SNDL Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three and nine months ended September 30, 2023

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and performance of SNDL Inc. ("SNDL" or the "Company") for the three and nine months ended September 30, 2023 is dated November 13, 2023. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2023 (the "Interim Financial Statements") and the audited consolidated financial statements and notes thereto for the year ended December 31, 2022 (the "Audited Financial Statements") and the risks identified in the Company's Annual Report on Form 20-F for the year ended December 31, 2022 (the "Annual Report") and elsewhere in this MD&A. This MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations and is presented in thousands of Canadian dollars, except where otherwise indicated. All share amounts in this MD&A have been adjusted retrospectively to reflect the Share Consolidation (as defined herein) unless otherwise noted. See "Liquidity and Capital Resources—Equity".

MD&A – TABLE OF CONTENTS

COMPANY OVERVIEW

SNDL Inc., formerly Sundial Growers Inc., operates under four reportable segments:

- Liquor retail sales of wines, beers and spirits;
- Cannabis retail sales of cannabis products and accessories through corporate-owned and franchised cannabis retail operations;
- Cannabis operations as a licensed producer that grows cannabis using indoor facilities and manufactures cannabis products, providing proprietary cannabis processing services; and
- Investments targeting the cannabis industry.

The principal activities of the Company are the retailing of wines, beers and spirits under the *Wine and Beyond*, *Liquor Depot* and *Ace Liquor* retail banners; the operation and support of corporate-owned and franchise retail cannabis stores in certain Canadian jurisdictions where the private sale of recreational cannabis is permitted, under the *Value Buds*, *Sweet Tree, Spiritleaf, Superette* and *Firesale* retail banners; the manufacturing of cannabis products providing proprietary cannabis processing services, the production, distribution and sale of cannabis domestically and for export pursuant to the *Cannabis Act* (Canada) (the "Cannabis Act") through a cannabis brand portfolio that includes *Top Leaf, Contraband, Citizen Stash, Sundial Cannabis, Vacay, Spiritleaf Selects, Palmetto, Value Buds, Versus, Bonjak, Namaste, Re-up* and *Grasslands*; and, the deployment of capital to direct and indirect investments and partnerships throughout the cannabis industry.

The Company produces and markets cannabis products for the Canadian adult-use market and for the international medicinal market. SNDL's operations cultivate cannabis using approximately 448,000 square feet of total space in Olds (refer to "Recent Developments – Cost-saving Measures and Rightsizing Cannabis Operations at Alberta Facility" below) and approximately 380,000 square feet of total space in Atholville. SNDL's extraction and manufacturing operations include 81,800 square feet of total space in British Columbia and 32,000 square feet of total space in Ontario. The Company has a distribution network that covers 98% of the national adult-use cannabis industry.

SNDL and its subsidiaries operate solely in Canada. Through its joint venture, SunStream Bancorp Inc. ("SunStream"), the Company provides growth capital that pursues indirect investment and financial services opportunities in the cannabis sector, as well as other investment opportunities. The Company also makes strategic portfolio investments in debt and equity securities.

The Company also owns approximately 63% of Nova Cannabis Inc. ("Nova"), whose principal activities are related to the retail sale of cannabis.

SNDL was incorporated under the *Business Corporations Act* (Alberta) on August 19, 2006. The Company's common shares are listed under the symbol "SNDL" on the Nasdaq Capital Market ("Nasdaq").

On July 25, 2022, the Company's shareholders approved a special resolution amending the articles of SNDL to change the name of the Company from "Sundial Growers Inc." to "SNDL Inc." and the change became effective on the same day. In light of the evolution of SNDL's business over the past two years, the new name more appropriately reflects the operating model and strategy across liquor and cannabis retail, cannabis cultivation and production and investments. The rebrand underscores SNDL's differentiated vertical integration model and reorients to its position as Canada's largest private sector regulated cannabis and liquor product platform.

SNDL is headquartered in Calgary, Alberta, with operations in Olds, Alberta, Kelowna, British Columbia, Bolton, Ontario and Atholville, New Brunswick, and corporate-owned and franchised retail liquor and cannabis stores in five provinces across Canada.

SNDL's overall strategy is to build sustainable, long-term shareholder value by improving liquidity and cost of capital while optimizing the capacity and capabilities of its production facilities in the creation of a consumer-centric brand and product portfolio. SNDL's retail operations will continue to build a Canadian retail liquor brand and a network of retail cannabis stores across Canadian jurisdictions where the private distribution of cannabis is legal. SNDL's investment operations seek to deploy capital through direct and indirect investments and partnerships throughout the cannabis industry.

RECENT DEVELOPMENTS

COST-SAVING MEASURES AND RIGHTSIZING CANNABIS OPERATIONS AT ALBERTA FACILITY

Beginning in February 2023, the Company undertook a rightsizing of cannabis cultivation operations in both Olds, Alberta, and Atholville, New Brunswick in an effort to focus the facility on premium products and brands. The Valens Transaction (as defined below) accelerated the need to optimize and rationalize SNDL's manufacturing and operational footprint to better address market saturation and oversupply. On October 19, 2023, the Company announced that it will consolidate all cultivation activities at its Atholville, New Brunswick Facility (the "Atholville Facility") following the centralization of SNDL's manufacturing, processing and production operations to Kelowna, British Columbia.

SNDL expects optimizing its facility footprint to result in over $10 million in annual savings from its Cannabis Operations segment through a reduction in fixed overhead, power costs, and labour efficiencies. These cost savings are in addition to the previously announced $18.2 million of annualized cost savings since the acquisition of The Valens Company Inc. ("Valens"). In connection with the closing of the Olds facility, the Company expects to record any related non-cash impairment charges during the fourth quarter of 2023. The carrying amount of the Olds facility at September 30, 2023 was $36.4 million. The Atholville Facility will continue to focus on cultivation, research and development, and supply chain efficiencies with an aim to realize additional cost savings while ensuring no disruptions to the availability of SNDL's current product portfolio. In line with this strategic transition, SNDL expects to expand its operations in Atholville, creating potential employment opportunities in the area.

STRATEGIC PARTNERSHIP WITH NOVA

On May 5, 2023, Nova's shareholders approved the previously announced agreement with SNDL to implement a strategic partnership to create a well-capitalized cannabis retail platform in Canada, pursuant to the implementation agreement entered into between SNDL and Nova dated December 20, 2022 (as amended to date, the "Implementation Agreement").

On June 1, 2023, SNDL provided an update on its proposed transaction with Nova (the "Nova Transaction"), that it had amended the terms of the plan of arrangement (the "Original Plan of Arrangement"), and such amended form of the Original Plan of Arrangement being (the "Amended Plan of Arrangement") approved by the SNDL shareholders at its annual and special meeting of shareholders held on July 25, 2022, pursuant to which SNDL intends to distribute certain of its Nova common shares to SNDL shareholders.

The completion of the share distribution remains subject to certain closing conditions set out in the Implementation Agreement, including the receipt of certain key regulatory approvals and the amendment to certain terms of the Nova Transaction that are mutually satisfactory to SNDL and Nova. SNDL continues to work with regulators to ensure that the Nova Transaction is in compliance with regulations in all relevant jurisdictions.

Due to ongoing review by regulators with respect to required approvals, SNDL and Nova extended the outside date for closing of the Nova Transaction to on or before November 30, 2023.

OTHER DEVELOPMENTS

INVESTMENTS AT AMORTIZED COST

On February 16, 2021, the Company announced a $22 million strategic investment (the "Indiva Investment") in Indiva Limited ("Indiva"). The Indiva Investment closed on February 23, 2021. The Indiva Investment was completed in the form of a brokered private placement of 25 million common shares of Indiva at a price of $0.44 per common share, for gross proceeds of $11 million, and a non-revolving secured term loan to Indiva in the principal amount of $11 million (the "Indiva Term Loan"). The Indiva Term Loan bore interest at a rate of 9% per annum. On October 4, 2021, the Company provided an additional $8.5 million principal loan to Indiva and amended the Indiva Term Loan to an interest rate of 15% per annum and maintained the maturity date of February 23, 2024. Accrued and unpaid interest of $0.3 million was added to the outstanding principal balance, bringing the total principal outstanding to $19.8 million. On August 28, 2023, the Company amended the maturity date to February 24, 2026.

