxes	\$ (21,695,274)	\$ (12,513,900)
Statutory income tax rate	26.5%	26.5%
Expected income tax recovery	(5,749,248)	(3,316,184)
Effect of change in tax rates	(186,145)	5,674
Non-deductible recoveries and other	253,284	1,005,965
Listing expense	8,436,570	-
Stock based compensation	1,048,334	-
Foreign exchange	467,291	-
Fair value adjustments	(14,209,158)	-
280E expenses	670,731	-
Amortization of intangibles	2,824,413	-
Share issuance costs booked through equity	(530,595)	-
Under (over) provided in prior years	-	44,209
Changes in unrecognized deductible temporary differences	3,856,116	341,622
Unused tax losses and tax offsets not recognized	-	1,918,714
Income tax recovery	\$ (3,118,407)	\$ -

**Red White & Bloom Brands Inc.****(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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

Balance at December 31, 2018	\$	-
Future income tax recovery (expense)		-
Income tax recovery on share issuance costs		-
Acquired through business combination		-
Balance at December 31, 2019		-
Future income tax recovery (expense)		6,243,668
Income tax recovery on share issuance costs		595,393
Acquired through business combination		(33,997,312)
Balance at December 31, 2020	\$	(27,158,251)

The following table summarizes the components of deferred tax assets (liabilities):

	2020	2019
<b>Deferred tax assets</b>		
Non-capital loss carry forward	\$ 2,611,138	\$ -
Earn-out	2,701,412	-
<b>Deferred tax liabilities</b>		
Biological assets and inventory	(188,905)	-
Property plant & equipment	(23,648,336)	-
Intangible assets	(8,015,186)	-
Note payable	(438,366)	-
Investments	(180,008)	-
Total	\$ (27,158,251)	\$ -

The unrecognized temporary differences as of December 31, 2020 and 2019 are comprised of:

	2020	2019
Property and equipment	\$ 207,000	\$ 102,000
Non-capital loss carry forward	17,274,000	5,693,000
Capital loss carry forward	1,853,000	-
Unamortized share issuance cost	3,200,000	449,000
Total	\$ 22,534,000	\$ 6,244,000

As at December 31, 2020, the Company has unrecognized non-capital loss carryforwards of approximately \$17,274,000, which are available to offset future years' taxable income. These losses expire as follows:

	Canada
2037	\$ 30,000
2038	507,000
2039	5,156,000
2040	11,581,000
Total	\$ 17,274,000



## 21. FINANCIAL INSTRUMENTS AND RISKS

### a) Fair Value

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at December 31, 2020 and 2019 as are follows:

	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2020				
Cash and cash equivalents	\$ 1,146,569	\$ -	\$ -	\$ 1,146,569
Call/put option (Note 12)	-	-	112,658,740	112,658,740
TDMA loan (Note 5)	-	-	4,231,664	4,231,664
PV convertible loan	-	-	(17,705,058)	(17,705,058)
<b>Total</b>	<b>\$ 1,146,569</b>	<b>\$ -</b>	<b>\$ 99,185,346</b>	<b>\$ 100,331,915</b>
December 31, 2019				
Cash and cash equivalents	\$ 1,378,687	\$ -	\$ -	\$ 1,378,687
Deposits	12,530,659	-	-	12,530,659
Call/put option	-	-	55,967,351	55,967,351
<b>Total</b>	<b>\$ 13,909,346</b>	<b>\$ -</b>	<b>\$ 55,967,351</b>	<b>\$ 69,876,697</b>

The table below presents the continuity schedule of the Company's Level 3 investments:

Balance, January 1, 2019	\$ -
Additions - Call/put option FVTPL	55,967,351
<b>Balance, January 1, 2020</b>	<b>55,967,351</b>
Additions - TDMA Loan FVTPL	4,231,664
Additions - PV convertible Loan FVTPL	(17,705,058)
Change in Call/put option FVTPL	56,691,389
<b>Total</b>	<b>\$ 99,185,346</b>

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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

**b) Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that are subject to such risk include cash, accounts receivable and loans receivable. Accounts receivable balances are receivable from financial stable companies with good credit history. No credit loss allowance is required as the accounts receivable balances outstanding as at December 31, 2020 are considered collectible. The Company limits its exposure to credit loss by placing its cash with reputable financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company is exposed to significant credit risk on its loans receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company mitigates credit risk on loans receivable by monitoring the financial performance of borrowers.

