CANADA HOUSE CANNABIS GROUP INC.
Doing Business As "CANADA HOUSE WELLNESS GROUP"

Management's Discussion and Analysis

For the Three and Six months ending October 31, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("**MD&A**") of Canada House Wellness Group Inc. (the "**Company**" or "**Canada House**") was prepared in accordance with National Instrument 51-102 *Continuous Disclosure Obligations* and should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes thereto of the Company for the three and six months ending October 31, 2019 and 2018 (the "**Financial Statements**") and the audited fiscal year consolidated financial statements and related notes thereto of the Company for the years ended April 30, 2019 and 2018. The Company files its Financial Statements, press releases and other required disclosure documents on the SEDAR database at www.sedar.com.

The Company prepares Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**"). Except where otherwise indicated, all financial information reflected herein is expressed in thousands of Canadian Dollars.

This MD&A may contain information and declarations on the future performance of the Company that are, by nature, forward looking. These declarations reflect management's expectations regarding future events based on assumptions and uncertainties that are subject to the risk factors identified in the ''Risks and Uncertainties'' section of this MD&A. Readers are hereby cautioned.

The Financial Statements and MD&A of the Company in respect of the three and six months ending October 31, 2019 and 2018 were reviewed and approved by the Board of Directors of the Company on December 27, 2019. The effective date of the MD&A is December 27, 2019.

BUSINESS HIGHLIGHTS

Subsequent to the quarter ending October 31, 2019, Canada House Wellness Group Inc. announced that its wholly owned subsidiary, Abba Medix Corp. ("**Abba**"), entered into a two-year Medical Cannabis Supply Agreement (the "**Supply Agreement**") with Franchise Cannabis Corp.'s ("**Franchise**") wholly owned subsidiary, ACA Müller ADAG Pharma Vertriebs GmbH ("**ACA Müller**"), the first company in Germany licensed to distribute medical cannabis, for the sale and export of a minimum of 200 kg of pharmaceutical-grade EU-GMP cannabis flower into the European Union each year. Under the Supply Agreement, Abba will acquire genetics from Europe's first legal registered seed bank. Franchise's collection of genetics consists of over 220 strains, bred by award winning and world-renowned breeder Charles Scott. Mr. Scott has won numerous globally recognized awards including an induction into the High Times Hall of Fame and 19 Cannabis Cups for THC strains such as Love Potion #1, Willie Nelson, and Pink Kush.

All products delivered under the Supply Agreement will be derived from plants grown in Abba's facility using Franchise's Genetics. Subject to the existing right of first refusal under the supply agreement announced by Abba on October 31, 2019, Franchise will have the first right during the term to purchase all EU-GMP certified products shipped by Abba to the European Union at a set price. ACA Müller and Abba will begin exports into Germany and other European Union countries upon Abba receiving EU-GMP certification by relevant authorities. Abba remains on track to obtain EU-GMP Certification in mid-2020.

Also subsequent to the quarter ending October 31, 2019, Canada House provided a business update. The high inventory levels in the Canadian cannabis market, time to market for a new development project, and management's prioritization of capital investments has brought into question past decisions concerning the Vegreville, Alberta property. Canada House's management team has decided that pursuing the development of this project is no longer core to the Company's strategy, but for now, it remains available should market conditions change. Alternatively, it may be sold should a suitable offer be received.

Rather than pursue a branding and retail strategy through the Company's agreement with Weedbox Inc., Canada House has decided to execute its retail strategy through provincial supply agreements and the creation of a product and brand portfolio for the Health & Wellness space. In conjunction with this decision, Canada House is reviewing its strategy with respect to the Edmonton dispensary and investigating potential interest from strategic partners. Canada House does not intend to invest nor operate the Edmonton dispensary alone. It will review strategic alternatives for this project throughout 2020.

In October of 2018, Abba entered into a Joint Venture with Nutritional High International Inc. ("NH") for the joint development of extraction capabilities within Abba's licensed facility in Pickering, Ontario (the "JV"). The JV contemplated certain funding obligations by both Abba and NH, certain operating project costs to be included at the JV level, and an equal profit share between Abba and NH. Canada House management has determined that participating in the oils and extracts market is part of the Company's core strategy, however, the economics contemplated under the JV do not sufficiently compensate Abba for its existing licenses, the proximity of its licensed facility to the Greater Toronto Area, and the expertise of its existing staff. As such, in light of the Company's current focus on protecting its Balance Sheet, the Company has decided not to pursue the JV under its current terms.

Given Canada House's intention to offer oils and concentrate products to medical patients and provincial distributors in an expedited fashion, the Company has developed a relationship with an Ontario based licensed producer focusing only on extraction (the "Extraction Partner"). Under the terms of the relationship, the Extraction Partner will make available to Abba bulk transferred oils and tinctures for sale through Canada House's distribution network and will contract manufacture white label products for Abba. Canada House will incur no capital expenditure to bring these products to market. Abba is currently working with Health Canada to amend its license to allow for the sale of oils and concentrate products. The Company expects, license permitting, to have these products available for sale to provincially authorized distributors and registered Abba patients during the first three months of 2020.

a. PERIOD ENDING OCTOBER 31, 2019

The Company announced that it had entered into a funding agreement for gross proceeds of up to $14.6 million with Lind Partners (the "**Investor**"), with the first closing consisting of a convertible security (the "**First Convertible Security**") with a face value of $3,105 and gross proceeds of $2,588 in September 2019. The First Convertible Security has a term of 24 months and is convertible into common shares of the Company at a fixed conversion price per share of $0.08. Pre-paid interest will accrue monthly with the Investor having the right to convert accrued interest into the Company's common shares at a conversion price equal to the last closing market price of the shares on the Canadian Securities Exchange ("**CSE**") on the day prior to conversion. Upon receiving an accrued interest conversion notice from the Investor, the Company may elect to satisfy that conversion in cash. Upon issuance of the First Convertible Security, the Investor also received 16,171,875 warrants of the Company, with each warrant entitling the Investor to purchase one common share at an exercise price of $0.15. The warrants expire 36 months from their date of issue, provided that if the volume weighted average price of the Company's common shares is at least

$0.60 for 20 consecutive trading days, then the expiry date of the warrants may be accelerated by the Company. The Company has the right to buy-back the First Convertible Security and the pre-paid interest at any time with no penalty (the "**Buy-Back Right**"). Should the Company exercise its Buy-Back Right, the Investor will have the right to convert 25 percent of the outstanding principal amount and 100 percent of the pre-paid interest into the Company's common shares. The First Convertible Security is secured by a general security agreement from the Company and certain of its subsidiaries.

The Company also announced that its wholly owned subsidiary, Abba, had secured its amended sales license from Health Canada, enabling the sale of its own cannabis directly to patients and consumers. With this amendment, Abba is able to sell cannabis, including its own Abba Medix brand, in dried flower format, directly to registered medical patients and authorized provincial/territorial distributors and retailers across Canada. Patients can pre-register on the Abba website (www.abbamedix.com). Abba will continue to ramp up production towards its goal of between 2,000 and 3,000 kg of dried flower on an annualized basis at its 22,000 s.f. facility in Pickering, Ontario facility. It is now in full perpetual grow with regular harvests every three weeks of one strain, an Indica dominant Purple Bud, ready for sale. Purple Bud comes from a cross between Jamaican Sativa and Afghani Indica. The flower is named for its purple and lavender hues which offer a piney, sweet aroma of sandalwood.

The Company announced that Abba had entered into a five-year supply agreement with Pharmadrug Production GmbH ("**Pharmadrug**"), a German EU GMP approved generic pharmaceutical manufacturer, and a subsidiary of Pharmadrug Inc. (CSE: BUZZ). Under the Supply Agreement, Pharmadrug will purchase medical cannabis from Abba's facility for sale in Germany under Pharmadrug's Cannabion brand. Minimum quantities for the first year are 250 kg of dry flower or oil equivalent, with a right to purchase an additional 250 kg, at a bulk sale price of EUR 4.00 per gram. Minimum quantities for the subsequent years increase to 500 kg of dry flower or oil equivalent, with a right to purchase an additional 500 kg at the same first year price, subject to a price reduction if German wholesale prices fall by more than EUR 1.50 per gram. Subject to a right of first refusal by Pharmadrug, Abba will have the ability to sell additional dry flower or oil equivalent during the term of the Supply Agreement. The parties are also in discussions with respect to importing high CBD/trace THC strains for other Eurozone countries that are CBD-only jurisdictions.

b. FISCAL YEAR ENDING APRIL 30, 2019

Canada House rebranded its clinic group, expanded its target market and opened new clinics

In September 2018, after five years of servicing Veterans and the public, 672800 NB Inc. doing business as Marijuana for Trauma, changed its name and rebranded itself as Canada House Clinics Inc. ("**CHC**"). In November 2018, CHC entered into a strategic partnership with Peak Pharma Solutions, leveraging its new clinic branding and organizational changes to position itself for accelerated growth.