LIGHTBOX ACQUISITION

On March 28, 2023, the Company announced that it had entered into an agreement (the "Lightbox Agreement") with Lightbox Enterprises Ltd. ("Lightbox") to acquire four cannabis retail stores operating under the Dutch Love Cannabis banner ("Dutch Love"). Under the Lightbox Agreement, SNDL will acquire from Lightbox the rights to four Dutch Love stores in British Columbia and the rights to use certain Dutch Love related intellectual property for total consideration of $7.8 million. The consideration is comprised of i) $1.5 million cash; ii) the cancellation of the $3.0 million debt owed by Lightbox to SNDL; and iii) $3.3 million payable in common shares of SNDL.

The transaction is expected to be completed in the context of Lightbox's proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") from the Supreme Court of British Columbia (the "BC Court"). On December 2, 2022, the BC Court granted an order that approved a sale and investment solicitation process ("SISP") in respect of the assets, undertakings and properties of Lightbox, and the Lightbox Agreement is the result of the SISP process.

The transaction is anticipated to close in the fourth quarter of 2023.

VALENS ACQUISITION

On January 17, 2023, the Company acquired all of the issued and outstanding common shares of Valens, other than those owned by SNDL and its subsidiaries, by way of a statutory plan of arrangement (the "Valens Transaction"). The Valens Transaction consideration was comprised of (i) the assumption of Valens' $60 million non-revolving term loan facility from its then existing lender, as described above, (ii) an aggregate 27.6 million SNDL common shares valued at $84.0 million based on the fair value of each common share of the Company on the closing date (0.3334 of a SNDL common share for each Valens common share), and (iii) contingent consideration valued at $0.6 million representing the fair value of Valens stock options.

Valens is a manufacturer of cannabis products providing proprietary cannabis processing services, in addition to product development, manufacturing, and commercialization of cannabis consumer packaged goods. Valens products are formulated for the medical, health and wellness, and recreational consumer segments.

SUPERETTE ACQUISITION

On February 7, 2023, the Company announced that in the context of certain of the Superette entities, including Superette Inc. and Superette Ontario Inc., proceedings under the CCAA, it has successfully closed the Superette Transaction (as defined below) contemplated by the agreement of purchase and sale dated August 29, 2022 (as amended and restated on December 12, 2022) and the approval and vesting order issued by the Ontario Superior Court of Justice (Commercial List) on December 20, 2022. The Company acquired the right, title and interest in (i) five Superette retail locations within Toronto and Ottawa; (ii) the intellectual property rights related to the Superette brand; and (iii) the shares of Superette Ontario (collectively, the "Superette Transaction").

SHARE REPURCHASE PROGRAM

On November 13, 2023, the Company announced that the Board approved a renewal of the share repurchase program upon its expiry on November 20, 2023. The share repurchase program authorizes the Company to repurchase up to $100 million of its outstanding common shares through open market purchases at prevailing market prices. SNDL may purchase up to a maximum of 13.1 million common shares under the share repurchase program, representing approximately 5% of the issued and outstanding common shares as at the date of announcement, and will expire on November 20, 2024. The share repurchase program does not require the Company to purchase any minimum number of common shares and repurchases may be suspended or terminated at any time at the Company's discretion. The actual number of common shares which may be purchased pursuant to the share repurchase program and the timing of any purchases will be determined by SNDL's management and the Board. All common shares purchased pursuant to the share repurchase program will be returned to treasury for cancellation.

Refer to "Liquidity and Capital Resources – Equity" below and "Item 16E – Purchases of Equity Securities by the Issuer and Affiliated Purchasers" in the Annual Report for further details regarding common shares purchased and cancelled during 2022 and 2023.

FINANCIAL HIGHLIGHTS

The following table summarizes selected financial information of the Company for the periods noted.

($000s, except as indicated)	Q3 2023	Q3 2022	Change	% Change
Financial				
Gross revenue	**249,796**	235,144	14,652	6%
Net revenue	**237,595**	230,500	7,095	3%
Cost of sales	**180,375**	179,093	1,282	1%
Gross margin (1)	**48,605**	50,309	(1,704)	-3%
Gross margin %	**20%**	22%		-1%
Gross margin before fair value adjustments (1)(2)	**48,094**	53,714	(5,620)	-10%
Gross margin before fair value adjustments % (2)	**20%**	23%		-3%
Interest and fee revenue	**3,445**	4,312	(867)	-20%
Investment loss	**(29)**	(5,513)	5,484	99%
Loss from operations	**(16,370)**	(88,542)	72,172	82%
Net loss from continuing operations attributable to owners of the Company	**(21,784)**	(98,108)	76,324	78%
Per share, basic and diluted	**(0.08)**	(0.41)	0.33	80%
Net loss attributable to owners of the Company	**(21,784)**	(98,108)	76,324	78%
Per share, basic and diluted	**(0.08)**	(0.41)	0.33	80%
Adjusted EBITDA from continuing operations (2)	**16,117**	18,320	(2,203)	-12%
Statement of Financial Position				
Cash and cash equivalents	**201,983**	291,427	(89,444)	-31%
Inventory	**142,550**	144,056	(1,506)	-1%
Property, plant and equipment	**176,144**	130,355	45,789	35%
Total assets	**1,563,291**	1,817,428	(254,137)	-14%

(1) Includes inventory obsolescence and impairment expense of $9.1 million for the three months ended September 30, 2023, and a recovery of $2.3 million for the three months ended September 30, 2022.

(2) Adjusted EBITDA from continuing operations, gross margin before fair value adjustments and gross margin before fair value adjustments percentage are specified financial measures that do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the "Specified Financial Measures" section of this MD&A for further information.

CONSOLIDATED RESULTS

GENERAL AND ADMINISTRATIVE

	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022
Salaries and wages	**27,061**	24,088	**85,629**	54,372
Consulting fees	**1,741**	341	**3,487**	1,204
Office and general	**13,494**	13,002	**40,001**	25,237
Professional fees	**1,884**	4,081	**7,575**	8,429
Merchant processing fees	**1,648**	1,582	**4,528**	3,096
Director fees	**135**	116	**400**	357
Other	**2,272**	1,804	**7,915**	3,294
	48,235	45,014	**149,535**	95,989

General and administrative expenses for the three months ended September 30, 2023 were $48.2 million compared to $45.0 million for the three months ended September 30, 2022. The increase of $3.2 million was mainly due to increases in salaries and wages as a result of the Valens acquisition and an increase in consulting fees.

General and administrative expenses for the nine months ended September 30, 2023 were $149.5 million compared to $96.0 million for the nine months ended September 30, 2022. The increase of $53.5 million was mainly due to increases in salaries and wages and office and general expenses as a result of the Alcanna Inc. ("Alcanna"), Valens and Zenabis Ltd. ("Zenabis") acquisitions.

SHARE-BASED COMPENSATION

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Equity-settled expense				
Simple warrants	**3**	126	**(332)**	1,272
Stock options	**—**	13	**(2)**	65
Restricted share units	**3,602**	2,417	**9,711**	7,059
Cash-settled expense				
Deferred share units	**1,768**	(487)	**2,098**	(1,685)
	5,373	2,069	**11,475**	6,711

Share-based compensation expense includes the expense related to the Company's issuance of simple and performance warrants, stock options, restricted share units ("RSUs") and deferred share units ("DSUs") to employees, directors, and others at the discretion of the Board. Share-based compensation also includes the expense related to Nova's issuance of RSUs and DSUs.

Share-based compensation expense for the three months ended September 30, 2023 was $5.4 million compared to $2.1 million for the three months ended September 30, 2022. The increase of $3.3 million was due to increases in RSU expense and DSU expense. The increase in RSU expense was due to the issuance of new RSUs, partially offset by the vesting of RSUs granted in prior years. The increase in DSU expense was mainly caused by the increase in fair value in the current period compared to a decrease in fair value in the comparative period.

