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

Management's Discussion and Analysis

For the Year Ending April 30, 2021

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 audited consolidated financial statements and related notes thereto of the Company for the years ending April 30, 2021, and 2020 (the "**Financial Statements**"). The Company files its Financial Statements, press releases and other required disclosure documents on the SEDAR database at www.sedar.com. All amounts are in thousands of Canadian dollars.

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 year ending April 30, 2021, and 2020 were approved and authorized for issuance by the Board of Directors of the Company on August 30, 2021. The effective date of this MD&A is August 30, 2021.

BUSINESS HIGHLIGHTS

<u>COVID-19 global pandemic</u>

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic resulting in uncertain economic and business impact on a global scale. Taking into consideration the impact of COVID-19, the Company has reviewed its significant estimates, assumptions and judgments used in the preparation of these audited consolidated financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties that the Company transacts with.

Based on this analysis, the Company has determined that there was no significant impact to any of management's estimates, assumptions, or judgments. However, the continuing uncertainty associated with the COVID-19 pandemic may require changes to certain of these estimates, assumptions or judgments, which could have a material impact on the Company's financial position and results of operations.

Subsequent to the year ending April 30, 2021, the Company announced:

1. *On May 27, 2021,* the acquisition by its wholly-owned subsidiary, Canada House Clinics Inc. ("**CHC**") of Margaree Health Group Inc. ("**Margaree**"). Margaree is a medical cannabis clinic dedicated to Veterans in Nova Scotia. Margaree's patients will be served by the Halifax clinic of CHC. CHC purchased 100% of the issued and outstanding shares of Margaree for cash consideration of $500,000 and a three-year earn-out measured against Margaree's revenue during the earn-out period. CHC has also committed to further increase its contributions to veteran causes both through the Not-for-Profit Post Traumatic Growth Association and additional programs.

2. *On May 31, 2021,* Abba Medix Corp. ("**Abba**"), the Company's wholly-owned subsidiary, fulfilled its first purchase order from Cannabis New Brunswick for 3.5-gram dried flower formats of Critical Orange Punch and VetStar Night strains. The Company entered into an agreement with a New Brunswick based licence producer to source locally grown, premium cannabis products to supplement its offerings to Cannabis New Brunswick, Abba's medical patient base, and other provincial distribution channels.

3. *On June 1, 2021,* Abba completed the shipment of its first order of adult-use dried flower products to third-party distributor, National Cannabis Distributor ("**NCD**"), for sale in Saskatchewan, the fifth province in which Abba's products are now available to recreational consumers. Abba initially offered 15-gram dried flower and 0.5 gram pre-rolled formats, including internally cultivated Purple Bud and Critical Orange Punch genetics to Saskatchewan consumers and subsequently received additional purchase orders to bring additional products to NCD serviced licensed retailers in Saskatchewan.

4. *On June 7, 2021,* the Company entered into a product acquisition agreement with Groupe Fuga Inc. ("**Fuga**"). Under the terms of the agreement, Abba will distribute Fuga's first product: Tropicanna Cookies, a strain with unique properties crafted in accordance with the industry's high standards to its medical patient base and through its existing recreational sales channels. Fuga is a medical and recreational cannabis grower located in Stoneham, Quebec, that has set out to handcraft superior quality cannabis and has succeeded by adhering to the human approach.

5. *On June 7, 2021,* the Company changed its registered office to 551 Rue Saint-Marc, Louiseville, Quebec, J5V 2L4, Canada.

6. *On June 14, 2021*, Abba entered into an exclusive agreement with Montreal Cannabis Medical Inc. ("**MTL Cannabis**") for Abba's distribution of MTL Cannabis' high-grade dried flower to Abba's medical patient base (the "**Exclusivity Agreement**"). Under the terms of the Exclusivity Agreement, MTL Cannabis has partnered with Abba to be the exclusive distributor of certain varieties of cannabis material produced by MTL Cannabis and destined for sale of distribution to medical patients in Canada. The variety of strains that will be supplied to support medical patients include: MTL Cannabis' signature strain Sage n' Sour, as well as Cookies N' Cream and Candyland, along with up to six more future genetics. The dried flower format of these strains will initially be offered through Abba's medical brand, with a long-term plan to develop an "MTL Medical" branded line of medical product offerings.

7. *On July 6, 2021,* Abba surpassed 1,000 active medical patient registrations. Abba's active medical patient registrations have grown from fewer than 600 in January 2021 to over 1,000, representing patient growth of more than 67% this calendar year.

8. *On August 9, 2021,* Canada House and MTL Cannabis entered into a definitive share exchange agreement (the "**Agreement**") for Canada House's acquisition of all of the issued and outstanding shares of MTL Cannabis (the "**Transaction**"). The Transaction is between arm's length parties and constitutes a "reverse takeover" of the Company, and it is anticipated that the Company will operate under the MTL Cannabis corporate name with shares trading on the CSE under a related ticker symbol following the closing of the Transaction (the "**Closing**").