In January 2019, CHC and HelloMD, a leading online cannabis telehealth company, announced a new medical cannabis partnership that supports Canada House's 2019 growth through expanded access to practitioner-led advice.

In February 2019, CHC announced the opening of its first Toronto clinic at the Champagne Centre, a multidisciplinary medical complex in North York, a first step to its expansion to larger centres due to a significant and growing demand amongst key demographics including Boomers and Seniors, in addition to the Veterans historically serviced by its clinics. The Champagne Centre is an innovative 270,000 square

foot health, sports, and wellness complex that includes the PolyClinic Family and Specialty Medicine Facility which has over 70 physicians and a wide range of diagnostic testing facilities. The strategic location will assist Canada House in extending its reach to new patients with specific health and wellness concerns. In addition, a major hospital in North York recently announced its plans to open a large outpatient clinic in the Champagne Centre in 2019, adding to the 1,200 patients per day that visit the Champagne Centre. Canada House is committed to working with the health system to secure coverage for medical cannabis patients by taking an evidence-based medical approach to responsible and effective cannabinoid therapy. CHC's first Toronto clinic is yet another step in this direction, endeavoring to reach out to potential new users of medical cannabis.

In June 2019, CHC opened its first clinic in Halifax and announced the relocation of its Petawawa clinic to a larger space.

Canada House Receives Cannabis Sales Licenses from Health Canada and Expands Production Capacity

In July 2018, the Company announced Abba, a licensed cannabis producer under the Access to Cannabis for Medical Purposes Regulations (the "**ACMPR**"), completed its Health Canada pre-sales inspection and received an amendment to its Producer's License from Health Canada to include the sale and provision of marihuana seeds. To support this sales license Abba has secured an exclusive Canadian distribution agreement with a well-established UK seed producer and now has access to more than 800 cannabis strains. More than 200 of these strains are immediately available for sale by Abba.

In October 2018, Abba continued efforts to sell seeds from its genetic library to the Canadian Licensed Producer community through its online e-commerce platform, http://www.abbamedixgenetics.com. Licensed Producers register for access to the website where they can directly purchase over 200 strains of cannabis seeds, ensuring that the genetics offer superior commercial production opportunities. The number of available strains is being increased through an exclusive relationship with a premium seed producer in Europe.

In November 2018, Abba announced the harvest of four batches of premium medical cannabis at its Pickering, Ontario facility and submitted them for lab analysis. In addition, in anticipation of Health Canada's pre-sales inspection, two batches of bulk purchased cannabis were packaged using the material, equipment and processes required for a future sales license.

In December 2018, Canada House announced that it its wholly owned subsidiary, Abba, received approval from Health Canada to sell Cannabis to other Licensed Producers, effective December 21, 2018, in accordance with sections 27 and 289 of the Cannabis Regulations under the Cannabis Act. This approval amended the earlier license held by Abba to include the sale of dried cannabis, cannabis oil, seeds, cannabis plants, and fresh cannabis for medical purposes.

In February 2019, Abba accelerated its phenotyping program of 62 in-house genetics and announced its intent to enter into full-scale production of EU-GMP certified cannabis.

Canada House Wellness Group Expanded its Pursuit of the Recreational Market

In April 2019, the Company announced that it signed a lease agreement for a licensed Cannabis Dispensary in Southeast Edmonton, Alberta. When completed, Canada House's first recreational dispensary will be

conveniently located adjacent to the Company's existing medical cannabis location. According to a recent report by CBC, Alberta pot smokers are expected to spend about $940 million on legal weed by 2024, with the province becoming Canada's second-largest market for cannabis behind Ontario. U.S.-based research firms BDS Analytics and ArcView Market Research said in a new report Albertans spent about $216 million on medical and retail cannabis last year. The forecast predicts demand will more than quadruple in the next five years. By the end of February 2019, there were 75 retail cannabis stores operating in Alberta, 24 of which are in Calgary. The province's stores have combined to sell $33 million worth of legal marijuana since October 17, 2018.

Subsequent to the quarter ending October 31, 2019, Canada House announced it had decided to execute its retail strategy through provincial supply agreements and the creation of a product and brand portfolio for the Health & Wellness space. In conjunction with this decision, Canada House is reviewing its strategy with respect to the Edmonton dispensary and investigating potential interest from strategic partners. Canada House does not intend to invest nor operate the Edmonton dispensary alone. It will review strategic alternatives for this project throughout 2020.

Corporate Announcements

In February 2019, the Company announced the appointment of Ernst & Young LLP ("**E&Y**") as its auditor. Following the recommendation of the Audit Committee, the Company's Board of Directors accepted the resignation of RSM Canada LLP and approved the appointment of E&Y.

In March 2019, the Company announced that it had closed its financing of units ("**Units**") resulting in total gross proceeds to the Company of $3,300 (the "**Offering**"). The Offering was oversubscribed beyond the $3 million maximum Offering initially announced by the Company.

In September 2019, the Company issued a First Convertible Security with a face value of $3,105, comprised of a principal amount of $2,588 and a prepaid interest amount of $518. The Company is required to repay the principal amount of the First Convertible Security in 18 equal monthly payments commencing the seventh month after closing, except that the repayment amount will be reduced in any month by any amount converted by the Investor into the Company's common shares. Upon issuance of the First Convertible Security, the Investor also received 16,171,875 warrants of the Company, with each warrant entitling the Investor to purchase one common share at an exercise price of $0.15. The warrants expire thirty-six months from their date of issue, provided that if the volume weighted average price of the Company's common shares is at least $0.60 for 20 consecutive trading days, then the expiry date of the warrants may be accelerated by the Company. The Company has the right to buy back the First Convertible Security and the prepaid interest at any time with no penalty. Should the Company exercise its Buy Back Right, the Investor will have the right to convert 25 percent of the outstanding principal amount and 100 percent of the prepaid interest into the Company's common shares. The First Convertible Security is secured by a general security agreement from the Company and certain of its subsidiaries.

BUSINESS OVERVIEW

Canada House was incorporated on September 29, 1982 under the *Business Corporations Act* (British Columbia) and was continued under the *Canada Business Corporations Act* ("CBCA"). The head and registered office of the Company is located at 1773 Bayly Street, Pickering, Ontario.

The Company's common shares (the "**Common Shares**") are listed on the CSE under the trading symbol "CHV." The Corporation is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

The Company is the parent company of Abba, a Licensed Producer in Pickering, Ontario that produces high quality medical grade cannabis; CHC, which operates clinics across the country that work directly with primary care teams to provide specialized cannabinoid therapy services to patients suffering from simple to complex medical conditions; 690050 NB Inc. doing business as Knalysis Technologies ("**Knalysis**"), a provider of fully customizable, cloud-based software that links physician, provider, and patient to data that supports treatment with medical cannabis; and 2104071 Alberta Inc. ("**2104071**"), which is targeted at the recreational cannabis market, with its initial dispensary in Edmonton, Alberta. Canada House's goal is to become the leading cultivator of premium craft cannabis and provider of cannabinoid therapy, targeting the medical cannabis markets globally.

Corporate Structure:

Abba, CHC, Knalysis and 2104071 are each wholly-owned subsidiaries of Canada House.

Abba was incorporated under the *Business Corporations Act* (Ontario) in 2013 and is a licensed producer (a "**Licensed Producer**") under the *Cannabis Act*, S.C. 2018, c.16 (the "**Cannabis Act**") and *Cannabis Regulations* (Canada) (the "**Cannabis Regulations**"). Abba also obtained a license to cultivate in Pickering, Ontario in September 2017 and a sales license in December 2018. Abba has approximately 22,000 square feet in its indoor, controlled grow facility in Pickering, Ontario.

CHC was incorporated under the *Business Corporation Act* (New Brunswick) on October 7, 2013 as 672800 NB Inc. and operated under the business name "Marijuana for Trauma" until being rebranded as Canada House Clinics in October 2018. CHC owns and operates medicinal cannabis clinics. It provides services to assist their patients in selecting a Licensed Producer, identify appropriate strains, and consult and support patients regarding the use of medical cannabis inclusive of issuing a Medical Document (authorization to purchase medical cannabis).