Share-based compensation expense for the nine months ended September 30, 2023 was $11.5 million compared to $6.7 million for the nine months ended September 30, 2022. The increase of $4.8 million was due to an increase in RSU expense and DSU expense, partially offset by a decrease in simple warrant expense. The increase in RSU expense was due to the issuance of new RSUs, partially offset by the vesting of RSUs granted in prior years. The increase in DSU expense was mainly caused by a minimal fair value increase in the current year, compared to a decrease in fair value in the prior year. The current year was also impacted by an increase in the number of DSUs issued due to the Board adding an additional director at the beginning of the year. The decrease in simple warrant expense was caused by the vesting of awards issued in prior years in addition to the recovery of unvested forfeitures.

TRANSACTION COSTS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Transaction costs	**226**	417	**2,439**	(1,040)

Transaction costs for the three months ended September 30, 2023, were $0.2 million compared to $0.4 million for the three months ended September 30, 2022. Transaction costs in the current period relate to various acquisitions. Transaction costs in the comparative period related primarily to the Alcanna acquisition.

Transaction costs for the nine months ended September 30, 2023, were $2.4 million compared to a recovery of $1.0 million for the nine months ended September 30, 2022. Transaction costs in the current period relate to various acquisitions, including Valens and Superette. Transaction cost recoveries in the comparative period related to the reversal of a provision for costs associated with securities class action lawsuits. The provision was initially recorded at the full amount payable upon settlement and was subsequently reduced by the amount covered by the Company's insurance policy. The recovery was partially offset by costs associated with the Alcanna acquisition.

FINANCE COSTS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Cash finance expense				
Other finance costs	**2**	1	**47**	170
	2	1	**47**	170
Non-cash finance expense				
Change in fair value of investments at fair value through profit or loss	**52**	4,684	**3,677**	26,989
Accretion on lease liabilities	**1,676**	4,095	**5,915**	8,363
Financial guarantee liability (recovery) expense	**—**	(14)	**(139)**	(91)
Other	**625**	(130)	**921**	59
	2,353	8,635	**10,374**	35,320
Interest income	**(213)**	(227)	**(648)**	(637)
	2,142	8,409	**9,773**	34,853

Finance costs include accretion expense related to lease obligations, finance income related to net investment in subleases, change in fair value of investments at Fair Value Through Profit or Loss ("FVTPL") and certain other expenses.

Finance costs for the three months ended September 30, 2023 were $2.1 million compared to $8.4 million for the three months ended September 30, 2022. The decrease of $6.3 million was mainly due to the change in fair value of investments at FVTPL and a decrease in accretion on lease liabilities. The prior period included a $3.5 million decrease in the fair value of the Superette promissory note and a $0.8 million decrease in the fair value of the Delta 9 Cannabis Inc. ("Delta 9") convertible debenture.

Finance costs for the nine months ended September 30, 2023 were $9.8 million compared to $34.9 million for the nine months ended September 30, 2022. The decrease of $25.1 million was due to the change in fair value of investments at FVTPL. The decrease in the fair value of investments at FVTPL was mainly due to an adjustment to the Superette promissory note (refer to note 14 in the Interim Financial Statements). The comparative period included a $22.1 million decrease in the fair value of the Zenabis senior loan, a $3.7 million decrease in the fair value of the Superette promissory note and a $0.8 million decrease in the fair value of the Delta 9 convertible debenture.

CHANGE IN ESTIMATE OF FAIR VALUE OF DERIVATIVE WARRANTS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Change in estimate of fair value of derivative warrants	**2,840**	8,500	**(4,202)**	(6,856)

Change in estimate of fair value of derivative warrants for the three months ended September 30, 2023 was an expense of $2.8 million compared to an expense of $8.5 million for the three months ended September 30, 2022. The expense in the current period relates to an increase in fair value, mainly due to an increase in the Company's share price from US$1.37 on June 30, 2023, to US$1.90 on September 30, 2023. The expense in the prior period related to an adjustment to the exercise price of the 9.8 million warrants issued in 2021, triggered by the Company's Share Consolidation.

Change in estimate of fair value of derivative warrants for the nine months ended September 30, 2023 was a recovery of $4.2 million compared to a recovery of $6.9 million for the nine months ended September 30, 2022. The recovery in the current period relates to a decrease in fair value, mainly due to a decrease in the Company's share price from US$2.09 on December 31, 2022, to US$1.90 on September 30, 2023. The recovery in the prior period relates to a decrease in fair value, mainly due to a decrease in the Company's share price from US$5.78 on December 31, 2021, to US$2.18 on September 30, 2022.

NET LOSS FROM CONTINUING OPERATIONS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Net loss from continuing operations	**(21,827)**	(98,844)	**(86,593)**	(210,857)

Net loss from continuing operations for the three months ended September 30, 2023 was $21.8 million compared to $98.8 million for the three months ended September 30, 2022. The decrease in net loss from continuing operations of $77.0 million was mainly due to lower investment losses ($5.5 million), lower impairment ($84.7 million), lower finance costs ($6.3 million) and change in fair value of derivative warrants ($5.7 million), partially offset by an increase in inventory obsolescence provision impacting gross margin ($11.4 million), lower share of profit of equity-accounted investees ($2.6 million), higher general and administrative expenses ($3.2 million), depreciation and amortization ($5.8 million), share-based compensation ($3.3 million) and lower income tax recovery ($6.9 million). The increased general and administrative expenses, depreciation and amortization and share-based compensation were driven by the integration of the Valens structure.

Net loss from continuing operations for the nine months ended September 30, 2023 was $86.6 million compared to $210.9 million for the nine months ended September 30, 2022. The decrease in net loss from continuing operations of $124.3 million was largely due to an increase in gross margin ($36.4 million), lower investment losses ($49.1 million), increased share of profit of equity-accounted investees ($39.9 million), lower impairment ($84.1 million) and lower finance costs ($25.1 million), partially offset by higher general and administrative expenses ($53.5 million), sales and marketing expense ($4.6 million), depreciation and amortization ($26.1 million), share-based compensation ($4.8 million), restructuring costs ($7.2 million), transaction costs ($3.5 million) and lower income tax recovery ($8.7 million). The increased general and administrative expenses, depreciation and amortization and share-based compensation were driven by the integration of the Valens structure.

ADJUSTED EBITDA FROM CONTINUING OPERATIONS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Adjusted EBITDA from continuing operations [(1)]	**16,117**	18,320	**25,726**	(8,282)

(1) Adjusted EBITDA from continuing operations is a specified financial measure that does not have standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the "Specified Financial Measures" section of this MD&A for further information.

Adjusted EBITDA from continuing operations was $16.1 million for the three months ended September 30, 2023 compared to $18.3 million for the three months ended September 30, 2022. The decrease was due to the following:

- Increase in general and administrative expenses due to the acquisition of Valens; and
- Decrease in share of profit of equity-accounted investees related to fair value accounting adjustments to the Company's SunStream joint venture investments.

  The decrease was partially offset by an:

- Increase in net revenue less cost of sales.

Adjusted EBITDA from continuing operations was $25.7 million for the nine months ended September 30, 2023 compared to a loss of $8.3 million for the nine months ended September 30, 2022. The increase was due to the following:

- Increase in net revenue less cost of sales; and
- Increase in share of profit of equity-accounted investees related to fair value accounting adjustments to the Company's SunStream joint venture investments.

  The increase was partially offset by an:

- Increase in general and administrative expenses due to the acquisition of Alcanna, Valens and Zenabis.

OPERATING SEGMENTS

The Company's reportable segments are organized by business line and are comprised of four reportable segments: liquor retail, cannabis retail, cannabis operations, and investments.

Liquor retail includes the sale of wines, beers and spirits through wholly owned liquor stores. Cannabis retail includes the private sale of recreational cannabis through wholly owned and franchise retail cannabis stores. Cannabis operations include the cultivation, distribution and sale of cannabis for the adult-use and medical markets domestically and for export, and providing proprietary cannabis processing services, in addition to product development, manufacturing, and commercialization of cannabis consumer packaged goods. Investments include the deployment of capital to investment opportunities. Certain overhead expenses not directly attributable to any operating segment are reported as "Corporate".