**c) Foreign Exchange Risk**

The Company has cash and loans receivable denominated in United States dollars and, as a consequence, the financial results of the Company's operations as reported in Canadian dollars are subject to changes in the value of the Canadian dollar relative to the US dollar. Therefore, exchange rate movements in the United States dollar can have a significant impact on the Company's operating results due to the translation of monetary assets.

At December 31, 2020, a 4% (2019 – 4%) strengthening (weakening) of the Canadian dollar against the US dollar would have increased (decreased) the Company's net loss by approximately \$482,000 (2019 - \$2,064,000).

**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 interest rate risk for cash to be significant.

As at December 31, 2020, the interest rate on loans receivable, credit facilities, and convertible debentures are fixed based on the contracts in place. As such, the Company is exposed to interest rate risk to the extent as stated on these financial assets and liabilities.

**e) 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, 2020, the Company had a cash balance of \$1,146,569 (December 31, 2019 - \$1,378,687) available to apply against short-term business requirements and current liabilities of \$70,794,116 (December 31, 2019 - \$55,542,045). All of the liabilities presented as accounts payable and accrued liabilities are due within 120 days of December 31, 2020.

## 22. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that occurred during the years ended December 31, 2020 and 2019:

- a) Included in accounts payable and accrued liabilities is \$374,232 (December 31, 2019 - \$377,157) payable to officers and a director of the Company. Amounts due to related parties have no stated terms of interest and/or repayment and are unsecured.
- b) Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

	<b>2020</b>	<b>2019</b>
Consulting fees paid or accrued to a company controlled by a director of the Company	\$ 241,801	\$ 108,000
Salary paid to management of the Company	676,164	495,632
Share-based compensation	515,318	655,380
	<b>\$ 1,433,283</b>	<b>\$ 1,259,012</b>

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the years ended December 31, 2020 and 2019.

## 23. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, loans receivable, convertible debentures, loans payable, credit facilities, and equity, comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. There were no changes to the Company's approach to capital management during the year ended December 31, 2020.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains the same for the periods presented.

**Red White & Bloom Brands Inc.****(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

**24. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	<b>2020</b>	<b>2019</b>
Share issuance costs in accounts payable	\$ -	\$ 45,340
Shares issued for loans receivable	5,848,000	-
Shares issued for 1251881 B.C. Ltd acquisition	36,905,000	-
Warrants issued for 1251881 B.C. Ltd acquisition	4,995,000	-
Shares issued for RTO	54,375,726	-
Warrants issued for RTO	303,749	-
Stock options issued for RTO	486,518	-
Right to common shares issued for MAG acquisition	44,984,267	-

The changes in non-cash working capital items during the years ended December 31, 2020 and December 31, 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Prepaid expenses	\$ 338,040	\$ (74,140)
Accounts receivable	(3,034,394)	(1,463,388)
Accounts payable and accrued liabilities	18,328,458	1,127,093
Current income tax payable	3,125,261	-
Deferred income tax payable	(6,839,060)	-
Lease liabilities	(200,772)	-
Inventory	(10,452,328)	-
Loans receivable	(25,391,950)	-
Loans payable	(1,072,014)	-
	\$ (25,198,759)	\$ (410,435)

## 25. SEGMENTED INFORMATION

The Company's disaggregated revenue by source, primarily due to the Company's contracts with its external customers for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Sales from contracts with external customers	\$ 459,760	\$ -
Wholesale	22,878,768	-
Total	\$ 23,338,528	\$ -

The Company's business activities are conducted through one operating segment, cannabis and hemp.

The Company operates in two geographical locations: Canada and USA. All revenue is derived from the sale of cannabis/hemp products in the USA. The following tables present the Company's non-current assets by location.

	2020	2019
USA	\$ 155,053,912	\$ -
Canada	203,894,172	68,508,857
Total	\$ 358,948,084	\$ 68,508,857

## 26. COVID-19 INFORMATION

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the consolidated financial results and condition of the Company in future periods.

## 27. COMMITMENTS AND CONTINGENCIES

A third party consultant worked for the Company as in 2017. On or about December 18, 2017, the Company had a oral discussion with the consultant on the compensation of the service the consultant provided. On January 10, 2019, the Company amended the contract. Although the Company made a full compensation to the consultant according to the amended contract, the consultant filed a statement of claim against the Company on April 26, 2021. The Company is in process of finalizing the defense. The statement of claim is not clear as to the precise nature of the allegations against the Company or extent of the Company's alleged involvement. Accordingly, and given the very preliminary stage of the proceeding, it is not possible to estimate the likelihood of liability against the Company or, if liability, any possible exposure.