The Company acquired Knalysis in January 2018. Knalysis creates tools for better cannabis health outcomes by its innovative software that seamlessly links physicians, providers, and patients, offering a global approach to reporting, monitoring and care. Its leadership team envisioned a need for health technology connecting every aspect of the medical marijuana field and has pioneered software to meet this need. Its products were developed with a national network of clinicians in the medical marijuana domain, and are built to deliver better monitoring of symptoms, moods, and treatments for both physician and patient.

2104071 was incorporated under the Business Corporations Act (Alberta) on March 8, 2018 and owns the licensed cannabis dispensary in Edmonton, Alberta.

Issuers with U.S Cannabis-Related Activities

As discussed below under "*Pennsylvania*," Canada House's subsidiary, Knalysis, is in the business of developing and selling on a SaaS basis medical marijuana patient management software. It has one client in the United States, operating a clinic in the state of Pennsylvania.

United States Federal Law

Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("**THC**"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "**U.S. CSA**") in the United States and as such, is in violation of federal law in the United States. Despite the current state of the federal law and the U.S. CSA, certain states have legalized the recreational use of cannabis, including Oregon and California, where the Company has a direct involvement in the U.S. cannabis industry.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramountcy of federal law in the United States, enforcement of such laws may be limited by other means or circumstances, which are further described in this document. See "Enforcement of United States Federal Laws and United States Enforcement Proceedings".

While marijuana and Cannabis-Infused Products are legal under the laws of several U.S. states (with vastly differing restrictions), presently the concept of "medical marijuana" and "retail marijuana" do not exist under U.S. federal law. The United States Federal Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. The United States Supreme Court has ruled in a number of cases that the federal government does not violate the U.S. Constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

The U.S. Department of Justice has issued official guidance regarding marijuana enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use marijuana. In each instance, the U.S. Department of Justice (the "DOJ") has stated that it is committed to the enforcement of federal laws and regulations related to marijuana. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the U.S. Department of Justice has rescinded all federal enforcement guidance specific to marijuana and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the U.S. Attorney's Manual creating broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. Prior to 2018 and in the Cole Memo, the U.S. Department of Justice acknowledged that certain U.S. states had enacted laws relating to the use of marijuana and outlined the U.S. federal government's enforcement priorities with respect to marijuana notwithstanding the fact that

certain states have legalized or decriminalized the use, sale, and manufacture of marijuana. “Cole Memo” means the memorandum dated August 29, 2013, addressed to “All United States Attorneys” from James M. Cole, Deputy Attorney General of the United States, as may be supplemented or amended indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent: (1) distribution of cannabis to minors; (2) criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis; (3) transfer of cannabis from states where it is legal to States where it is illegal; (4) cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity; (5) violence or use of firearms in cannabis cultivation and distribution; (6) drugged driving and adverse public health consequences from cannabis use; (7) growth of cannabis on federal lands; and (8) cannabis possession or use on federal property.

On January 4, 2018 and as discussed above, the Cole Memo was rescinded by a one-page memo signed by the former U.S. Attorney General Jeff Sessions (“Sessions Memorandum”). Canada House believes that the Sessions Memorandum does not represent a significant policy shift as it does not alter the U.S. Justice Department's discretion or ability to enforce federal marijuana laws rather just provides additional latitude to the U.S. Justice Department to potentially prosecute state-legal marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. U.S. state attorney generals will continue to have discretion over how the federal law is enforced with respect to the companies that operate in the states where cannabis has been legalized for medical or adult use. Even though the Cole Memo has been rescinded Canada House intends, as guiding corporate policy, to continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current U.S. Federal enforcement guidelines relating to U.S. states in which the Company operates or has investments in. There is no guarantee that the current presidential administration will not change its stated policy regarding the low priority enforcement of U.S. federal laws that conflict with state laws. Additionally, any new U.S. federal government administration that follows could change this policy and decide to enforce the U.S. federal laws vigorously. Any such change in the U.S. federal government's enforcement of current U.S. federal laws could cause adverse financial impact and remain a significant risk to the Company's business.

On December 16, 2014, President Obama signed the H.R.83 - Consolidated and Further Continuing Appropriations Act, 2015 (“**Omnibus Bill**”), approving spending for certain federal agencies through September 30, 2015. Section 583 of the Omnibus Bill prohibits the United States government from using federal funds to prevent states with medical marijuana laws from implementing state laws that authorize the use, distribution, possession, or cultivation of medical marijuana.

On May 5, 2017, U.S. President Trump signed into law H.R. 244 - the Consolidated Appropriations Act, 2017, which authorizes appropriations that fund the operation of the Federal Government through September 30, 2017. Section 587 of the Consolidated Appropriations Act prohibits the United States government from using federal funds to prevent States with medical marijuana laws from implementing state laws that authorize the use, distribution, possession, or cultivation of state-legal medical marijuana. Nevertheless, (1) this does not prevent the United States government from using federal funds to prevent states with retail marijuana laws from implementing such laws requiring use, distribution, possession or coloration of adult use marijuana; and (2) there can be no certainty that future U.S. federal funding bills will include similar provisions.

On November 14, 2017, Jeff Sessions, the former Attorney General of the United States appearing before the House Judiciary Committee commented on prosecutorial forbearance regarding state-licensed marijuana businesses. In his statement Mr. Sessions stipulated that the U.S. Federal Government's current

policy is the same fundamentally as the Holder-Lynch policy, whereby the states may legalize marijuana for its law enforcement purposes, but it still remains illegal with regard to federal purposes.

On March 22, 2018, the House of Representatives and Senate voted in favour of approving the Omnibus Spending Bill and it was signed into law the following day by the President of the United States. Section 538 of the Bill provided for an extension of the Rohrabacher-Leahy Amendment until September 30, 2018. The extension has been extended through December 22, 2018 as part of a short-term continuation of appropriations. The Rohrabacher-Leahy Amendment prevents the U.S. Department of Justice from using federal funds in enforcing federal law relating to state-legal medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. The amendment was first introduced in 2014 and has been reaffirmed annually since that time. It should be noted that this amendment does not apply to state-legal retail marijuana.

On April 13, 2018, the Washington Post reported that President Trump provided assurances that he will support a federalism-based legislative solution to fix the issue regarding of states' rights to regulate cannabis. Around the same timeframe it was announced that a former Republican House Speaker John Boehner has been appointed to the advisory board of a U.S. cannabis company.

On April 4, 2019, the "Strengthening the Tenth Amendment Through Entrusting States Act" ("**STATES Act**") was introduced in the Senate by Democratic Senator Elizabeth Warren of Massachusetts, along with 9 cosponsors, 5 republicans and 4 democrats. That same day, an identical bill was introduced in the House by Democratic representative Earl Blumenauer of Oregon, along with 47 Cosponsors, 31 democrats and 16 republicans. The bill provides in relevant part that the provisions of the CSA, as applied to marijuana, "shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana." Even though marijuana will remain within Schedule I under the STATES Act, it makes the CSA unenforceable to the extent it is in conflict with state law. In essence, the bill extends the limitations afforded by the Rohrabacher-Blumenauer protection within the federal budget − which prevents the Department of Justice and the Drug Enforcement Agency from using funds to enforce federal law against state-legal medical cannabis commercial activity − to both medical and recreational cannabis activity in all states where it has been legalized. By allowing continued prohibition to be a choice by the individual states, the STATES Act does not fully legalize cannabis on a national level. In that respect, the bill emphasizes states' rights under the Tenth Amendment, which provides that "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

On November 7, 2018, Jeff Sessions resigned as Attorney General, William Barr was then appointed as Attorney General on February 14, 2019, and in his hearing, mentioned that he would "not go after companies that have relied on the Cole memorandum" nor would he "upset settled expectations and reliant interests" related to it.

On February 8, 2018, the Canadian Securities Administrators ("CSA") published Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities, which provides specific disclosure expectations for reporting issuers in Canada that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All reporting issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other applicable disclosure documents in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities. Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that cannabis is illegal under U.S. federal law and that the

U.S. enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's U.S. cannabis-related activities are conducted in a manner consistent with U.S. federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

To ensure compliance with United States Federal and State laws, Canada House does not operate in jurisdictions which have not legalized marijuana and does not intend to operate in U.S. State jurisdictions which have legalized marijuana but not developed a licensing and compliance regime for Licensed Operators, in a manner compliant with guidance previously provided by the Cole memo. For greater certainty, if required, the Company will seek legal advice. To date, no such legal advice has been received, but as of the date of this MD&A, Canada House has not received any notices of violation, denial or non-compliance from any U.S. authorities. The United States has to date not been a target market for Canada House and going forward, if required, the Company intends to institute a formal monitoring system for compliance before pursuing such opportunities.