   The deal also provides the group with the ability to build upon MTL Cannabis' current brand portfolio and develop a diverse flower menu bringing premium, accessible products to cannabis consumers while maintaining existing supply agreements. Since its recreational market launch in October 2020, MTL Cannabis has emerged as one of Canada's fastest-growing dried flower consumer brands, placing in the top five in dried flower sales in most provinces. This momentum is due to the brand's delivery of consistent, high-quality bud, along with the brand's strategic pricing position which offers the consumer premium product benefits at value pricing. MTL Cannabis will continue to focus on its long-term CPG portfolio strategy for current and upcoming brands, supporting both the adult-use and medical markets. The transaction will provide MTL Cannabis with immediate access to additional licensed cultivation space, more than doubling the company's current 57,000 sq. ft. footprint and annual production capacity of 13,000 kilograms of high-quality dried flower, to 120,000 sq. ft. and 30,000 kilograms of annual production. MTL Cannabis has further expansion capabilities with an additional 58,000 sq. ft. of cultivation and production space through a second building situated at MTL Cannabis' Pointe-Claire location. Following the Closing, the Company's wholly-owned subsidiaries will hold cultivation, processing, and sales licences for plants/seeds, flower, oil, concentrate, topical and edible products and will have existing supply agreements with nine Canadian provinces including British Columbia, Alberta, Ontario, and Québec.

Dried flower continues to dominate in the Veteran medical cannabis segment, accounting for over 60% of sales according to Canada House's sales data. As the Canadian medical cannabis market matures, coverage programs will help to ensure long-term sales growth for this segment. Through the patient care teams in place across CHC and Abba; the Company will continue to serve Veteran and non-Veteran medical patients by providing a robust dried flower menu, along with other formats through third-party partners and suppliers.

<u>Transaction Highlights:</u>

- Significant combined sales: MTL Cannabis has already achieved profitability via its ability to meet consumer's needs at an affordable price. Based on recent results, MTL Cannabis and Canada House generate annualized aggregate sales of over $24 Million, with additional upside stemming from MTL Cannabis' ability to leverage existing sales licences and distribution of Abba and increased production from the Company's wholly owned subsidiary's, IsoCanMed Inc.'s ("**ICM**") facility.

- Enhanced cultivation and distribution capabilities: Leveraging low-cost-per-gram production rates enhanced by the province's operational advantages, MTL Cannabis will expand their total cultivation capacity to 120,000 sq. ft. providing approx. 30,000 kilograms of dried flower annually. Additionally, MTL Cannabis will leverage the packaging and distribution capabilities of Abba's fully licensed 20,000 sq. ft. facility located in Pickering, ON.

- Builds on an already strong management team: Canada House's management team brings extensive medical, clinic, financial and strong industry relationships to complement MTL Cannabis' strengths in operations, cultivation, brand development, marketing, retail, and sales. Following Closing, Canada House's executive management team will join MTL Cannabis's executive management team with current Canada House CEO Chris Churchill-Smith continuing in the CEO role of MTL Cannabis.

- Leverage proven medical cannabis expertise and distribution: CHC has operated medical cannabis clinics for over 7 years, and Abba has quickly built a significant medical business. CHC clients purchase over $30 M of legal medical cannabis each year.

- The Transaction solidifies the relationship established by an exclusive medical distribution agreement entered between the Companies in June 2021.

- Advancement of brand portfolio: By ensuring consistency, quality, and maintaining its commitment to the craft, MTL Cannabis will continue to deliver high-quality cannabis for current and future

product offerings. This Transaction will increase MTL Cannabis' retail footprint by combining brand portfolios under both MTL Cannabis and Canada House, and through the development of new commercially viable genetics and brands.

Terms of the Transaction:

The Transaction is conditional upon the Company completing the consolidation of the Company's issued and outstanding Common Shares on the basis of thirty pre-consolidation shares for one post consolidation share (the "**Share Consolidation**"). Upon Closing, the vendors of MTL Cannabis (the "**Vendors**"), collectively, will be issued shares (the "**Consideration Shares**") amounting to approximately 80% of the issued and outstanding common shares of Canada House immediately post Closing, assuming the conversion of the principal and accrued interest of the Company's $6.5 million convertible debenture issued on August 5, 2020, but no other convertible securities of the Company. The Consideration Shares will be subject to lock-up agreements pursuant to which the Vendors will covenant not to sell, transfer, or otherwise dispose of the Consideration Shares prior to the 6-month anniversary of the Closing. On the 6-month anniversary of the Closing, 25% of the Consideration Shares will be released from lock-up, with the remaining Consideration Shares released in three equal tranches every six months following the first release, subject to customary resale restrictions under applicable law.

The purchase price also includes a performance-based cash earnout payment of $5 million, conditional upon MTL Cannabis achieving certain agreed upon milestones.

The acquisition is expected to close in the fourth quarter of calendar year of 2021 and is subject to a number of conditions customary for a transaction of this nature, including but not limited to (i) approval by the shareholders of Canada House of the acquisition at a special meeting to be called for these purposes, (ii) the completion of the Share Consolidation, (iii) there being no material adverse change in the business of Canada House or MTL Cannabis (as applicable) prior to Closing, and (iv) receipt of applicable third party and regulatory approvals including the approval of the CSE.