($000s)	Liquor Retail	Cannabis Retail (1)	Cannabis Operations (2)	Investments (3)	Corporate	Total
As at September 30, 2023						
Total assets	321,598	209,684	299,489	712,859	19,661	1,563,291
Nine months ended September 30, 2023						
Net revenue (4)	419,402	214,828	61,027	—	(34,701)	660,556
Gross margin	98,890	53,645	(19,456)	—	—	133,079
Interest and fee revenue	—	75	—	10,723	279	11,077
Investment (loss) income	—	—	(611)	(8,607)	—	(9,218)
Share of profit of equity-accounted investees	—	—	—	15,161	—	15,161
Depreciation and amortization	27,943	11,391	2,750	—	3,372	45,456
Earnings (loss) from operations	14,528	5,768	(46,792)	16,963	(68,346)	(77,879)
Income (loss) before income tax	10,200	3,230	(46,725)	13,287	(66,585)	(86,593)
Three months ended September 30, 2023						
Net revenue (4)	151,801	75,539	20,954	—	(10,699)	237,595
Gross margin	37,263	20,046	(8,704)	—	—	48,605
Interest and fee revenue	—	17	—	3,326	102	3,445
Investment (loss) income	—	—	(114)	85	—	(29)
Share of profit of equity-accounted investees	—	—	—	6,581	—	6,581
Depreciation and amortization	9,436	4,340	954	—	815	15,545
Earnings (loss) from operations	8,257	3,481	(13,971)	9,886	(24,023)	(16,370)
Income (loss) before income tax	6,449	2,753	(13,774)	9,834	(27,089)	(21,827)

(1) Cannabis retail includes the operations of Superette for the period February 8, 2023 to September 30, 2023.
(2) Cannabis operations include the operations of Valens for the period January 18, 2023 to September 30, 2023.
(3) Total assets include cash and cash equivalents.
(4) Recast - refer to note 20 in the Company's Interim Financial Statements.

($000s)	Liquor Retail [1]	Cannabis Retail [1]	Cannabis Operations	Investments [2]	Corporate	Total
As at December 31, 2022						
Total assets	351,338	200,393	163,130	825,151	19,338	1,559,350
Nine months ended September 30, 2022						
Net revenue	302,435	137,208	32,149	—	—	471,792
Gross margin	69,380	31,684	(4,257)	—	—	96,807
Interest and fee revenue	—	—	—	10,750	—	10,750
Investment loss	—	—	—	(58,296)	—	(58,296)
Share of loss of equity-accounted investees	—	—	—	(24,711)	—	(24,711)
Depreciation and amortization	5,722	6,041	9	—	7,550	19,322
Earnings (loss) from operations	24,517	(82,512)	(16,930)	(71,732)	(46,471)	(193,128)
Income (loss) before income tax	19,042	(84,681)	(16,686)	(98,721)	(38,529)	(219,575)
Three months ended September 30, 2022						
Net revenue	152,488	66,202	11,810	—	—	230,500
Gross margin	35,568	14,494	247	—	—	50,309
Interest and fee revenue	—	—	—	4,312	—	4,312
Investment loss	—	—	—	(5,513)	—	(5,513)
Share of profit of equity-accounted investees	—	—	—	9,176	—	9,176
Depreciation and amortization	2,923	3,199	—	—	3,661	9,783
Earnings (loss) from operations	13,302	(83,708)	(5,673)	7,936	(20,399)	(88,542)
Income (loss) before income tax	10,736	(84,848)	(5,686)	3,252	(29,225)	(105,771)

(1) Liquor retail includes operations of Alcanna retail stores for the period March 31, 2022 to September 30, 2022, and cannabis retail includes operations of Nova retail stores for the period March 31, 2022 to September 30, 2022.

(2) Total assets include cash and cash equivalents.

LIQUOR RETAIL SEGMENT RESULTS

EARNINGS (LOSS) FROM OPERATIONS

	Three months ended September 30		Nine months ended September 30	
($000s)	**2023**	2022	**2023**	2022 [1]
Net revenue	**151,801**	152,488	**419,402**	302,435
Cost of sales	**114,538**	116,920	**320,512**	233,055
Gross margin	**37,263**	35,568	**98,890**	69,380
Gross margin %	***24.5%***	*23.3%*	***23.6%***	*22.9%*
General and administrative	**17,153**	18,242	**51,510**	36,104
Sales and marketing	**777**	1,101	**3,269**	3,037
Depreciation and amortization	**9,436**	2,923	**27,943**	5,722
Asset impairment	**1,640**	—	**1,640**	—
Earnings (loss) from operations	**8,257**	13,302	**14,528**	24,517

(1) Liquor retail includes operations of Alcanna retail stores for the period March 31, 2022 to September 30, 2022.

Gross margin for the three months ended September 30, 2023 was $37.3 million (24.5%) compared to $35.6 million (23.3%) for the three months ended September 30, 2022. Cost of sales for liquor retail operations is comprised of the cost of wine, beer and spirits. The increase in gross margin and gross margin percentage is attributable to an increase in preferred label sales compared to the prior period, and procurement improvements.

Gross margin for the nine months ended September 30, 2023 was $98.9 million (23.6%) compared to $69.4 million (22.9%) for the nine months ended September 30, 2022. Cost of sales for liquor retail operations is comprised of the cost of wine, beer and spirits. The increases in net revenue, cost of sales and gross margin are due to the impact of the Alcanna acquisition which includes nine months in 2023 compared to six months plus one day in the prior period.

At September 30, 2023, and November 13, 2023, the Ace Liquor store count was 138, the Liquor Depot store count was 20 and the Wine and Beyond store count was 12.

CANNABIS RETAIL SEGMENT RESULTS

EARNINGS (LOSS) FROM OPERATIONS

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023 (1)	2022 (2)
Net revenue	**75,539**	66,202	**214,828**	137,208
Cost of sales	**55,493**	51,708	**161,183**	105,524
Gross margin	**20,046**	14,494	**53,645**	31,684
Gross margin %	***26.5%***	*21.9%*	***25.0%***	*23.1%*
Interest and fee revenue	**17**	—	**75**	—
General and administrative	**11,874**	10,347	**35,005**	23,091
Sales and marketing	**258**	185	**984**	773
Depreciation and amortization	**4,340**	3,199	**11,391**	6,041
Share-based compensation	**2**	105	**6**	(75)
Asset impairment	**108**	84,366	**566**	84,366
Earnings (loss) from operations	**3,481**	(83,708)	**5,768**	(82,512)

(1) Cannabis retail results include the operations of Superette from February 8, 2023 to September 30, 2023.
(2) Cannabis retail results includes operations of Nova retail stores for the period March 31, 2022 to September 30, 2022.

Net revenue for the three months ended September 30, 2023 was $75.5 million compared to $66.2 million for the three months ended September 30, 2022. The increase of $9.3 million is mainly attributable to increased retail revenue and proprietary licensing arrangements. Net revenue is comprised of retail cannabis sales to private customers from corporate-owned stores, royalty revenue, franchise fees, millwork, supply and accessories revenue and proprietary licensing.

Net revenue for the nine months ended September 30, 2023 was $214.8 million compared to $137.2 million for the nine months ended September 30, 2022. The increase of $77.6 million is mainly attributable to the impact of the Alcanna and Nova acquisition which includes nine months of gross revenue in 2023 compared to six months plus one day of net revenue in the prior period.

Gross margin for the three months ended September 30, 2023 was $20.0 million (26.5%) compared to $14.5 million (21.9%) for the three months ended September 30, 2022. Cost of sales for cannabis retail operations is comprised of the cost of pre-packaged cannabis and related accessories. Gross margin percentage in the current period is higher due to proprietary licensing arrangements which have no associated cost of sales and improved product mix management from the introduction of private label initiatives.

Gross margin for the nine months ended September 30, 2023 was $53.6 million (25.0%) compared to $31.7 million (23.1%) for the nine months ended September 30, 2022.