Pennsylvania

The Pennsylvania Department of Health is in the process of implementing the state's Medical Marijuana Program, signed into law on April 17, 2016. When fully implemented, the Medical Marijuana Program will provide access to medical marijuana for patients with a serious medical condition through a safe and effective method of delivery that balances patient need for access to the latest treatments with patient care and safety. Residents with any of 21 illnesses that qualify them for medical marijuana will be able to buy dry leaf, or buds, to help alleviate their symptoms, but smoking is prohibited and patients will have to purchase and learn how to use a vaporizer. The Department issued permits for the sale of medical cannabis by dispensaries, with each dispensary limited to no more than three separate locations. Those that are awarded a permit must complete a two-hour training course. As permitted by the Act, the department may provide for other requirements through temporary regulations.

Knalysis is in the business of developing and selling on a SaaS basis medical marijuana patient management processing services. Knalysis has a client that currently operates a clinic in the state of Pennsylvania and has provided clinic software for revenue of $188 during the year ending April 30, 2019.

The Pennsylvania's clinic operations are limited to cannabis advice and prescriptions. This clinic is not vertically integrated. To the knowledge of the Company, the business of these clients is in compliance with the applicable licensing requirements and regulatory framework of Pennsylvania.

Business Strategy and Developments

Canada House believes a vertical integration strategy is well suited to the Medical Cannabis Market, sharpening the focus on the above critical success factors and facilitating sustainable growth and profitability through strong relationships with its patients and internalizing profit margins throughout the supply chain by growing and selling product from its own licensed producer that meets the needs of its patients.

In September 2018, the Company announced that after five years of servicing Veterans and the public as "Marijuana for Trauma," its medical cannabis specialty clinics were rebranded as Canada House Clinics™

("**CHC**") and articles of amendment were filed to change the Company's name to Canada House Clinics Inc. CHC's mission is to improve the quality of life for anyone suffering from post-traumatic stress disorder, chronic pain and/or other medical conditions. CHC is not in the business of growing or distributing cannabis and will not undertake these activities in the future. CHC provides education services to assist their patients in selecting a Licensed Producer, identify appropriate strains, and consult and support patients regarding the use of medical cannabis. Since its inception, CHC has directly supported thousands of veterans and civilians across Canada with comprehensive service and care. CHC currently has two clinics in Alberta, one in each of Prince Edward Island and Newfoundland, 3 clinics in New Brunswick, 2 clinics in Nova Scotia and 5 clinics in Ontario. CHC continues to provide a community environment for those engaged in the process of healing with a focus on support during the various steps of the program. Clients of CHC clinics are educated to understand the possible benefits of cannabinoid therapy, and, if appropriate, introduced to a professional who can write a cannabis prescription in order to meaningfully improve the quality of lives for veterans, first responders and civilians alike.

CHC continues to execute several initiatives to provide better service and support for their patients. It continued to make improvements to its Cannabis Patient Management ("**CPM**") software, including new physician services capabilities and an improved service to patients, with 48 to 72 hour response times for all prescriptions and renewals. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. New clinics have been added in Ontario, in addition to existing clinics in New Brunswick, Nova Scotia, Newfoundland, Quebec and Alberta.

In the interest of providing superior, comprehensive service to its clients, CHC has added Licensed Practical Nurses to provide Cannabinoid Therapy Education ("**CTE**") to all clients, which is an integral part of the Company's vision in offering better health outcomes to those seeking alternative treatments towards improving their quality of life. Patients in Ontario also now have access to educators and prescribers at no additional cost which allows CHC to help patients quickly and securely.

New clients must register online on CHC's website or walk in to a clinic for a hard copy registration package. In order to register, clients must provide a referral or diagnosis and proof of identity. Once a client profile is created, all pertinent medical information is uploaded for CTE and Prescribers. The first appointment is then set up to provide the client with CTE in order to review their medical history and provide education with regards to their specific diagnoses and dosing recommendation. It is the client's ultimate responsibility to select the most appropriate cannabis strains and Licensed Producer and CTE's are first and foremost committed to connecting patients to Licensed Producers that are best suited to their needs.

In addition, CHC continues to add Licensed Producers to provide greater capacity and more care alternatives. As of January 31, 2019, CHC had over twenty-five agreements with Licensed Producers from which CHC patients could choose their medicine and will soon be providing cannabis from its own licensed producer. CHC's clinics also provide Second Level Assessments for veteran clients who require an increased level of care. Abba has now secured its amended sales license from Health Canada, enabling the sale of its own cannabis directly to CHC and other patients, as well as consumers.

Licensed Producer

Abba has completed the necessary improvements to its facility in Pickering, Ontario to enter into perpetual production, including upgrades to the security system, mechanical and HVAC systems, grow rooms and staging areas. Since obtaining the License, Abba has invested approximately $8.3M in improvements to

the facility and necessary equipment. At full capacity, it is projected that the facility will be able to produce up to between 2,000 and 3,000 kg of premium cannabis annually, with plans to carefully and strategically increase this over time. In addition to its own detailed policies and procedures, Abba has an exclusive license for Canada for proven commercial production Standard Operating Procedures from Medicine Man Technologies Inc. (OTCQB:MDCL) ("**MMT**"), one of the United States' leading cannabis branding and consulting companies, to enable it to deliver industry leading quality and yields of cannabis and nutrients into the Canadian marketplace and resell MMT's intellectual property to micro-growers. It has also licensed seed-to-sale software and equipment from Ample Organics. The Company believes that with this technology that it can maximize yields and quality of its own grow operations, as well as open new revenue opportunities.

In March 2018, Abba received its starting genetics, including forty-seven strains of cannabis. In May 2018, Abba announced it had planted its first high grade medicinal cannabis seeds and in July 2018, Health Canada extended its sales license to include marijuana seeds. In October 2018, Abba launched its website, http://www.abbamedixgenetics.com, an online e-commerce platform aimed at selling seeds to the Canadian LP community.

A summary of the dates and descriptions of the Abba licenses to date follow below:

Date	Description
September 01, 2017 License No 10-MM0264/2017	Cannabis Cultivation License Sales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
September 29, 2017 License No 10-MM0264/2017	Destruction room -included as Sub div C room Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
April 20, 2018 License No 10-MM0264/2018	Production of 1. Bottled cannabis oil production 2. Cannabis in in its natural form/cannabis resin added additional subdivision C grow room and oil extraction room included in the license

	Sale is Still under ACMPR sub sec 22 (2)-limited. his licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
July 20, 2018 License No 10-MM0264/2018	Selling seeds to Licensed Producers Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
July 31, 2018 License No 10-MM0264/2018	Production of Fresh Cannabis Sale Still governed by the section 22(2) limited version
November 10, 2018 License No. LIC-MZPK573ALN-2018-1	Updated License under Cannabis regulations Standard cultivation license Standard Processing license (including sales of seeds and planting materials)
December 21, 2018 License No. LIC-MZPK573ALN-2018-1	Sales (Medical) -Dried cannabis License with condition.
August 30, 2019 License No. LIC-MZPK573ALN-2018-2	Amended Sales License - Abba can start legally selling its own branded dry flower and fresh cannabis.

Technology - *Knalysis*

On January 12, 2018, by completing the acquisition of all of the issued and outstanding shares of Knalysis, Canada House positioned itself to gain new insights into medical cannabis patient care and clinic operations. Knalysis is a software development company that has developed various electronic programs and applications which include the Knalysis Wellness Tracker Application, its Data Analytics Web Portal and the Cannabis Patient Management software that has been adopted by 672800 NB Inc. doing business as Marijuana for Trauma **("MFT")**.

The Knalysis Wellness Tracker Application has the ability to quantify how effective cannabis products are at treating the symptoms of an individual. By keeping track of one's treatments, moods and general physical condition throughout the day using the Knalysis Wellness Tracker Application, MFT's trained professionals are able to identify different products and strains that will relieve specific symptoms of suffering patients, and allow them to regain their optimal physical, mental and emotional balance that has been compromised by trauma and harmful "pharmaceutical cocktails". The Knalysis Wellness Tracker Application can be downloaded from the Apple store for use with iPhones and iPads, or from Google Play for Android phones and tablets. More than 12,000 medical cannabis patients have been registered on the

Knalysis software platforms. When the data from this patient base is coupled with Knalysis' US customer base, more than 32 million data points have been collected which will better help MFT provide the best care for their patients.