On the Closing of the Transaction, the Company will pay a finder's fee of $100,000 and issue approximately 14,285,715 common shares (the "**Finder's Fee Shares**") to certain arms'-length third parties who assisted in introducing the Transaction to the Company. The Finder's Fee Shares will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

The Company will prepare and file with the CSE a CSE Form 2A listing statement providing comprehensive disclosure on MTL Cannabis and the Transaction in order to seek the continued listing of Company common shares following the closing of the Transaction.

Fairness Opinion and Shareholder Meeting on the Transaction:

Canada House's board of directors has unanimously approved the Agreement and the Transaction and determined that the Transaction is in the best interests of Canada House and its shareholders. Cormark Securities Inc. provided a fairness opinion to the board of directors of Canada House on August 8, 2021, stating that, based upon and subject to the assumptions, qualifications and limitations contained in its fairness opinion, the consideration to be paid by Canada House to MTL Cannabis shareholders pursuant to the Transaction is fair, from a financial point of view to Canada House shareholders.

The Company will be calling a special meeting of its shareholders, to be held virtually via an

electronic meeting platform, in order to seek approval of the Transaction and related proposals. Materials for the meeting will be mailed to shareholders of the Company and posted under the Company's SEDAR profile at www.sedar.com.

Trading Halt: The Transaction constitutes a "fundamental change" within the meaning of CSE policies, and therefore, the shares of Canada House have been halted from trading and will remain halted until the resumption of trading is approved by the CSE, which is not expected to occur until completion of the Transaction.

Advisors: Haywood Securities Inc. served as financial advisor, and Caravel Law Professional Corporation acted as legal counsel to Canada House on the entering into of the Agreement. Spiegel Sohmer Inc. acted as legal counsel to MTL Cannabis on the entering into of the Agreement.

YEAR ENDING APRIL 30, 2021

During the year ending April 30, 2021, the Company announced:

1. *On May 21, 2020*, Abba introduced vape pens for immediate sale to registered medical patients, including Veterans. The 0.5 gram rechargeable pens with wickless ceramic core cartridges are well known to experienced cannabis consumers and are valued for their portability, design and rapid onset of delivery.

2. *On June 12, 2020,* the Company announced that it closed the strategic acquisition of ICM, a fully operational cannabis producer located in Louiseville, Quebec, acquiring 100% of the issued and outstanding securities. Pursuant to a definitive share exchange agreement (the "**SEA**"), the Company acquired the securities of ICM in exchange for 273,461,451 common shares in the capital of the Company and the assumption of promissory notes in the aggregate amount of $12,500,000

3. *On June 16, 2020*, CHC provided a business update. It has increased revenue and effected staffing cuts, operational improvements and reductions to its prescriber costs to increase profitability while expanding from 11 to 14 clinic locations across Canada. CHC remained fully operational via telemedicine during the Covid-19 outbreak.

4. *On August 5, 2020,* it had entered into a strategic investment transaction (the "**Transaction**") with Archerwill Investments Inc. ("**Archerwill**"). Archerwill invested $6,500 in the form of a secured convertible debenture (the "**Archerwill Debenture**") and concurrently received 130 million common share purchase warrants, which can be exercised at a rate of $0.06 per share for a period of four years.

   Archerwill has the right to match certain acquisition proposals received by the Company, preemptive rights allowing it to participate alongside ordinary shareholders and the right to appoint two directors to the board of directors of at its next meeting of shareholders for as long as Archerwill complies with certain beneficial ownership thresholds determined for the issued and outstanding common shares of the Company or that not less than $1,000 of obligations under the convertible debenture remain unpaid.

   A portion of the proceeds of the transaction paid to Canada House were used to repay the full amount owed to Lind Global Macro Fund, LP, pursuant to the Convertible Securities Financing Agreement dated September 10, 2019 ("**Lind Debenture**") between Canada House and Lind Global Macro Fund, LP. The remaining proceeds will be used to meet certain existing obligations of Canada House, for general working capital, as well as for business expansion purposes.

5. *On August 24, 2020* Abba received its amended sales license from Health Canada allowing for the sale of cannabis oil, concentrate, topical and edible products produced from its facility in Pickering, Ontario and entered into an agreement with Organic Extraction Technologies to produce solventless cannabis rosin at its Pickering, Ontario facility.

6. *On September 2, 2020,* Abba received authorization from the Autorité Marchés Publics ("**AMP**") to contractor subcontract with public bodies in the Province of Québec. The authorization is valid for three years in accordance with the Loi sur les contrats des organismes publics (LCOP), RLRQ, c. C-65.1. Abba and ICM, the Company's wholly-owned Licensed Producer based in Louiseville, Québec, submitted all required documentation to initiate the product listing process with Société québécoise du cannabis ("**SQDC**") in order to distribute ICM's cannabis products in Québec.

7. *On October 5, 2020,* that it launched its ICM Air™ and ICM Terre™ brands – a comprehensive suite of adult-use recreational cannabis products by its wholly-owned subsidiary, ICM, in collaboration with Abba. ICM Air™ and ICM Terre™ products are packaged and distributed by Abba. The Quebec home-grown dried cannabis products are cultivated by ICM.

8. *On October 7, 2020,* that ICM processed its first purchase orders with SQDC and in-branch distribution of the ICM Air™ and ICM Terre™ brands began to all 46 current SQDC retail outlets, in addition to online sales at https: // www. sqdc.ca/fr-CA/.