The Company is involved in litigation arising out of the ordinary course and conduct of business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to the consolidated financial statements.

## 28. RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Loan receivable amounting to \$36,419,594 and call option amounting to \$19,547,757 separately presented in the Company's consolidated statements of financial position for the year ended December 31, 2019 have been combined and presented as call/put option.

Professional fees amounting to \$1,952,329, consulting fees amounting to \$919,839 and general and administration expenses amounting to \$79,235 separately presented in the Company's consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 have been combined and presented as general and administration expenses amounting to \$2,951,403.

Accretion of loans receivable amounting to \$(2,340,164), commissions amounting to \$2,361,459, interest income amounting to \$(3,960,708) and interest expense amounting to \$3,540,353 separately presented in the Company's consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 have been combined and presented as finance income amounting to \$(399,060).

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

## 29. SUBSEQUENT EVENTS

On January 13, 2021, the Company issued a US\$11,550,000 principal amount debenture to an arm's length investor by way of a private placement, netting approximately \$11 million after fees and expenses. The debenture is not convertible, is unsecured and bears interest at a rate of 1% per month. The principal amount of the debenture and accrued interest is payable on the date that is the earlier of: (i) the date of completion by the Company of a minimum financing of US\$20,000,000 and (ii) 120 days from the date of issuance of the debenture, all as more particularly as set forth in the debenture certificate.

On January 27, 2021, the Company issued 354,645 restricted shares units of the Company ("RSUs") under the Company's shareholder approved restricted share unit plan (the "RSU Plan") to two consultants as an incentive for the consultants to drive the growth of the Company. The RSUs will vest upon successful completion of pre-determined milestones (as determined by the board of directors and agreed upon by each consultant) being met and shall entitle the holder to acquire one common share of the Company, underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU Plan. In accordance with the RSU Plan, the RSUs were priced at \$1.17 based on the closing price of the common shares on the Canadian Securities Exchange on January 26, 2021.

On February 4, 2021, the Company closed a debenture unit financing to an arm's-length investor on a private placement basis. The debenture is not convertible, is unsecured and bears interest at the rate of 7% per annum. The principal amount of the debenture and accrued interest is payable on April 1, 2022. A debenture unit consists of a US\$6,120,000 principal amount of debenture and 1,000,000 common share purchase warrants netting the Company approximately US\$6,000,000 after fees and expenses. Each warrant is exercisable into one common share of the Company at a price of CDN\$1.20 for a period of 2 years from the date of issuance. All securities issued in connection with the Private Placement are subject to a four-month hold period.

**Red White & Bloom Brands Inc.**  
**(formerly Tidal Royalty Corp.)**

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

On February 11, 2021, the Company received a warrant exercise notice for 8,000,000 common shares for gross proceeds of \$8 million from an institutional investor and a irrevocable commitment for the purchase of a US\$7 million debenture unit.

The debenture unit to be issued by the Company consists of a US\$7,000,000 principal amount of debenture and 1,000,000 common share purchase warrants. Each warrant is exercisable into one common share of the Company at a price of \$1.85 for a period of 2 years from the date of issuance. All securities issued are subject to a four-month hold period.

On February 25, 2021, the Company entered into a definitive agreement with HSCP, LLC to acquire all of the issued and outstanding common shares of Acreage Florida, Inc. for US\$60 million, which closed on April 28, 2021 and was payable in US\$21.5 million in cash, 5,950,971 common shares valued at US\$7 million and US\$28 million in vendor take back promissory notes. The common shares are subject to a 12 month lock-up period pursuant to which 1/6 will be released each month commencing the 6th month. The promissory notes are comprised of a US\$10 million 7 month note bearing interest at 8%, a US\$18 million 13 month note bearing interest at 8%, and a US\$3.5 million 5 business day note bearing interest at 1%. The promissory notes are secured by the shares of Acreage Florida, Inc.

On March 31, 2021, the Company entered into a debt settlement subscription agreement with an arm's length creditor to settle outstanding indebtedness of \$342,000 incurred pursuant to advances made by the creditor to the Company, in consideration for the issuance of 237,500 common shares issued at a deemed price of \$1.44 per share. The Company also issued 174,500 RSUs to two consultants as an incentive for the consultants to drive the growth of the Company. The RSUs will vest immediately and shall entitle the holder to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU Plan. In accordance with the RSU Plan, the RSUs were priced at \$1.44 based on the closing price of the common shares on March 26, 2021. All securities issued in connection with the debt settlement and RSUs are subject to a four month lockup.