At September 30, 2023, the Spiritleaf store count was 88 (20 corporate stores and 68 franchise stores), the Superette store count was 5 corporate stores, the Firesale store count was 2 corporate stores and the Value Buds store count was 91 corporate stores. At November 13, 2023, the Spiritleaf store count was 87 (22 corporate stores and 65 franchise stores), the Superette store count was 5 corporate stores, the Firesale store count was 2 corporate stores and the Value Buds store count was 92 corporate stores.

CANNABIS OPERATIONS SEGMENT RESULTS

GROSS MARGIN

($000s)	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023** (2)	2022
Gross revenue	**33,155**	16,454	**96,589**	43,185
Excise taxes	**(12,201)**	(4,644)	**(35,562)**	(11,036)
Net revenue	**20,954**	11,810	**61,027**	32,149
Cost of sales	**21,043**	10,465	**56,450**	29,131
Inventory impairment and obsolescence	**9,126**	(2,307)	**22,594**	3,545
Gross margin before fair value adjustments (1)	**(9,215)**	3,652	**(18,017)**	(527)
Change in fair value of biological assets	**(1,819)**	(1,899)	**(6,767)**	1,403
Change in fair value realized through inventory	**2,330**	(1,506)	**5,328**	(5,133)
Gross margin	**(8,704)**	247	**(19,456)**	(4,257)

(1) Gross margin before fair value adjustments is a specified financial measure that does not have standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the "Specified Financial Measures" section of this MD&A for further information.

(2) Cannabis operations include the operations of Valens for the period January 18, 2023 to September 30, 2023.

REVENUE

The Company's revenue comprises bulk and packaged sales under the Cannabis Act pursuant to its supply agreements with Canadian provincial boards, other licensed producers and international exports, proprietary extraction services, white label product formulation and manufacturing, the sale of bulk winterized oil and distillate, toll processing and co-packaging services and analytical testing.

Gross revenue for the three months ended September 30, 2023 was $33.2 million compared to $16.5 million for the three months ended September 30, 2022. The increase of $16.7 million was due to the additional revenue as a result of the Valens and Zenabis acquisitions.

Gross revenue for the nine months ended September 30, 2023 was $96.6 million compared to $43.2 million for the nine months ended September 30, 2022. The increase of $53.4 million was mainly due to the additional revenue as a result of the Valens and Zenabis acquisitions. Provincial board revenue increased by $46.9 million and wholesale revenue increased by $5.7 million.

Excise taxes are the federal excise duties and additional provincial or territorial duties payable on adult-use cannabis products at the time such product is shipped from the production facility in its final packaging. Federal duties on adult-use cannabis products are calculated as the greater of (i) $0.25 per gram of flowering material, (ii) $0.75 per gram of non-flowering material or $0.25 per viable seed or seedling and (iii) 2.5% of the dutiable amount as calculated in accordance with the *Excise Act, 2001* (Canada). The rates of provincial or territorial duties vary by jurisdiction.

Excise taxes for the three months ended September 30, 2023 were $12.2 million compared to $4.6 million for the three months ended September 30, 2022. The increase of $7.6 million was due to the increased revenue from the Valens and Zenabis acquisitions. The excise tax rate as a percentage of revenue has increased due to the application of excise tax on a volume basis that has experienced price declines.

Excise taxes for the nine months ended September 30, 2023 were $35.6 million compared to $11.0 million for the nine months ended September 30, 2022. The increase of $24.6 million was due to the increased revenue from the Valens and Zenabis acquisitions. The excise tax rate as a percentage of revenue has increased due to the application of excise tax on a volume basis that has experienced price declines.

COST OF SALES

Cost of sales includes four main categories: procurement, cultivation, manufacturing and shipment and fulfillment costs.

Cost of sales for the three months ended September 30, 2023 were $21.0 million compared to $10.5 million for the three months ended September 30, 2022. The increase of $10.5 million was due to the increase in sales associated with the Valens and Zenabis acquisitions.

Cost of sales for the nine months ended September 30, 2023 were $56.5 million compared to $29.1 million for the nine months ended September 30, 2022. The increase of $27.4 million was due to the increase in sales associated with the Valens and Zenabis acquisitions.

GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS

Gross margin before fair value adjustments is defined as net revenue less cost of sales and inventory obsolescence and impairment before adjusting for the non-cash changes in the fair value adjustments on the sale of inventory and the growth of biological assets.

Gross margin before fair value adjustments for the three months ended September 30, 2023 was negative $9.2 million compared to $3.7 million for the three months ended September 30, 2022. The decrease of $12.9 million was due to higher cost of sales and a larger inventory obsolescence provision, partially offset by higher net revenue.

Gross margin before fair value adjustments for the nine months ended September 30, 2023 was negative $18.0 million compared to negative $0.5 million for the nine months ended September 30, 2022. The decrease of $17.5 million was due to higher cost of sales and a higher inventory obsolescence provision, partially offset by higher net revenue.

The total inventory obsolescence and impairment recognized during the nine months ended September 30, 2023 was $22.7 million, with $22.6 million relating to cost of sales and 0.1 million relating to the change in fair value realized through inventory. The reorganization of the Cannabis Operations segment subsequent to the Valens Transaction has resulted in a larger than typical provision for inventory obsolescence and impairment provision as a result of an analysis of the allocation of the consolidated inventory across the brand portfolio and offered formats.

The total inventory obsolescence and impairment recognized during the nine months ended September 30, 2022 was $5.2 million, with $3.5 million relating to cost of sales and $1.7 million relating to the change in fair value realized through inventory. The inventory obsolescence provision was applied across all product formats.

CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

Biological assets consist of cannabis plants in various stages of vegetation, including clones, which have not yet been harvested. Net unrealized changes in fair value of biological assets less cost to sell during the period are included in the results of operations for the related period. Biological assets are presented at their fair values less costs to sell up to the point of harvest. The fair values are determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusted for the amount for the expected selling price less costs to sell per gram.

CHANGE IN FAIR VALUE REALIZED THROUGH INVENTORY

Change in fair value realized through inventory comprises fair value adjustments associated with the cost of inventory when such inventory is sold. Inventories are carried at the lower of cost and net realizable value. When sold, the cost of inventory is recorded as cost of sales, while fair value adjustments are recorded as change in fair value realized through inventory.

INVESTMENTS SEGMENT RESULTS

INTEREST AND FEE REVENUE

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Interest and fee revenue				
Interest revenue from investments at amortized cost	**891**	924	**2,819**	2,737
Interest and fee revenue from investments at FVTPL	**250**	1,095	**1,124**	3,754
Interest revenue from cash	**2,185**	2,293	**6,780**	4,259
	3,326	4,312	**10,723**	10,750

Interest and fee revenue for the three months ended September 30, 2023 was $3.3 million compared to $4.3 million for the three months ended September 30, 2022. The decrease of $1.0 million was mainly due to a decrease in interest and fee revenue from investments at FVTPL. Interest and fee revenue from investments at FVTPL decreased mainly due to the settlement of the Zenabis senior loan in connection with the Zenabis acquisition and the settlement of the Superette promissory note in connection with the Superette acquisition.

Interest and fee revenue for the nine months ended September 30, 2023 was $10.7 million compared to $10.8 million for the nine months ended September 30, 2022. The decrease of $0.1 million was due to a decrease in interest and fee revenue from investments at FVTPL, partially offset by an increase in interest revenue from cash. Interest and fee revenue from investments at FVTPL decreased mainly due to the settlement of the Zenabis senior loan in connection with the Zenabis acquisition and the settlement of the Superette promissory note in connection with the Superette acquisition. Interest revenue from cash increased due to increases in the base interest rates.

INVESTMENT REVENUE

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Investment revenue (loss)	**85**	(5,513)	**(8,607)**	(58,296)

Investment revenue for the three months ended September 30, 2023 was $0.1 million compared to negative $5.5 million for the three months ended September 30, 2022. The current period was impacted by the realized loss on marketable securities and reversal of the unrealized loss on marketable securities previously recorded, both due to the disposition of shares in Indiva and Village Farms International Inc ("Village Farms"). The prior period was impacted by decreases in share prices of the Company's investments in Indiva, Village Farms, and Valens.