9. *On October 26, 2020*, that it entered into a Cannabis Products 2.0 Distribution Agreement with Rubicon Organics Inc. (TSXV: ROMJ) (OTCQX: ROMJF) ("**Rubicon Organics**"). Under the terms of the agreement, Canada House's wholly-owned subsidiary, Abba, distributed the Rubicon Organics line of concentrates through its established provincial distribution channels.

10. On *December 16, 2020*, that Abba has enrolled more than 500 medical patients in its first year of medical sales. The Company also announced that its wholly-owned subsidiary, CHC, has surpassed 3,000 active veteran's medical registrations. As Canada House continues to focus on supporting veterans, Glen Coyle, the Society's Veterans Advocate, and retired former Sergeant Christian Begley, walked 150 kilometers from Collingwood, Ont. To Toronto City Hall. Using the GoFundMe platform, Glen and the team raised over $20 which was donated to the Helmets to Boats program. CHC contributed $7.5 of the total donation amount and coordinated social media coverage to raise more donations for this important cause.

11. On *December 21, 2020*, the results of its annual general and special meeting of shareholders held virtually on December 18, 2020. All Company matters put forward were approved by the shareholders, including the re-election of Erik Bertacchini, Norman Betts, Chris Churchill-Smith, Shawn Graham, Gaetan Lussier, and Dennis Moir as directors of the Company. The directors will hold office until the next Annual General Meeting of Shareholders, or until their successors are elected or appointed. Shareholders also voted in favour of the: (i) reappointing of Ernst & Young LLP as the auditors of the Company until the close of the next annual meeting of shareholders of the Company; (ii) consolidation the Company's issued and outstanding Common Shares on the basis of up to thirty (30) pre-consolidation shares for one post consolidation share; and (iii) change of location of the Company's registered office to 551 Rue Saint-Marc, Louiseville, Quebec, J5V 2L4.

12. On *December 24, 2020*, it closed a $2,000 non-dilutive term loan financing at an annual interest rate of 10% (the "**Loan**"). The Loan is secured by the property and assets of ICM, in Louiseville, Quebec and is subject to monthly interest-only installments of approximately $17, with the principal amount repayable at the end of one year. The Loan may be extended for an additional year, at the discretion of the lender,

upon 30 days written renewal notice by the Company. The renewal notice will indicate if the Company intends to repay any portion of the loan, up to a maximum of $1,000. A commitment fee, equal to 4% of the loan amount less the amount repaid, is payable at the time of renewal. The Loan will be used for general working capital purposes and will provide the Company with financial capacity to drive commercial initiatives during its next stage of recreational growth.

13. *On February 16, 2021,* that Abba had surpassed 650 active medical patient registrations, 400 of which are military Veterans. The achievement of these milestones followed Abba's release of Veterans Kush, a cultivar developed specifically for Veterans with PTSD which has received strong praise from Abba's patient base, exclusively to registered Abba patients. Both the Company's clinic division, CHC, and Abba are oriented to serving the Veteran market in Canada , including providing services and support beyond medical cannabis. CHC also continues to see growth in its Veteran patient base, with recent initiatives accelerating growth to exceed 3,100 active Veteran medical registrations across Canada.

14. *On February 18, 2021,* a Cannabis 2.0 distribution agreement with Pure Extracts Technologies Corp. (CSE: PULL) (OTC: PRXTF) (XFRA: A2QJAJ), a plant-based extraction company focused on cannabis, hemp, functional mushrooms and the rapidly emerging psychedelic sector. Under the terms of the distribution agreement, the Company's wholly-owned subsidiary, Abba, will distribute Pure Extracts' line of concentrate products through its established provincial distribution channels.

15. *On March 9, 2021*, that its board of directors has approved the grant of an aggregate of 21,925,000 incentive stock options (the "**Options**") to certain officers, employees (excluding the Company's executive management team), and consultants of the Company and its subsidiaries. The Options are exercisable at a price of $0.05 per share and will vest consistent with Company policy and past practices. Additionally, all of the Options have a five-year term and are based on Canada House's stock option plan and the requirements of the Canadian Securities Exchange.

16. On *March 25, 2021*, the Company's appointed Ms. Peili Miao, CPA, CGA as interim CFO of Canada House.

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 registered office of the Company is located at 551 Rue Saint-Marc, Louiseville, Quebec, J5V 2L4, Canada.

The Company's common shares (the "**Common Shares**") are listed on the Canadian Securities Exchange ("**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 wholly-owned subsidiaries: 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 ICM, a licensed producer in Louiseville, Quebec, that produces high quality medical grade cannabis. Canada House's goal is to become the leading cultivatorof premium craft cannabis and provider of cannabinoid therapy, targeting the national medical cannabis markets, the recreational adult-use market in Quebec and across Canada.

Corporate Structure:

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

Abba was incorporated under the *Business Corporations Act* (Ontario) in 2013 and is a licensed producer ("**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 changing its name to "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.

The Company acquired ICM on June 12, 2020. ICM was incorporated under the *Canada Business Corporations Act* on March 4, 2016 and obtained a standard cultivation licenseunder the ACMPR on January 12, 2018 and standard processing license under the Cannabis Act on August 21st, 2020. ICM owns and operates an approximately 64,000 square foot state-of-the-art indoor grow facility in Louiseville, Quebec employing vertical, aeroponic production methodologies.