In April 2018 Knalysis was selected as a finalist for the Knowledge and Innovation Recognition Awards ("**KIRA**") award for the most innovative start-up. The award is offered by such agencies as Opportunities New Brunswick ("**ONB**"), Atlantic Canada Opportunities Agency and the Canadian federal government to recognize companies, organizations, and individuals in New Brunswick for their role in the development and/or application of innovative products, processes, services, technologies, or business models. KIRA seeks to encourage and foster a culture of knowledge and innovation in New Brunswick. In May 2018, Knalysis announced they were forging a new partnership with New Frontier Data, a leader in business intelligence in the cannabis industry. Building on the data collected from MFT and other sources, Knalysis sponsored New Frontier Data's Canada Cannabis Report: Industry Outlook 2018 and continues to develop new revenue opportunities with third party clinics.

Corporate activities

During the fiscal year ended April 30, 2019, Canada House successfully organized financings totaling $5.7 million (2018: $14.9 million). During the six months ended October 31, 2019, the Company raised, net of issuance costs, $2.4M million, by issuing a convertible debenture. Proceeds from these financings have allowed the Company to expand its facility in Pickering, Ontario, establish new relationships and further develop its senior management team. To further our medical cannabis strategy, we have a Memorandum of Understanding with University of New Brunswick to contribute information, expertise and/or resources to the development and support of mutually agreed upon education and/or research projects. The scope of potential joint initiatives range from professional course development to supporting new technology platforms and products to genetic/biology research to data collection. We believe these kinds of initiatives are essential to establish scientific credibility and gain additional support from the medical community and we believe we are among the leaders in this pursuit.

We are, first and foremost, a medical cannabis company and we expect to grow a) organically, by continuing to expand our patient base in a profitable manner b) by acquiring other medical cannabis customers c) by partnering with scientists with a focus on medical cannabis and d) mergers and acquisitions.

Going Concern Uncertainty

These unaudited condensed interim consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business.

The Company's ability to continue as a going concern is dependent upon, but not limited to, generating positive cash flows from operations, and its ability to raise financing necessary to discharge its liabilities as they become due. During the three and six months ending October 31, 2019, the Company reported a net loss of $1,717 and $3,439 respectively (October 31, 2018- net losses of $3,007 and $5,035 respectively) and as of October 31 2019, the Company's accumulated deficit was $42,312 (April 30, 2019 - $38,571). As at October 31, 2019, the Company has current assets of $4,978 (April 30, 2019- $5,461) and current liabilities of $7,428 (April 30, 2019- $7,182) resulting in a working capital deficit of $2,450 (April 30,

2019- deficit of $1,721).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern in the foreseeable future. These unaudited condensed interim consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these consolidated financial statements.

Selected Information Table

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's audited financial statements for the years ended April 30, 2019 and 2018.

	As at and for the Year Ended April 30, 2019 $000's	**As at and for the Year Ended April 30, 2018 $000's**	**As at and for the Year Ended April 30, 2017 $000's**
Revenue	4,875	3,289	6,207
Income (Loss)	(11,415)	(12,917)	(14,453)
Current assets	5,461	10,311	2,156
Non-current assets	10,846	4,729	3,239
Current liabilities	3,270	3,641	3,203
Non-current liabilities	4,639	5,345	3,402
Working capital (deficiency)	$2,191	6,670	(1,047)
Deferred income tax liability	12	519	182
Share capital	34,508	23,473	9,000
Shareholders' equity (deficit)	8,398	6,064	(1,209)
Loss per share - basic and diluted	$(0.06)	$(0.09)	$(0.25)

Quarterly Results

Quarter	**Revenues**	**Net income (loss)**	**Net earnings (loss) per share basic and diluted**
	$000's	**$000's**	**$**
	(Unaudited)	(Unaudited)	(Unaudited)
Year ended April 30, 2020			
Quarter ended October 31, 2019	1,291	(1,717)	(0.01)
Quarter ended July 31, 2019	1,290	(1,722)	(0.01)
Year ended April 30, 2019			
Quarter ended April 30, 2019	1,228	(3,117)	(0.02)
Quarter ended January 31, 2019	1,176	(3,263)	(0.01)

Quarter ended October 31, 2018	1,240	(3,007)	(0.02)
Quarter ended July 31, 2018	1,231	(2,028)	(0.01)
Year ended April 30, 2018			
Quarter ended April 30, 2018	868	(5,291)	(0.03)
Quarter ended January 31, 2018	790	(4,785)	(0.04)
Quarter ended October 31, 2017	804	(1,261)	(0.01)
Quarter ended July 31, 2017	827	(1,580)	(0.01)
Year ended April 30, 2017			
Quarter ended April 30, 2017	1,211	6,715	0.06
Quarter ended January 31, 2017	1,714	(21,383)	(0.18)
Quarter ended October 31, 2016	1,788	118	1,205.17
Quarter ended July 31, 2016	1,494	97	993.07
Year ended April 30, 2016			
Quarter ended April 30, 2016	1,573	215	2,196.15

RESULTS OF OPERATIONS

Revenues

During the second quarter ending October 31, 2019, revenue increased by $51 or 4% from $1,240 to $1,291. The increase for the quarter is primarily due to a $61 increase of CHC revenue from $1,149 for the quarter ended October 31, 2018 to $1,210 for the quarter ended October 13, 2019 and a $3 increase of Knalysis revenue from $57 for the three months ended October 31, 2018 to $60 for the three months ended October 31, 2019 partially offset by a $13 decrease of Abba sales to other LPs from $33 to $20 for the same periods.

For the six months ending October 31, 2019, revenue increased by $110 or 4% from $2,471 to $2,581. The increase for the six months is due to a $73 increase in revenue from CHC, an increase of $42 in revenue from Abba and a decrease of $5 in Knalysis during the three months ending October 31, 2019 compared to the same period of October 31, 2018. Abba's revenue for the six months ending October 31, 2019 was $75 compared to $33 in the same period of the prior year mainly due to a $38 increase in seed sales.

Operating Expenses

Total operating expenses include General and administrative, Sales and marketing, Share-based compensation, Right-of-use assets amortization and Depreciation and amortization. Total Operating Expenses for the three and six months ended October 31, 2019 were $2,866 and $6,167 compared to $3,641 and $6,521 for the three and six months ended October 31, 2018, a decrease of $775 or 21% compared to the same three month period in the prior year and $354 or 5% for the same six month period in the prior year. Included in operating expenses for the three and six months ended October 31, 2019 were non-cash

operating expenses of $790 and 1,542 respectively, comprised of ROU Asset, Property Plant and Equipment and Intangible asset amortization expense totaling $645 for the three month period and $1,169 for the six month period and $145 and $373 of stock-based compensation expense for the three and six months respectively. In the three and six months ending October 31, 2018, non-cash operating expenses of $1,277 and $2,020 respectively were comprised of a $1,032 of stock-based compensation expense and $1,478 respectively and amortization expense of $245 and $542 respectively.

General and administrative costs decreased by $360 or 16% from $2,219 to $1,859 for the three months ended October 31, 2019 and decreased by $70 or 2% from 4,251 for the six months ended October 31, 2018 to $4,181 for the six months ended October 31, 2019. For the six month period, salaries, wages and consulting fees declined by $251 or 9% from $2,798 to $2,547, general operating expenses increased by $211 or 35% from $607 to $829, occupancy costs declined by $182 or 44% from $411 to $229 and professional fees increased by $152 or 35% from $435 to $587. The decrease in salaries and wages and occupancy costs reflects improved cost control by CHC and Knalysis. Professional fees increased primarily due to legal costs from potential mergers and acquisition activities. General operating expenses increased due to expanded grow operations. Occupancy costs declined primarily due to rent expense being offset against Right-of-Use Asset ("**ROU**") liability.

Sales and marketing costs increased by $194 or 78% from $250 to $444 for the six months ending October 31, 2019. The increase is due to a $218 or 225% increase in advertising and promotion from $97 to $315 partially offset by a $24 or 16% decrease in travel expenses from $153 to $129.

Compared to the quarter ending October 31, 2018, during the quarter ending October 31, 2019, share-based compensation decreased by $887 from $1,032 to $145 primarily due to one-time forfeitures arising from restructuring of the Board of Directors and the termination and resignation of certain members of senior management in the same period in the prior year.

Finance, Transaction Costs and Other Expenses

Finance and transaction costs for the six months ending October 31, 2019 and October 31, 2018 decreased by $1,543 from an expense of $902 to a gain of $641 primarily due to a reversal of interest accretion related to deferral of the RTO debt obligation until November 2019 and the forgiveness of the earn-out provision owing to the shareholders of TLP.