On April 21, 2021, the Company closed on a US\$11 million unsecured debenture from arm's length investors, which bear interest at 12% and mature 150 days from issuance. 900,000 common shares were issued at a price of \$1.18 per share as part of this transaction.

On April 28, 2021, the Company entered into a binding expression of intent to issue:

- \* US\$3 million in equity of RWB Florida, a wholly owned subsidiary of the Company, subject to repurchase rights and
- \* US\$5 million in unsecured convertible debentures, which bear interest at 8%, mature 3 years from issuance and are convertible to common shares at US\$2.75 per share.

As of the date of these consolidated financial statements, US\$5.5 million of these unsecured convertible debentures have been issued by the Company.

## SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Form 20-F on its behalf.

**RED WHITE & BLOOM BRANDS INC.**

Per: /s/ Brad Rogers

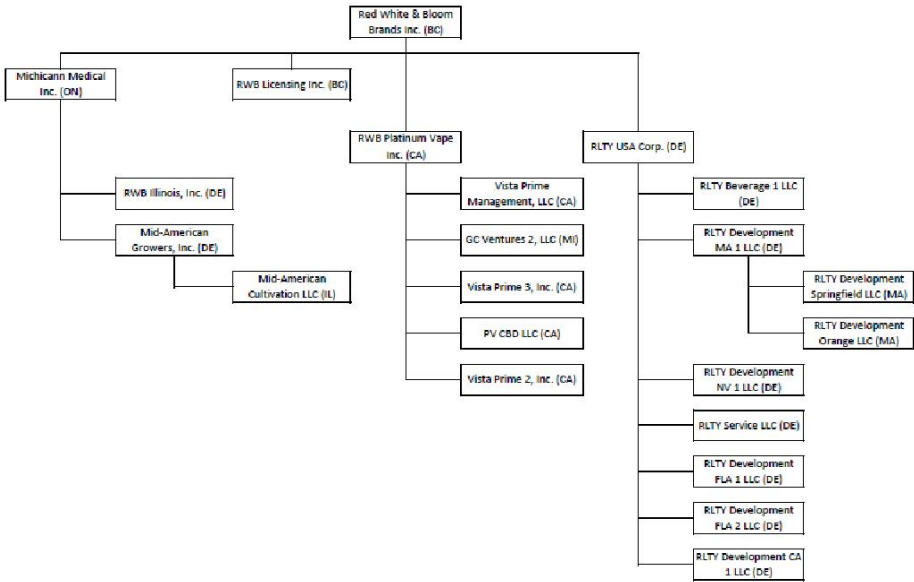
Name: Brad Rogers

Title: Chief Executive Officer

Date: September 15, 2021



Subsidiaries of the Company



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Brad Rogers**, Chief Executive Officer certify that:

1. I have reviewed this Report on Form 20-F of **Red White & Bloom Brands Inc.**,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 15, 2021

/s/ "Brad Rogers"

**Brad Rogers**, Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Johannes (Theo) van der Linde**, Chief Financial Officer certify that:

1. I have reviewed this Report on Form 20-F of Red White & Bloom Brands Inc.,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 15, 2021

/s/ "Theo van der Linde"

**Johannes (Theo) van der Linde**, Chief Financial Officer

**Exhibit 13.1**

**Certification Pursuant to 18 U.S.C. Section 1650,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, **Brad Rogers**, Chief Executive Officer of **Red White & Bloom Brands Inc.** (the “Company”), certify that to the best of my knowledge:

1. the Report on Form 20-F of the Company for year ended **December 31, 2020** as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ “**Brad Rogers**”

**Brad Rogers**

Chief Executive Officer

September 15, 2021

**Exhibit 13.2**

**Certification Pursuant to 18 U.S.C. Section 1650,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, **Johannes (Theo) van der Linde**, Chief Financial Officer of **Red White & Bloom Brands Inc.** (the “Company”), certify that to the best of my knowledge:

1. the Report on Form 20-F of the Company for year ended **December 31, 2020** as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **“Theo van der Linde”**

**Johannes (Theo) van der Linde**

Chief Financial Officer

September 15, 2021