Business Strategy and Developments

Canada House believes a vertical integration strategy is well suited to the Canadian Cannabis Market, as it sharpens the focus on the above critical success factors and facilitates sustainable growth and profitability through strong relationships with its patients and internalizes profit margins throughout the supply chain by growing and selling product from both third party and its own licensed producers that meets the needs of its patients. Key strategic initiatives are as follows:

1. *Build a strong medical cannabis veteran product portfolio offering both Abba and third-party products.*

   Abba now offers dried flower, vape pens, oils and edibles and plans to continue to add new, exciting, Cannabis 2.0 and other products aimed at both the medical and recreational markets. Abba's medical cannabis sales to veterans have increased significantly and through an exclusive genetic licensing agreement with InPlanta Biotechnology Inc., Abba has successfully launched the VetStar Day™ and VetStar Night™ strains exclusively to its patients.

2. *Leverage its acquisition of ICM in Quebec to penetrate the rapidly growing Quebec cannabismarket and SQDC opportunities.*

As a result of the strategic acquisition of ICM, with cutting-edge cultivation technologies and a significant increase in production capacity to promote rapid growth, the Company gains access to the vast Quebec cannabis market.

ICM has a state-of-the-art 64,000 square foot production facility with an annual production capacity of over 6,000 kg of low-cost dried flowers, using advanced aeroponic cultivation methods. It has adjacent land of 450,000 square feet that can accommodate the construction of facilities which, when built, will provide an additional production capacity of 50,000 kg. ICM has signed a letter of intent with the Société québécoise du cannabis ("**SQDC**"). By having a second Licensed Producer, Canada House further ensures the security of supply for its medical patients and is able to meet the growing demand from provincial distributors across Canada.

3. *Continue to add new and leverage existing and additional adult-use recreational channels in Alberta, British Columbia and other jurisdictions.*

Canada House, through its two Licensed Producers, continues to pursue additional provincial dispensaries, recently added Cannabis New Brunswick for sale in New Brunswick, National Cannabis Distributor for sale in Saskatchewan and Ontario Cannabis Stores for sale in the province of Ontario.

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 patientsin 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 fourteen clinic locations, including both standalone and embedded locations inside third party medical clinics. There are three clinicsin Alberta, one in each of Prince Edward Island and Newfoundland, three clinics in New Brunswick, two clinics in Nova Scotia and four 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. Recently added multidisciplinary capabilities provide wellness services through registered professionals in the fields of massage, naturopathy and Psychotherapy. CHC healthcare staff produce a blog each month, which focuses on the efficacy of cannabis treatment for various conditions supported by fact based research, client trends and feedback. CHC continues to make improvements to its Cannabis Patient Management ("**CPM**") software, including new physician services capabilities, embedded secure telemedicine, prescriber and client portals, digital treatment plans and reconciliation of licensed producerpayments. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. To this end, specific API integrations with partnered licensed producers have been created to allow for the registration of patients more securely, instantly and accurately.Incorporated treatment reporting has been added to the patient portal that will allow a better understandingof what treatments and products work best for a specific diagnosis. The data gathering can further be usedin the creation of an Artificial Intelligent function that will suggest a recommended treatment plan based on an individual's diagnosis. There are two clinics in Alberta, one in each of Prince Edward Island and Newfoundland, three clinics in New Brunswick, two clinics in Nova Scotia and five clinics in Ontario. Recently, new clinics have been embedded clinics where CHC places an educator into an existing medical practice with its own patient flow.

In the interest of providing superior, comprehensive service to its clients, CHC has added Licensed Practical Nurses and other health workers 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. CHC uses a combination of Physicians and Nurse Practitioners to issue medical documents, both in person and via telemedicine. Consultation fees are either billed back to a payor (e.g. provincial health plan) or paid by CHC (e.g. a Nurse Practitioner seeing a patient).

New clients must register online on CHC's website or walk into 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.

Patient educators ("**Educators**") have not been made aware of the specific terms and conditions of any educational contracts with partnered Licensed Producers. Their recommendations to clients are based on the recommended treatment plan. Canada House attempts to standardize educational contracts across LP's. Canada House Clinics and its Educators are committed to recommending products and Licensed Producers based on the cannabinoid and terpene profiles best suited for the diagnosis and conditions being treated. Patients can demand Licensed Producers that Canada House does not have a contract with, and Educators may suggest products from an uncontracted Licence Holder if it is a better option for the patient and the Educator sufficiently understands the capabilities of that Licensed Producer.

On May 27, 2021, CHC acquired 100% of the issued and outstanding shares of Margaree for cash consideration of $500,000 and a three year earn out measured against Margaree's revenue during the earn out period. Margaree is a medical cannabis clinic dedicated to Veterans in Nova Scotia. Margaree's patients will be served by the Halifax clinic of CHC. CHC has also committed to further increase its contributions to veteran causes both through Not-for-Profit Post Traumatic Growth Association, and additional programs.