Investment revenue for the nine months ended September 30, 2023 was negative $8.6 million compared to negative $58.3 million for the nine months ended September 30, 2022. The current period was impacted by the realized loss on marketable securities and reversal of the unrealized loss on marketable securities previously recorded, both due to the settlement of Valens shares, previously acquired in 2021 and 2022, in connection with the Valens Transaction, and the disposition of shares in Indiva and Village Farms. The prior period was impacted by decreases in share prices of the Company's investments in Indiva, Village Farms, and Valens.

SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Net profit (loss)	**6,581**	9,176	**15,161**	(24,711)

Share of profit of equity-accounted investees is comprised of the Company's share of the net profit generated from its investments in SunStream. The current investment portfolio of SunStream is comprised of secured debt and hybrid debt and derivative instruments with United States based cannabis businesses.

Share of profit of equity-accounted investees for the three months ended September 30, 2023 was $6.6 million compared to profit of $9.2 million for the three months ended September 30, 2022. The decrease of $2.6 million was due to accounting fair value adjustments to the investments.

Share of profit of equity-accounted investees for the nine months ended September 30, 2023 was $15.2 million compared to a loss of $24.7 million for the nine months ended September 30, 2022. The increase of $39.9 million was due to accounting fair value adjustments to the investments.

SELECTED QUARTERLY INFORMATION

The following table summarizes selected consolidated operating and financial information of the Company for the preceding eight quarters.

	2023			2022				2021
($000s, except as indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 [1]
Gross revenue [2]	249,796	244,830	201,492	246,866	235,144	227,557	20,127	25,630
Gross margin	48,605	51,933	32,541	43,568	50,309	43,079	3,419	(2,499)
Gross investment (loss) income	3,416	(599)	(958)	(879)	(1,201)	(32,496)	(13,849)	(38,108)
Net (loss) income from continuing operations attributable to owners of the Company	(21,784)	(32,520)	(35,568)	(125,801)	(98,108)	(73,301)	(37,904)	(56,989)
Per share, basic and diluted	(0.08)	(0.12)	(0.14)	(0.53)	(0.41)	(0.31)	(0.18)	(0.28)
Adjusted EBITDA from continuing operations [3]	16,117	2,194	7,415	(7,549)	18,320	(25,927)	(675)	18,425

(1) Adjustments to provisional amounts have been made in the comparative period (Q4 2021) due the consummation of the Inner Spirit Holdings Ltd. ("Inner Spirit") acquisition, refer to note 5(b) in the Company's Audited Financial Statements.
(2) Recast - refer to note 20 in the Company's Interim Financial Statements.
(3) Adjusted EBITDA from continuing operations is a specified financial measure that does not have standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the "Specified Financial Measures" section of this MD&A for further information.

During the eight most recent quarters the following items have had a significant impact on the Company's financial results and results of operations:

- Implementing several streamlining and efficiency initiatives which included workforce optimizations;
- Entering into and acquiring several cannabis-related investments;
- Investing in and disposing of marketable securities;
- Price discounts and provisions for product returns;
- Impairment of property, plant and equipment;
- Provisions for inventory obsolescence and impairment;
- Investments in SunStream;
- Acquisitions of Alcanna (inclusive of its subsidiary, Nova), Zenabis, Valens and Superette; and
- Impairment of goodwill and intangible assets from the Inner Spirit and Alcanna acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

($000s)	September 30, 2023	December 31, 2022
Cash and cash equivalents	**201,983**	279,586

Capital resources are financing resources available to the Company and are defined as the Company's debt and equity. The Company manages its capital resources with the objective of maximizing shareholder value and sustaining future development of the business. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the Company's activities. The Company may adjust capital spending, issue new equity or issue new debt, subject to the availability of such debt or equity financing on commercial terms.

The Company's primary need for liquidity is to fund investment opportunities, capital expenditures, working capital requirements and for general corporate purposes. The Company's lease liabilities have increased significantly due to both the Inner Spirit and Alcanna acquisitions as corporate stores occupy leased retail space. Refer to "Contractual Commitments and Contingencies – Commitments" for an estimate of the contractual maturities of the Company's lease liabilities. The Company's primary source of liquidity historically has been from funds received from the proceeds of common share issuances and debt financing. The Company's ability to fund operations and investments and make planned capital expenditures depends on future operating performance and cash flows, as well as the availability of future financing–all of which is subject to prevailing economic conditions and financial, business and other factors.

Management believes its current capital resources will be sufficient to satisfy cash requirements associated with funding the Company's operating expenses and future development activities for at least the next twelve months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary.

DEBT

As at September 30, 2023, the Company has no outstanding bank debt or other debt.

EQUITY

On July 25, 2022, the Company's shareholders approved a special resolution for the consolidation of all of the issued and outstanding common shares (the "Share Consolidation").

Immediately following the shareholder approval, the Board determined to effect the Share Consolidation on the basis of one post-consolidation common share for every ten pre-consolidation common shares. The Share Consolidation took effect on July 25, 2022, and the common shares began trading on Nasdaq on a post-consolidation basis beginning on July 26, 2022.

All references to common shares, warrants, simple warrants, performance warrants, stock options, RSUs and DSUs (excluding the Nova RSUs and DSUs), including exercise prices where applicable, have been fully retrospectively adjusted to reflect the Share Consolidation.

As at September 30, 2023, the Company had the following share capital instruments outstanding:

(000s)	September 30, 2023	December 31, 2022
Common shares	**260,490**	235,194
Common share purchase warrants (1)	**309**	309
Simple warrants (2)	**100**	166
Performance warrants (3)	**54**	123
Stock options (4)	**953**	44
Restricted share units	**10,552**	1,381

(1) 0.3 million warrants were exercisable as at September 30, 2023.
(2) 0.1 million simple warrants were exercisable as at September 30, 2023.
(3) 43.7 thousand performance warrants were exercisable as at September 30, 2023.
(4) 1.0 million stock options were exercisable as at September 30, 2023.

Common shares were issued during the nine months ended September 30, 2023 in connection with the following transactions:

- The Company purchased and cancelled 0.5 million common shares at a weighted average price of $2.78 (US$2.04) per common share for a total cost of $1.5 million;
- The Company issued 27.6 million common shares valued at $84.0 million as consideration for the Valens acquisition;
- The Company received and cancelled 2.2 million of its own common shares in connection with the Valens acquisition; and
- The Company issued 0.4 million common shares in connection with the vesting of RSUs under its long term incentive plan.

Subsequent to September 30, 2023:

- The Company issued 0.9 million common shares related to the acquisition of certain franchise stores in Ontario.

As at November 13, 2023, a total of 261.3 million common shares were outstanding.

CASH FLOW SUMMARY

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Cash provided by (used in):				
Operating activities	**27,542**	8,572	**(30,098)**	(35,321)
Investing activities	**(999)**	(71,618)	**(16,428)**	(211,392)
Financing activities	**(10,015)**	(8,157)	**(31,077)**	(20,111)
Change in cash and cash equivalents	**16,528**	(71,203)	**(77,603)**	(266,824)

CASH FLOW – OPERATING ACTIVITIES

Net cash provided by operating activities was $27.5 million for the three months ended September 30, 2023 compared to $8.6 million provided by operating activities for the three months ended September 30, 2022. The increase of $18.9 million was due to a decrease in net loss adjusted for non-cash items, the change in non-cash working capital and an increase in proceeds from the disposition of marketable securities. The change in non-cash working capital is comprised of changes in inventory, accounts receivable, prepaid expenses and deposits and accounts payable.

Net cash used in operating activities was $30.1 million for the nine months ended September 30, 2023 compared to $35.3 million used in operating activities for the nine months ended September 30, 2022. The decrease of $5.2 million was due to the change in non-cash working capital and an increase in net loss adjusted for non-cash items, partially offset by a decrease in additions to marketable securities and an increase in proceeds from the disposition of marketable securities. The change in non-cash working capital is comprised of changes in inventory, accounts receivable, prepaid expenses and deposits and accounts payable.