CHANGE IN FINANCIAL POSITION

The following table summarizes certain financial data related to the Company and should be read in conjunction with the Company's Financial Statements for year ending April 30, 2019 and 2018. Consolidated cash flows for the three and six months ending October 31, 2019 were as follows:

	Six Months ending October 31	
	2019	**2018**
Cash flow generated by (used in) operating activities	(2,488)	(3,468)
Cash flow generated by (used in) investing activities	(474)	(2,487)

Cash flow generated by (used in) financing activities	1,995	1,261
Net change in cash	(967)	(4,694)

Operating Activities

For the six months ended October 31, 2019 and 2018, cash flows used in operating activities were $2,488 and $3,468 respectively. The decrease in the amount of cash used during the three months ending October 31, 2019 compared to October 31, 2018 is primarily related to increased financing of $1,141 from Trade and other payables.

Investing Activities

Cash flows used in investing activities in 2019 are primarily related to work to complete the Company's production facility. For the three months ended October 31, 2019, investing activities related to the facility were largely complete, requiring only $484 of expenditures compared to $2,497 for the same period in 2018.

Financing Activities

During the six months ended October 31, 2019, the Company completed a financing for $2,428. During the same period in 2018, the Company raised $1,000.

Consolidated Statement of Financial Position

Total current assets as at October 31, 2019 is $4,978 compared to $5,461 as at April 30, 2019. The Company's current liabilities as at October 31, 2019 was $7,428 compared to $7,182 as at April 30, 2019. The significant increase in current liabilities is due to the addition of the current portion of the lease liability of $635 due to new IFRS 16 specifications. Working capital as at October 31, 2019 is a deficit of $2,450 compared to a deficit of $1,721 as at April 30, 2019. Included in current liabilities as at October 31, 2019 is $3,533 of contingent consideration, originally due in November 2019 but deferred by mutual agreement pending further discussions between the parties.

Issued and Outstanding Shareholders' Equity

	Number of Shares	Share Capital $000's	Contributed Surplus $000's	Equity Component of Convertible Debentures $000's	Deficit $000's	Total Equity (Deficit) $000's
Balance as at May 1, 2018	164,662,939	23,473	8,249	1,498	(27,156)	6,064
Common shares issued pursuant to conversion of convertible debentures, net of taxes	35,439,969	1,699	504	(750)	-	1,453
Common shares issued pursuant to exercise of warrants	1,795,375	694	(156)	-	-	538
Subscription receipts	-	-	1,000	-	-	1,000
Share based compensation	-	-	1,478	-	-	1,478
Net loss for the period	-	-	-	-	(5,035)	(5,035)
Balance as at October 31, 2018	201,898,283	25,866	11,075	748	(32,191)	5,498
Balance as at May 1, 2019	253,157,570	34,508	12,196	265	(38,571)	8,398
Share-based compensation	-	-	373	-	-	373
Common shares issuable in exchange for professional services	1,000,000	160	(160)	-	-	-
Settlement of contingent consideration	(3,955,595)	(311)	-	-	(302)	(613)
Convertible debenture	-	-	320	10	-	330
Net loss for the period	-	-	-	-	(738)	(738)
Balance as at October 31, 2019	**250,201,975**	**34,357**	**12,729**	**275**	**(39,611)**	**7,750**

Share Capital

(a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

(b) Issued and outstanding

	Common shares		Number of	Contributed surplus
	Number	$000's	Warrants	$000's
Balance as at April 30, 2019	253,157,570	34,508	85,868,964	12,196
Share-based compensation	-	-	-	373
Common shares issuable in exchange for professional services [(1)]	1,000,000	160	-	(160)
Settlement of contingent consideration (note 4)	(3,955,595)	(311)	-	-
Convertible debenture (note 13)	-	-	16,171,875	320
Balance as at October 31, 2019	**250,201,975**	**34,357**	**102,040,839**	**12,729**

	Common shares		Number of	Contributed surplus
	Number	$000's	Warrants	$000's
Balance as at April 30, 2018	164,662,939	23,473	67,824,118	8,249
Common shares issued pursuant to conversion of convertible debentures	35,439,969	1,699	-	504
Common shares issued pursuant to exercise of warrants	1,795,375	694	(1,795,375)	(156)
Subscription receipts	-	-	-	1,000
Share based compensation	-	-	-	1,478
Balance as at October 31, 2018	201,898,283	25,866	66,028,743	11,075

During the six months ending October 31, 2019:

(1) A consultant provided professional services to the Company from February 15, 2019 to April 15, 2019 in exchange for 1,000,000 common shares of the Company. The shares were not issued as April 30, 2019, resulting in recognition of contributed surplus of $160 during the year ending April 30, 2019. The shares were issued during the six months, resulting in reclassification of $160 from contributed surplus to shareholders equity.

Share Based Compensation

The Company has established a stock option plan (the "**Option Plan**") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the common shares that are outstanding unless the Board shall have increased such limit by a Board resolution. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired or cancelled shall again be available under the Option Plan.

The Company recognized $145 and $373 of share-based compensation expense during the three and six months ended October 31, 2019 (2018 - $1,032 and $1,478), with a corresponding amount recognized as a contributed surplus.

Related Party Transactions and Balances

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the six months ended October 31, 2019 and 2018 are as follows:

	October 31, 2019 $000's	October 31, 2018 $000's
Salaries and wages	**715**	427
Share-based compensation	**373**	1,478
	1,088	1,905

Contingencies

(a) A statement of claim was filed by a terminated employee claiming compensation for general, aggravated and punitive damages related to his dismissal. At the time of his dismissal, Canada House provided the Plaintiff with pay in lieu of notice. The Plaintiff has claimed under the principles of breach of contract and good faith for general, aggravated, and punitive damages. The Plaintiff's claim does not specify an amount. On June 15, 2017 Canada House filed a Notice of Intent to Defend and on June 25, 2017 it filed its Statement of Defense. This matter is now in the document discovery phase and the parties are engaged in settlement discussions. The Company believes the claim to be without merit.

(b) Canada House and its subsidiary, Abba was served with a Statement of Claim for damages for the alleged failure to pay invoices in the amount of $200 plus pre and post judgment interest. Pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. Given that examinations for discovery have not yet occurred it is too early in the process to have a reasonable expectation or evaluation of the Plaintiff's claim, but the Company believes the claim to be without merit.

(c) A statement of claim was filed by a former landlord of an CHC clinic claiming compensation for costs of leasehold improvements in the amount of $107, breach of a commercial lease in an amount to be established at trial, and punitive damages, plus interest on all unpaid amounts. The Company is in the process of engaging external counsel to file a Statement of Defence to the Claim and engage in settlement discussions.

(d) The Company has claimed lost profits against a license medical cannabis producer and related medical cannabis clinic and their principals for breach of confidence, conversion, breach of contract, conspiracy and breach of trust, breach of fiduciary duty, and negligent misrepresentation in relation to Trauma Healing Centers Inc. The Defendants have counterclaimed, pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. The Company believes that the counterclaim has no basis and it is not probable that it will result in an outflow for Company.

(e) On October 24, 2019, Abba was served with a Statement of Claim for damages for the alleged wrongful dismissal of a former employee in the amount of $68 plus interest and costs. The claim was initiated in the Ontario Superior Court of Justice. On October 31, 2019 Abba filed and served a Notice of Intent to Defend on the Plaintiff. Abba plans to file a Statement of Defence before the end of the calendar year.

Commitments

As at October 31, 2019, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	$000's
2020	366
2021	671
2022	568
2023	493
Thereafter	1,856
	3,954

Capital management

The Company is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break-even. As at October 31, 2019, the Company had raised, net of issuance costs, approximately $29,588 (April 30, 2019 - $27,000) by the issuance of common shares, warrants, convertible debentures and long-term debt. The Company may raise additional equity in the future, although there can be no assurance that the Company will be successful in doing so.

Off Balance Sheet Arrangements

To the best of management’s knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Statement of Compliance

The Company's unaudited condensed interim consolidated statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and their interpretations issued by the IFRS Interpretations Committee ("**IFRIC**") and were approved by the Company's Board of Directors on December 27, 2019.

Basis of Presentation

The Financial Statements, presented in Canadian Dollars, have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

Basis of Consolidation

These unaudited condensed interim consolidated statements of the Company for October 31, 2019 comprise the results of the Company and its wholly-owned subsidiaries Abba, 672800 NB Inc. doing as MFT, TLP and 690050 NB Inc. doing business as Knalysis and 2104071. In September 2018, 672800 NB Inc. began operating as CHC. MFT and CHC may be used interchangeably throughout these financial statements.