CHC continues to add Licensed Producers to provide greater capacity and more care alternatives. As of April 30, 2021, in addition to Abba and ICM, CHC had over twenty-five agreements with Licensed Producers from which CHC patients could choose their medicine. CHC's clinics also provide Second Level Assessments for veteran clients who require an increased level of care. Abba has 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 Producers

Abba Medix Corp.:

At full capacity, Abba is capable of producing between 2,000 and 3,000 kg of premium cannabis annually, with plans to carefully and strategically increase this over time. Abba has detailed policies and Standard Operating Procedures ("**SOPs**") and has licensed seed-to-sale software and equipment from Ample Organics. The Company believes that it can continue to increase yields and quality to support new revenue opportunities.

A summary of the dates and descriptions of the Abba licenses to date are as follows:

Date	Description
September 01, 2017 License No 10-MM0264/2017	Cannabis Cultivation LicenseSales 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 forsales or provision on this licensed to license dealersolely 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 forsales or provision on this licensed to license dealersolely 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/cannabisresin 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 forsales or provision on this licensed to license dealersolely 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 CannabisSale 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.
August 21, 2020 License No. LIC-MZPK573ALN-2020	Amended sales license – Abba can start selling cannabis oil, concentrate, topical and edible products.

IsoCanMed Inc.

ICM has invested approximately $9.9M in a state-of-the-art 64,000 square foot production facility that offers the potential for an annual production capacity of over 6,000 kg of low-cost dried flowers using advanced aeroponic cultivation methods. ICM also owns adjacent land of 450,000 square feet that can accommodate the construction of facilities which, once built, will provide additional production capacity of 50,000 kg.

The increased production capacity, together with the current production by Abba will allow the Company to increase the supply of medical cannabis products offered by its strong network of clinics, focus on services to veterans, and leverage its provincial agreements and distribution networks established with AGLC, BC Liquor Distribution Branch, SQDC, NCD, and CNB.

ICM holds the following licenses:

Date	Description
January 12, 2018 License No 10-MM0766/2018	Cannabis Cultivation LicenseSales 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.

May 11, 2018 License No 10-MM0766/2018	Destruction room (ID), Trimming room (122) and Drying room (123) - 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 forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
November 8, 2018 License No. LIC-5EFG9AFN3H-2018	Updated License under Cannabis regulations Standard cultivation license
May 10, 2019 License No. LIC-5EFG9AFN3H-2018-1	Amended Standard cultivation license – Addition of mother rooms M2A/M2B
September 6, 2019 License No. LIC-5EFG9AFN3H-2018-2	Amended Standard cultivation license – Addition of clone room C2 ; addition of flowering rooms F4, F5, F6 ; Addition of room 125.
January 10, 2020 License No. LIC-5EFG9AFN3H-2018-3	Amended Standard cultivation license – Addition of room SC (trimming).
August 21, 2020 License No. LIC-5EFG9AFN3H-2018-4	Addition of Standard Processing Licence – ICM can start legally selling its ownbranded dry flower and fresh cannabis.

Corporate activities

During the fiscal year ended April 30, 2021, Canada House successfully organized financings totaling $8.5 million (2020: $5.2 million). In August 2020, the Company completed a financing for $6.5 million from Archerwill and in December, 2020 completed a $2 million mortgage financing with Castleton Financing Ltd. Proceeds fromthese financings have allowed Abba to expand it medical cannabis product portfolio and inventory and sell into new and developing recreational markets while also supporting CHC patients. Proceeds have also been used for working capital purposes for ICM.

Going Concern Uncertainty

The audited consolidated financial statements have been 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 operations. These audited consolidated financial statements do not include any adjustments to the amounts and classification of assetsand liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the year ended April 30, 2021, the Company incurred a net loss of $11,365, and as at April 30, 2021, had an accumulated deficit of $59,761 and a working capital deficit of $2,266. Cash flow used in operations for the year ended April 30, 2021 was $3,362. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so in the future on terms favourable for the Company.

On August 5, 2020, the Company closed the strategic investment transaction with Archerwill in the form of a secured convertible debenture in the amount of $6,500. With this financing transaction, the Company repaid the 2019 Lind convertible debentures.

On December 24, 2020, it closed a $2,000 non-dilutive term loan financing at an annual interest rate of 10% (the "**Loan**"). The Loan is secured by the property and assets of the Company's wholly-owned subsidiary, ICM, in Louiseville, Quebec and is subject to monthly interest-only installments of approximately $17, with the principal amount repayable at the end of one year. The Loan may be extended for an additional year, at the discretion of the lender, upon 30 days written renewal noticeby the Company. The renewal notice will indicate if the Company intends to repay any portion of the loan,up to a maximum of $1,000. A commitment fee, equal to 4% of the loan amount less the amount repaid, ispayable at the time of renewal. The Loan will be used for general working capital purposes and will providethe Company with financial capacity to drive commercial initiatives during its next stage of recreational growth.

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, 2021 and 2020.