CASH FLOW – INVESTING ACTIVITIES

Net cash used in investing activities was $1.0 million for the three months ended September 30, 2023 compared to $71.6 million used in investing activities for the three months ended September 30, 2022. The decrease of $70.6 million was mainly due to lower additions to investments and lower additions to equity-accounted investees.

Net cash used in investing activities was $16.4 million for the nine months ended September 30, 2023 compared to $211.4 million used in investing activities for the nine months ended September 30, 2022. The decrease of $195.0 million was primarily due to lower additions to investments, lower additions to equity-accounted investees and acquisitions in the comparative period.

CASH FLOW – FINANCING ACTIVITIES

Net cash used in financing activities was $10.0 million for the three months ended September 30, 2023 compared to $8.2 million used in financing activities for the three months ended September 30, 2022. The increase of $1.8 million was due to the change in non-cash working capital and increased payments on lease liabilities, partially offset by a decrease in repurchase of common shares.

Net cash used in financing activities was $31.1 million for the nine months ended September 30, 2023 compared to $20.1 million used in financing activities for the nine months ended September 30, 2022. The increase of $11.0 million was largely due to increased payments on lease liabilities and change in restricted cash in the prior period, partially offset by repayment of long-term debt and repurchase of common shares in the prior period.

FREE CASH FLOW

Free cash flow is a specified financial measure that does not have standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Refer to the “Specified Financial Measures” section of this MD&A for further information. Free cash flow is defined as the total change in cash and cash equivalents less cash used for common share repurchases, dividends (if any), net cash used for acquisitions plus cash provided by dispositions (if any).

The Company generated positive free cash flow of $16.5 million for the three months ended September 30, 2023 compared to negative $67.1 million for the three months ended September 30, 2022.

LIQUIDITY RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

CREDIT RISK

Credit risk is the risk of financial loss if the counterparty to a financial transaction fails to meet its obligations. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents, accounts receivable, and investments. The Company attempts to mitigate such exposure to its cash and cash equivalents by investing only in financial institutions with investment grade credit ratings or secured investments. The Company manages risk over its accounts receivable by issuing credit only to credit worthy counterparties. The Company limits its exposure to credit risk over its investments by ensuring the agreements governing the investments are secured in the event of counterparty default. The Company considers financial instruments to have low credit risk when its credit risk rating is equivalent to investment grade. The Company assumes that the credit risk on a financial asset has increased significantly if it is outstanding past the contractual payment terms. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company.

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

The Company has evaluated the credit risk of its investments, taking into consideration historical credit loss experience, financial factors specific to the debtors and general economic conditions, and determined the expected credit loss to be $0.3 million for the nine months ended September 30, 2023.

LIQUIDITY RISK

Liquidity risk is the risk that the Company cannot meet its financial obligations when due. The Company manages liquidity risk by monitoring operating and growth requirements. The Company prepares forecasts to ensure sufficient liquidity to fulfil obligations and operating plans. Management believes its current capital resources will be sufficient to satisfy cash requirements associated with funding the Company's operating expenses and future development activities for at least the next 12 months. However, no assurance can be given that this will be the case or that future sources of capital will not be necessary.

MARKET RISK

Market risk is the risk that changes in market prices will affect the Company's income or value of its holdings of financial instruments. The Company is exposed to market risk in that changes in market prices will cause fluctuations in the fair value of its marketable securities. The fair value of marketable securities is based on quoted market prices as the Company's marketable securities are shares of publicly traded entities.

CONTRACTUAL COMMITMENTS AND CONTINGENCIES

A) COMMITMENTS

The information presented in the table below reflects management's estimate of the contractual maturities of the Company's obligations at September 30, 2023.

($000s)	Less than one year	One to three years	Three to five years	Thereafter	Total
Accounts payable and accrued liabilities	57,230	—	—	—	57,230
Lease liabilities	40,839	68,898	76,285	14,089	200,111
Financial guarantee liability	—	268	—	—	268
Contractual obligation	—	2,628	—	—	2,628
Total	**98,069**	**71,794**	**76,285**	**14,089**	**260,237**

The Company has entered into certain supply agreements to provide dried cannabis and cannabis products to third parties. The contracts require the provision of various amounts of dried cannabis on or before certain dates. Should the Company not deliver the product in the agreed timeframe, financial penalties apply which may be paid either in product in-kind or cash. Under these agreements, the Company has accrued financial penalties payable as at September 30, 2023 of $2.5 million (December 31, 2022 - $2.5 million).

B) CONTINGENCIES

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of its business. Such proceedings, certain of which are pending or have been threatened against the Company, could include commercial litigation related to breach of contract claims brought by customers, suppliers and contractors, as well as litigation related to termination of certain of its employees. The outcome of any litigation is inherently uncertain. Although the Company believes it has meritorious defenses against all currently pending and threatened proceedings and intend to vigorously defend all claims if they are brought, unfavorable rulings, judgments or settlement terms could have a material adverse impact on its business and results of operations.

SPECIFIED FINANCIAL MEASURES

Certain specified financial measures in this MD&A including adjusted EBITDA from continuing operations, gross margin before fair value adjustments, free cash flow and gross margin before fair value adjustments percentage are non-IFRS measures. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures reported by other companies. These non-IFRS financial measures should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS.

NON-IFRS FINANCIAL MEASURES

ADJUSTED EBITDA FROM CONTINUING OPERATIONS

Adjusted EBITDA from continuing operations is a non-IFRS financial measure which the Company uses to evaluate its operating performance. Adjusted EBITDA from continuing operations provides information to investors, analysts, and others to aid in understanding and evaluating the Company’s operating results in a similar manner to its management team. Adjusted EBITDA from continuing operations is defined as net (loss) income from continuing operations before finance costs, change in estimate of fair value of derivative warrants, depreciation and amortization, income tax recovery and excluding change in fair value of biological assets, change in fair value realized through inventory, unrealized foreign exchange gains or losses, unrealized gains or losses on marketable securities, realized gains or losses on marketable securities, share-based compensation expense, asset impairment, gain or loss on disposal of property, plant and equipment, cost of sales non-cash component, inventory impairment (recovery) and obsolescence, restructuring costs and transaction costs.

The following table reconciles adjusted EBITDA from continuing operations to net income (loss) for the periods noted.

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Net (loss) income from continuing operations	**(21,827)**	(98,844)	**(86,593)**	(210,857)
Adjustments:				
Finance costs	**2,142**	8,409	**9,773**	34,853
Change in estimate of fair value of derivative warrants	**2,840**	8,500	**(4,202)**	(6,856)
Depreciation and amortization	**15,545**	9,783	**45,456**	19,322
Income tax recovery	**—**	(6,927)	**—**	(8,718)
Change in fair value of biological assets	**1,819**	1,899	**6,767**	(1,403)
Change in fair value realized through inventory	**(2,330)**	1,506	**(5,328)**	5,133
Unrealized foreign exchange (gain) loss	**68**	(75)	**44**	(40)
Unrealized (gain) loss on marketable securities	**(46,053)**	5,513	**(129,656)**	58,685
Realized loss on marketable securities	**46,082**	—	**138,874**	—
Share-based compensation	**5,373**	2,069	**11,475**	6,711
Asset impairment	**1,783**	86,522	**4,248**	88,372
Loss (gain) on disposition of PP&E	**14**	(6)	**275**	(408)
Cost of sales non-cash component [(1)]	**601**	1,861	**3,274**	5,301
Inventory impairment (recovery) and obsolescence	**9,126**	(2,307)	**22,594**	3,545
Restructuring costs	**708**	—	**6,286**	(882)
Transaction costs	**226**	417	**2,439**	(1,040)
Adjusted EBITDA from continuing operations	**16,117**	18,320	**25,726**	(8,282)

(1) Cost of sales non-cash component is comprised of depreciation expense.

GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS

Gross margin before fair value adjustments is a non-IFRS financial measure which the Company uses to evaluate its operating performance in the Company's Cannabis Operations segment. Gross margin before fair value adjustments provides information which management believes to be useful to investors, analysts and others in understanding and evaluating the Company's operating results as it removes non-cash fair value metrics. Gross margin before fair value adjustments is defined as gross margin less the non-cash changes in the fair value adjustments on the sale of inventory and the growth of biological assets. Gross margin before fair value adjustments is comprised of net revenue less cost of sales and inventory obsolescence and impairment.

The following table reconciles gross margin before fair value adjustments to gross margin for the periods noted.

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Gross margin	**(8,704)**	247	**(19,456)**	(4,257)
Change in fair value of biological assets	**(1,819)**	(1,899)	**(6,767)**	1,403
Change in fair value realized through inventory	**2,330**	(1,506)	**5,328**	(5,133)
Gross margin before fair value adjustments	**(9,215)**	3,652	**(18,017)**	(527)

FREE CASH FLOW

Free cash flow is a non-IFRS financial measure which the Company uses to evaluate its financial performance. Free cash flow provides information which management believes to be useful to investors, analysts and others in understanding and evaluating the Company's ability to generate positive cash flows as it removes cash used for non-operational items. Free cash flow is defined as the total change in cash and cash equivalents less cash used for common share repurchases, dividends (if any), net cash used for acquisitions plus cash provided by dispositions (if any).

($000s)	Three months ended September 30 2023	2022	Nine months ended September 30 2023	2022
Change in cash and cash equivalents	**16,528**	(71,203)	**(77,603)**	(266,824)
Adjustments				
Repurchase of common shares	**—**	4,096	**1,536**	6,149
Acquisitions, net of cash acquired	**—**	—	**(3,695)**	31,149
Free cash flow	**16,528**	(67,107)	**(79,762)**	(229,526)

NON-IFRS FINANCIAL RATIOS

GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS PERCENTAGE

Gross margin before fair value adjustments percentage is a non-IFRS financial ratio which the Company uses to evaluate its operating performance in the Company's cannabis operations segment. Gross margin before fair value adjustments percentage is defined as gross margin before fair value adjustments divided by net revenue.

RELATED PARTIES

The Company entered into the following related party transactions during the periods noted, in addition to those disclosed in note 15 of the Interim Financial Statements relating to the Company's SunStream joint venture.

A member of key management personnel jointly controls a company that owns property leased to SNDL for one of its retail liquor stores. The lease term is from November 1, 2017 to October 31, 2027 and includes extension terms from November 1, 2027 to October 31, 2032 and November 1, 2032 to October 31, 2037. Monthly rent for the location includes base rent, common area costs and sign rent. The rent amounts are subject to increases in accordance with the executed lease agreement. For the nine months ended September 30, 2023, the Company paid $125.2 thousand in total rent with respect to this lease.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2023, the Company did not have any off-balance sheet arrangements. The Company has certain operating or rental lease agreements, as disclosed in the "Contractual Commitments and Obligations" section of this MD&A, which are entered into in the normal course of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company makes assumptions in applying critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the consolidated financial statements. Critical accounting estimates include the classification and recoverable amounts of CGUs, value of biological assets and inventory, estimating potential future returns on revenue, convertible instruments, value of investments, value of equity-accounted investees, value of leases, acquisitions and fair value of assets acquired and liabilities assumed in a business combination. Critical accounting estimates are based on variable inputs including but not limited to:

- Demand for cannabis for recreational and medical purposes;
- Price of cannabis;
- Expected cannabis sales volumes;
- Demand for liquor;
- Price of liquor;
- Expected liquor sales volumes;
- Changes in market interest and discount rates;
- Future development and operating costs;
- Costs to convert harvested cannabis to finished goods;

- Expected yields from cannabis plants;
- Potential returns and pricing adjustments;
- Facts and circumstances supporting the likelihood and amount of contingent liabilities;
- Assumptions and methodologies for the valuation of derivative financial instruments;
- Discount rates used to value investments;
- Market prices, volatility and discount rates used to determine fair value of equity-accounted investees; and
- Fair value less costs to sell of assets held for sale.

Changes in critical accounting estimates can have a significant effect on net income as a result of their impact on revenue, costs of sales, provisions and impairments. Changes in critical accounting estimates can have a significant effect on the valuation of biological assets, inventory, property, plant and equipment, provisions and derivative financial instruments.

For a detailed discussion regarding the Company's critical accounting policies and estimates, refer to the notes to the Audited Financial Statements.

NEW ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board and the IFRS Interpretations Committee regularly issue new and revised accounting pronouncements which have future effective dates and therefore are not reflected in the Company's consolidated financial statements. Once adopted, these new and amended pronouncements may have an impact on the Company's consolidated financial statements. The Company's analysis of recent accounting pronouncements is included in the notes to the Audited Financial Statements.

RISK FACTORS

In addition to the risks described elsewhere in this document, for a detailed discussion regarding the Company's risk factors, refer to the "Risk Factors" section of the Annual Report.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has designed disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon evaluation of the Company's disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective as of such date, as a result of the material weaknesses described in our MD&A for the year ended December 31, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in NI 52-109, Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act. Refer to our MD&A for the year ended December 31, 2022, for a discussion regarding internal control over financial reporting and the material weakness identified.

REMEDIATION

Management has implemented and continues to implement measures designed to ensure that control deficiencies are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include:

- continuing to strengthen procedures and controls related to the provision of and periodic review of user access to IT systems;
- continuing to strengthen the logging and monitoring of software updates and changes to systems supporting our financial reporting processes;
- enhancing the timeliness of executing user access reviews and the subsequent actions as required; and
- working with our advisors to continue to assist with process improvements and strengthening of controls over financial systems.

At November 13, 2023 the above remediation measures are in progress but will not be considered remediated until the updated controls operate for a sufficient period of time, and management has concluded through testing, that these controls are operating effectively.

The Company is pursuing remediation of the above material weakness during the 2023 fiscal year.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except for the remediation activities described above, as of September 30, 2023, there have been no other changes in our internal control over financial reporting (as defined in NI 52-109 and Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ABBREVIATIONS

The following provides a summary of common abbreviations used in this document:

Financial and Business Environment	
$ or C$	Canadian dollars
IFRS	International Financial Reporting Standards
MD&A	Management's Discussion and Analysis
U.S.	United States
US$	United States dollars

FORWARD-LOOKING INFORMATION

This document may contain forward-looking information concerning the Company's business, operations and financial performance and condition, as well as its plans, objectives and expectations for its business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "seek", "should", "target", "will", "would", and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable technology.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which it operates and management's beliefs and assumptions and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond its control. As a result, any or all of the forward-looking information in this document may turn out to be inaccurate. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed or referred to under the heading "Risk Factors" herein. Although management believes that its underlying assessments and assumptions are reasonable based on currently available information, given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, the Company assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future. Additionally, the Company undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

This document contains estimates, projections and other information concerning the Company's industry, business and the markets for its products. Information that is based on estimates, forecasts, projections, market research of similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, the Company obtained this industry, business, market and other data from its own internal estimates and research as well as from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

In addition, assumptions and estimates of the Company's and industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section "Risk Factors" herein. These and other factors could cause the Company's future performance to differ materially from the Company's assumptions and estimates.

Further information regarding the assumptions and risks inherent in the making of forward-looking statements can be found in the Annual Report, along with the Company's other public disclosure documents. Copies of the Annual Report and other public disclosure documents are available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the EDGAR section of the U.S. Securities and Exchange Commission's (the "SEC") website at www.sec.gov.

Certain information in this MD&A is "financial outlook" within the meaning of applicable Canadian securities laws. The purpose of the financial outlook is to provide readers with disclosure of the Company's reasonable expectations of its anticipated results. The financial outlook is provided as of the date of this MD&A. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

ADDITIONAL INFORMATION

Additional information relating to the Company can be viewed under the Company's profile on SEDAR at www.sedar.com, on the EDGAR section of the SEC's website at www.sec.gov, or on the Company's website at www.sndl.com. The information on or accessible through our website is not part of and is not incorporated by reference into this MD&A, and the inclusion of our website address in this MD&A is only for reference.