New standards, amendments and interpretations

There were no new standards during the three months ending October 31, 2019.

IFRS 16

During the three months ending July 31, 2019, the Company applied, for the first time, IFRS 16, Leases ("**IFRS 16**") which requires assessment and potential restatement of previous financial statements, where transition adjustments exist. As required by IAS 34, the nature and effect of these changes are disclosed below.

Impact of application of IFRS 16

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 – Revenue from Contracts with Customers has also been adopted. For Canada House, IFRS 16 is effective for the annual reporting period beginning May 1, 2019.

IFRS 16 provides a number of transition relief and practical expedients to allow an entity to minimize the costs incurred on transition to IFRS 16 without significantly compromising the quality of the financial information reported. The Company will apply the new standard using the cumulative catch-up approach, recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of

retained earnings at the date of initial application and for the definition of a lease, has elected to apply the practical expedient and not apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4. Under the cumulative catch-up approach, whether to apply the practical expedient for leases previously classified as operating leases and ending within 12 months of the date of initial application. The Company has elected to apply the practical expedient for leases previously classified as operating leases and ending within 12 months of the date of initial application. Under the cumulative catch-up approach, whether to make any adjustments on transition for leases of low-value items previously classified as operating leases. The Company has elected not to make any adjustments for low-value leases previously classified as operating leases. Canada House will continue to account for these leases as operating leases. Under the cumulative catch-up approach, whether to apply the practical expedient for leases previously classified as operating leases and ending within 12 months of the date of initial application. The Company will be measuring the lease liability using the incremental borrowing rate at the date of initial application in accordance with IFRS 16.C8(a) and will also use hindsight in determining the lease term. It currently does not have any onerous leases hence, the onerous lease expedient is not applicable. Canada House has elected to exclude initial direct costs from the measurement of the right-of-use asset and to measure the right-of-use asset at an amount equal to the lease liability with any respective adjustments required for prepaid or accrued lease payments.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019. The rate applied is 10%. ROU assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease, with no net impact on retained earnings.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the recognition exemptions for low u leases and leases that end within twelve months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Relied upon the Company’s assessment of whether leases are onerous under the requirements of IAS 37, Provisions, contingent liabilities and contingent assets as at December 31, 2018 as an alternative to reviewing the Company’s ROU assets for impairment, concluding that there were no onerous leases;
- Accounted for non-lease components and lease components as a single lease component.

The cumulative effect of the changes as of May 1, 2019 consolidated statement of financial position for the adoption of IFRS 16 is as follows:

	$ Balance as at April 30, 2019	$ IFRS 16 adjustments	$ Balance as at May 1, 2019
Assets			
Non-current assets:			
Right-of-use-assets, net	—	2,934	2,934
Prepayments	465	(57)	408
Liabilities			
Current liabilities:			
Lease obligations	—	602	602
Non-current liabilities:			
Lease obligations	—	2,275	**2,275**

The operating lease obligations as at April 30, 2019 are reconciled as follows to the recognized lease liabilities as at May 1, 2019:

Aggregate lease commitments as disclosed at April 30, 2019	$	3,743
Newly found leases		317
	$	4,060
Less: Recognition exemption for short-term and low value lease		(108)
Adjusted lease commitments	$	3,952
Less: Impact of present value		(1,075)
Opening IFRS 16 lease liability as at May 1, 2019	$	2,877

	$ ROU	$ Lease Liability
As of April 30, 2019	$ 2,934	$ 2,877
Additions	$ 140	$ 139
Amortization	$ 120	
Interest expense		$ 70
Payments		$ (157)
As at July 31, 2019	$ 2,954	$ 2,929

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease. The payments for such leases are recognized in the consolidated statements of income (loss) and comprehensive income (loss) on a straight-line basis over the lease term. The Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of low value.

The ROU asset is initially measured at cost, which comprises 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 costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of income (loss) and comprehensive income (loss).

When the Company acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the ROU asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the ROU asset.

(ii) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of IFRIC 23 did not have a material impact on the financial statements of the Company.

Year Ending April 30, 2019

The following new accounting standards applied or adopted during the year ended April 30, 2019 had no material impact on the consolidated financial statements:

(i) IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that present relevant and

useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and new guidance for measuring impairment on financial assets. The Company followed the modified retrospective approach.

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows including whether they represent solely payments of principal and interest. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit and loss.

Financial asset	**Classification under IFRS 9**	**Classification under IAS 39**
Cash	Amortized cost	Loans and receivables
Trade and other receivables	Amortized cost	Loans and receivables
Loan receivable	Amortized cost	Loans and receivables

There was no change to the classification of financial liabilities.

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking expected credit loss ("**ECL**") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company adopted the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses through both the analysis of historical defaults and an assessment of counterparty credit risk in revenue contracts on initial recognition and on adoption of IFRS 9. The adoption of the ECL impairment model did not have a material impact on the Company's consolidated financial statements as there have been no customer defaults historically and the counterparty credit risk expectation for the outstanding contracts at April 30, 2019 was not significant.

The adoption of IFRS 9 did not have a material impact on the Company's consolidation financial statements.

Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs

credit checks for all customers who wish to trade on credit terms. As at October 31, 2019 and April 30, 2019, two customers represented 76% and 74% of the outstanding trade receivable balance, respectively.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

	October 31, 2019 $000's	April 30, 2019 $000's
Note past due	**485**	571
1 to 30 days past due	**3**	166
31 to 60 days past due	**178**	-
Over 61 days past due	**133**	39
	799	776

There was no impairment for credit loss recognized as at October 31, 2019 and April 30, 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount $000's	Total contractual cash flow $000's	Year 1 $000's	Year 2 $000's	Year 3 $000's	Year 4 and beyond $000's
Lease liability	3,226	3,923	335	671	568	2,349
Contingent consideration	3,533	3,545	3,545	-	-	-
Trade and other payables	3,172	3,172	3,172	-	-	-
Convertible debentures	2,585	1,378	99	99	1,180	-
Borrowings	317	313	-	313	-	-
Due to related parties	88	88	88	-	-	-
	12,921	**12,419**	**7,239**	**1,083**	**1,748**	**2,349**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at October 31, 2019 as the Company does not have any variable interest rate assets or liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at October 31, 2019.

Fair values

The carrying values of cash, trade and other receivables, loan receivable, trade and other payables, borrowings and convertible debentures approximate the fair values due to the short-term nature of these items or the interest rates and discount rates being at market. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the six months ending October 31, 2019, there were no transfers of amounts between levels.

Risk Factors

The following section on Risk Factors should be read in conjunction with the Company's annual Management's Discussion and Analysis for the year ended April 30, 2019.

a) Risk Factors Related to the Transaction

Acquisitions Generally

While the Company conducted substantial due diligence in connection with the transactions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of MFT or TLP for which the Company is not sufficiently indemnified pursuant to the provisions of the Acquisition Agreement. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the Transaction. All of these factors could cause a delay the anticipated accretive effect of the Transaction and cause a decrease in the market price of the common shares.

Failure to Realize Benefits of Acquisitions

The Company may not realize the anticipated benefits of the transaction or may not realize them in the time frame expected. The Company cannot provide assurance that it will be able to grow or even sustain the cash flow generated by the transaction. Difficulties encountered as a result of the transaction may prove problematic to overcome such as, without limitation, the inability to integrate or retain key personnel, the inability to retain business relationships with current customers, and difficulties with adoption or implementation of new business plans, standards, controls, processes and systems within MFT and/or TLP.

Dilution

Following completion of the transaction, the Company may issue equity securities to finance its activities, including future acquisitions. If the Company was to issue common shares, existing holders of such common shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price, as the case may be adversely affected.

b) Risks Related to the Operations of Abba Medix Corp. and to the Medical Cannabis Industry

Cannabis Activities in the United States

Marijuana is illegal under US federal law and enforcement of relevant laws is a significant risk. The Company operates in the medical marijuana sectors in Canada and the United States only in jurisdictions where such activity is permitted and regulated by applicable laws, but there is a risk that third party service providers could suspend or withdraw services and regulators could impose certain restrictions on the issuer's ability to operate in the U.S.

Given the illegality of marijuana under U.S. federal law, it may be more difficult to access private and public capital markets. There is, however, active and robust investor interest in the marijuana sector in Canada and elsewhere where companies limit their activities to U.S. State jurisdictions which have legalize marijuana and developed a licensing and compliance regime. The Company will not operate in U.S. State jurisdictions to such jurisdictions.