	As at and for the Year Ended April 30, 2021 $000's	As at and for the Year Ended April 30, 2020 $000's	As at and for the Year Ended April 30, 2019 $000's
Revenue	11,880	5,334	4,875
Net revenue	10,560	5,310	-
Loss	(11,365)	(9,520)	(11,415)
Current assets	9,873	4,982	5,461
Non-current assets	27,119	9,446	10,846
Current liabilities	12,139	3,940	3,270
Non-current liabilities	17,980	5,414	4,639
Working capital (deficiency)	(2,266)	1,042	(1,721)
Deferred income tax liability	1,855	-	12
Share capital	48,685	39,241	34,508

Shareholders' equity	6,873	5,074	8,398
Loss per share - basic and diluted	$(0.02)	$(0.03)	$(0.06)

Quarterly Results

Quarter	Revenues $000's (Unaudited)	Net loss $000's (Unaudited)	Net loss per share basic and diluted $ (Unaudited)
Year ended April 30, 2021			
Quarter ended April 30, 2021	2,898	(6,156)	(0.01)
Quarter ended January 31, 2021	2,872	(2,518)	(0.00)
Quarter ended October 31, 2020	2,263	(2,059)	(0.00)
Quarter ended July 31, 2020	2,527	(632)	(0.00)
Year ended April 30, 2020			
Quarter ended April 30, 2020	1,387	(4,513)	(0.01)
Quarter ended January 31, 2020	1,342	(1,568)	(0.00)
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)

RESULTS OF OPERATIONS

Revenues

During the fourth quarter ending April 30, 2021, net revenue increased by $1,511 or 109% from $1,387 during the quarter ending April 30, 2021 to $2,898. The increase for the quarter ending April 30, 2021 compared to April 30, 2020 is primarily due to a $1,277 increase in Abba product revenues from the adult use recreational market and medical sales market and a $391increase in CHC's referral revenue.

For the twelve months ending April 30, 2021, revenue increased by $5,250 or 99% from $5,310 to $10,560. The increase for the twelve months is primarily due to a $6,008 increase in Abba product revenues from the adult userecreational market and medical sales market, and a $267 increase in CHC's referral revenue.

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 twelve months ended April 30, 2021 were $3,356 and $10,591 compared to $2,735 and $11,257 for the twelve months ended April 30, 2020. Included in general and administrative for the three and twelve months ended April 30, 2020 were $2,017 and $6,221 of salaries, wages and consulting fees compared to $1,078, and $4,811 for the same periods during 2020. It was $939 or 87% increase for the three months, $1,410 or 29% of increase for the 12 months compared with last year. In the three and twelve months ended April 30, 2021 the salaries, wages and consulting fees included those incurred at ISO which did not occur in the same period in 2020. The ramp up of the sales at Abba was also a main attributor of the salary increase in the three and twelve months ended April 30, 2021 compared with the same period in 2020. General operating expenses changed from $516 and $1,587 for the three and twelve months ended April 30, 2020 to $406 and $1,280 for the same period of 2020, a decrease of $110 during the three-month period and a decrease of $307 for the twelve-month period. It is a result of the Company's effort to reduce costs. Professional fees decreased from $882 to $341 during the twelve-months April 30, 2021 compared to twelve-months ending April 30, 2020. Legal fees incurred for potential Merger and Acquisitions in 2020 did not reoccur in 2021.

For the twelve months ended April 30, 2021, sales and marketing expenses decreased by $45 from $551 to $506 or 8%. The decrease is due to a decrease in travel expenses as a result of Covid-19 travel restrictions.

Finance, Transaction Costs and Other Expenses

Finance and transaction costs increased by $516 or 203% from $254 for the three months ending April 30, 2020 to $770 for the three months ending April 30, 2021. The costs increased by $2,886 from a recovery of $150 for the twelve months ending April 30, 2020 to $2,736 for the twelve months ending April 30, 2021. The increase is mainly due to interest accrued on the promissory notes and Archerwill Debenture. Also, in the prior year, there was a reversal of interest accretion related to deferral of the November 2016 RTO debt obligation and the forgiveness of the earn-out provision owing to the shareholders of Longevity Project Clinics Corp.

CHANGE IN FINANCIAL POSITION

Consolidated cash flows for the years ending April 30, 2021 and 2020 were as follows:

	2021	**2020**
Cash flow used in operating activities	(3,355)	(5,279)
Cash flow used in investing activities	(664)	(747)
Cash flow provided by financing activities	4,087	4,366
Net change in cash	68	(1,660)

Operating Activities

For the year ended April 30, 2021 and 2020, cash flows used in operating activities were $3,355 and $5,279 respectively, $1,924 lower in 2021 compared to 2020.

The decrease in the amount of cash used during the year ending April 30, 2021 compared to April 30, 2020 is primarily due to $5,250 of increase in revenue and an increase in accounts payables offset by higher cost of sales.

Investing Activities

Cash flows used in investing activities in 2021 include $130 of cash acquired through the acquisition of ICM and $794 of cash used in purchase of property, plant and equipment. $757 was used in purchase of property, plant and equipment in the year ended April 30, 2020.

Financing Activities

For the year ended April 30, 2021 and 2020, cash flows from financing activities were $4,087 and $4,366 respectively. During the year ending April 30, 2021, $6,110 of net proceeds was raised from Archerwill Debenture and repayments totaling $2,818 were made on the Lind Debenture. The Company also repaid $485 in promissory notes and added $120 of CEBA loans. In the same period during 2020, $2,428 of net proceeds was raised from the Lind Debenture and $2,722 was raised from a private placement.