Cannabis Not an Approved Drug or Medicine

Dried cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but the courts have required reasonable access to a legal source of cannabis when authorized by a healthcare practitioner. Abba has now secured its amended sales license from Health Canada, enabling the sale of its owns cannabis directly to patients and consumers.

Even though Abba has been successful in obtaining a License to Sell, such License will subject Abba to ongoing compliance and reporting requirements. Failure to comply with the requirements of the License or any failure to maintain the License could have a material adverse impact on the business, financial condition and operating results of the Group. Furthermore, the License will have an expiry date of approximately one year from the date it is granted. Upon expiration of the License, Abba would be required to submit an application for renewal to Health Canada containing information prescribed under the ACMPR and renewal cannot be assured.

Initial licensing requirements for recreational cannabis under the new Cannabis Act (Canada) (the "Cannabis Act") and its supporting Regulations came into force on October 17, 2018, with additional Regulations (Cannabis 2.0) for edibles, oils and extracts in October 2019. The market for cannabis (including medical cannabis) in Canada is regulated by the Cannabis Act and applicants and Licensed Producers are required to demonstrate compliance with regulatory requirements, such as quality control standards, record-keeping of all activities as well as inventories of cannabis, and physical security measures to protect against potential diversion. Licensed Producers are also required to employ qualified quality assurance personnel who ultimately approve the quality of the product prior to making it available for sale. This approval process includes testing (and validation of testing) for microbial and chemical contaminants to ensure that they are within established tolerance limits for herbal medicines for human consumption as required under the Food and Drugs Act, and determining the percentage by weight of the two active ingredients of marijuana, delta-9- Tetrahydrocannabinol and cannabidiol.

Factors related to the Facility which may Prevent Realization of Business Objectives

Any adverse changes or developments affecting production at the Facility could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that changes or developments could cause the Facility not to achieve its production targets on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;
(b) plant design errors;
(c) environmental pollution;
(d) non-performance by third party contractors;
(e) increases in materials or labour costs;
(f) construction performance falling below expected levels of output or efficiency;
(g) breakdown, aging or failure of equipment or processes;
(h) contractor or operator errors;
(i) labour disputes, disruptions or declines in productivity;
(j) inability to attract sufficient numbers of qualified workers;
(k) disruption in the supply of energy and utilities; or
(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the ongoing costs of the Facility may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

c) Regulatory Risks

The Group operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. The Group's ability to grow, store and sell medical cannabis in Canada is dependent on the License to Sell from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of the Group.

The Group 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 in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Group's 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 Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Group's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Group's earnings and could make future capital

investments or the Group's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Group's business as a Licensed Producer represents a new industry and new market resulting from its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, the Group will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Group's brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Change in Laws, Regulations, and Guidelines.

The Group's proposed operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of the Group's management, the Group is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Group may cause adverse effects to the Group's operations and the financial condition of the Group.

The risks to the business of the Group represented by regulatory issues are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for the Group's proposed products and could materially and adversely affect the business, financial condition and results of operations for the Group.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Group's proposed operations that is materially different than the effect on similar sized companies in the same business as the Group.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Group's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Group's earnings and could make future capital investments or the Group's proposed operations uneconomic. The sudden start of legalization may result in dis-equilibriums between supply and demand causing rapid and sudden changes in prices and massive supply chain disruption. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

Volatile Stock Price

The stock price of the Company is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the medical cannabis industry. The Company cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Company's decisions related to future operations and will likely trigger major changes in the trading price of the Company's common shares.

Limited Operating History

While Abba was incorporated and began carrying on business in 2013, it is yet to generate any significant revenue. The Group is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Group will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Group has incurred losses in recent periods. The Group may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Group expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Group's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Risks Inherent in an Agricultural Business

The Group's business may, in the future, involve the growing of medical cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although all such growing is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Energy Costs

The Group's medical cannabis growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Group and its ability to operate profitably.

Reliance on Management

Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Group is currently in good standing with all high level employees and believes that with well managed practices will remain in good standing. The success of the Group will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Group's business, operating results or financial condition.

Insurance and Uninsured Risks

The Group's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Group maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations, including product liability claims. The Group may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Group is not generally available on acceptable terms. The Group might also become subject to liability for pollution or other hazards which may not be insured against or which the Group may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on a Single Facility

To date, the Group's proposed activities and resources have been primarily focused and will continue to be focused on the Facility for the foreseeable future. Adverse changes or developments affecting the Facility could have a material and adverse effect on the Group's business, financial condition and prospects.

Difficulty to Forecast

The Group's must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its 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 Group.

Management of Growth

The Group may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Group to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Group to deal with this growth may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Group to provide reliable financial reports and to help prevent fraud. Although the Group will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Group under Canadian securities law, the Group cannot be certain that such measures will ensure that the Group will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Group's results of operations or cause it to fail to meet its reporting obligations. If the Group or

its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Group's consolidated financial statements and materially adversely affect the trading price of the Group shares.

Litigation

The Group 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 Group becomes involved be determined against the Group such a decision could adversely affect the Group's ability to continue operating and the market price the Group shares and could use significant resources. Even if the Group is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Limited Market for Securities

There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Group.

Unfavorable Publicity or Consumer Perception

Management of the Group believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Group's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 medical 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 the Group's proposed products and the business, results of operations, financial condition and cash flows of the Group. The Group's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Group, the demand for the Group's proposed products, and the business, results of operations, financial condition and cash flows of the Group. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Group's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention

could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or 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 prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

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 Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products 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 the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

The Federal Government has committed to the legalization of recreational cannabis in Canada, but regulatory changes are ongoing and the resulting impacts on recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

As a Licensed Producer, there is potential that the Company will face intense competition from other companies, some of which have operating histories, more financial resources, and more industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Group.

Risk Factors Related to the United States

Investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including Florida, Massachusetts and Ohio. Nine states and Washington D.C. have legalized recreational cannabis in some form, including Massachusetts. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the United States. Senators Elizabeth Warren and Cory Gardner have introduced a bipartisan Senate bill titled "Strengthening the Tenth Amendment Through Entrusting States (STATES) Act" that would lift the Controlled Substance Act's restrictions on cannabis in states that have written their own laws. However, there can be no assurances as to when this bill will pass, or if it will pass at all.

The United States Congress has passed appropriations bills in 2018 and each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. 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. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

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. Though the Company does not directly engage in activities that may be the subject of any such proceedings, its Knalysis division has a small portion of clientele that operates in Pennsylvania. The Company notes that revenue from such clientele currently does not comprise a material portion of the Company's consolidated revenues.

INFORMATION COMMUNICATION CONTROLS AND PROCEDURES

Management, including the Interim Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("**ICFR**") to provide reasonable assurance that all information prepared by the Company for external purposes is reliable and timely. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Financial Statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Financial Statements. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the year ended April 30, 2019 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

There have been no material changes in the Company's internal control over financial reporting during the six months ending October 31, 2019 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws (collectively referred to as "**forward-looking information**") which relate to future events or the Company's future performance and may include, but are not limited to, statements about strategic plans, spending commitments, future operations, results of exploration, anticipated financial results, future work programs, capital expenditures and expected working capital requirements. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Readers are cautioned not to place undue reliance on forward looking information and there can be no assurance that forward looking information will prove to be accurate as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking information will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking information, include, but are not limited to: fluctuations in the currency markets (such as the Canadian Dollar and the United States Dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with exploration and development activities; risks and hazards associated with the business of the production and distribution of medical cannabis (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on the production and distribution of medical cannabis, including those currently enacted in Canada; employee relations; relationships with and claims by local communities; availability and

increasing costs associated with operational inputs and labor; business opportunities that may be presented to, or pursued by, the Company; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A available under the Company's profile at www.sedar.com.

The forward looking information contained in this MD&A are based upon assumptions management believes to be reasonable including, without limitation: financing will be available for future working capital purposes and the completion of the construction of the Company's future production space; operating, and construction costs will not exceed management's expectations; all requisite regulatory and governmental approvals for construction projects and other operations will be received on a timely basis upon terms acceptable to the Company, and applicable political and economic conditions will be favorable to the Company with respect to the medical cannabis industry; debt and equity markets and other applicable economic conditions will be favorable to the Company; the availability of equipment and qualified personnel to advance the Company's licensing and construction projects and; the execution of the Company's existing and future plans, which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs.

All forward-looking-information contained in this MD&A is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

This MD&A was prepared as at December 27, 2019. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Chris Churchill-Smith	*(signed)* Paul L Hart, MBA, CPA, CA, CDir
Chief Executive Officer	Chief Financial Officer