Consolidated Statement of Financial Position

Total current assets as at April 30, 2021 is $9,873 compared to $4,982 as at April 30, 2020. The difference is primarily due to $3,245 increase in inventory, $931 increase in trade and other receivables, $489 increase in biological assets. The Company'scurrent liabilities as at April 30, 2021 is $12,139 compared to $3,940 as at April 30, 2020. The increase in current liabilities is primarily due to a $6,256 increase in trade and other payables and the $2,000 mortgage payable. Working capital as at April 30, 2021 is a deficiency of $2,266 compared to working capital surplus of $1,042 as at April 30, 2020.

Issued and Outstanding Shareholders' Equity

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	Common Shares $000's	Equity component of convertible debentures $000's	Number of Warrants	Contributed Surplus $000's
Balance as at April 30, 2019	**253,157,570**	**34,508**	**265**	**85,868,964**	**12,196**
Common shares issued pursuant to private placement [d]	97,342,857	1,813	-	97,342,857	909
Common shares issuable in exchange for professional services [d]	1,000,000	160	-	-	(160)
Settlement of liability [e]	62,447,347	3,071	-	-	-
Forgiveness of contingent consideration	(3,955,596)	(311)	-	-	-
Convertible debenture	-	-	154	16,171,875	103
Share-based compensation	-	-	-	-	762

Year Ending April 30, 2021					
Balance as at April 30, 2020	**409,992,178**	**39,241**	**419**	**199,383,696**	**13,810**
Common shares issued pursuant to business combination [a]	273,461,452	9,444	-	-	-
Convertible debenture [b]	-	-	1,755	130,000,000	1,504
Share-based compensation	-	-	-	-	461
Balance as at April 30, 2021	**683,453,630**	**48,685**	**2,174**	**329,383,696**	**15,775**

During the year ended April 30, 2021:

(a) The Company issued 273,461,452 common shares pursuant to the acquisition of ICM (see note 4 to the Audited Consolidated Financial Statement) valued at $9,444.

(b) On August 8, 2020, the Company closed the strategic investment transaction with Archerwill. Archerwill invested $6,500 in the form of a secured convertible debenture, repaying the 2019 convertible debentures in full. The debenture may be converted into common shares at a price of $0.05 per common share and bears interest at 8.0%, compound annually, convertible into shares or payable in cash at maturity, at the option of Archerwill. Unless converted earlier, the debentures mature in five years.

Archerwill concurrently received 130 million common share purchase warrants, exercisable at six cents per share for a period of four years, which, if exercised in full, would subsequently increase Archerwill's ownership interest to 28.3% (assuming Archerwill's conversion and exercise in full of all securities it holds in the Company but no other conversions of outstanding securities of the Company). The transaction costs were allocated pro rata based on each individual component's fair value.

On initial recognition, the Company allocated the proceeds, net of $390 of transaction costs, as follows:

	$000's
Convertible debenture, liability	2,851
Conversion feature	1,755
Warrants	1,504
	6,110

During the year ended April 30, 2020:

(c) In March 2020, the Company issued 97,342,857 common shares and 97,342,857 common share purchase warrants for total cash proceeds of $2,725. The transaction costs were $3. Each common share purchase warrant is exercisable to acquire one common share at an exercise price of $0.05 per common share for a period of three years from the date of issuance. Total proceeds of $2,725 were allocated to common shares ($1,813) and common share purchase warrants ($909) on a fair value proportionate basis. The fair value of common shares on date of issuance was $0.04 per share. The fair value of common share purchase warrants was determined to be $0.03 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.04, a risk-free interest rate of 0.99%, an expected annualized volatility of 75% and expected dividend yield of 0%.

(d) 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 at April

30, 2019, resulting in recognition of contributed surplus of $160 during the year ended April 30, 2019. The shares were issued during the year, resulting in reclassification of $160 from contributed surplus to shareholders' equity.

(e) The Company issued the following shares to settle various obligations of the Company during the year:

	Number of shares	$000's
Settlement of trade payables and other obligations in the amount of $85 for $61 of common shares of the Company	2,114,014	61
Settlement of debt of $10	333,333	10
	2,447,347	71

In addition, in January 2020, the Company issued 30,000,000 common shares at a deemed price per share of $0.05 to each of two former shareholders of MFT, totaling 60,000,000 common shares, pursuantto separate debt settlement agreements entered into between the Company and each such individual for thesatisfaction of $3,000 of the remaining contingent consideration of $3,545 owing to the shareholders, which payments were originally due in November 2019.

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 bya Board resolution. In addition, the aggregate number of shares so reserved for issuance to one person maynot 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 $461 of share-based compensation expense during the year ended April 30, 2021 (April 30, 2020 – $762), 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 Company, 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 year ended April 30, 2021 and 2020 is as follows:

	April 30, 2021 $000's	April 30, 2020 $000's
Salaries and wages	**1,819**	1,530
Share-based compensation	**342**	711
	-	172
	2,161	2,413

During the year ending April 30, 2021, the Company paid $185 of consulting fees in total to two shareholders and paid $19 of rent to a company owned by a shareholder. As of April 30, 2021, the Company owes $3 (April 30, 2020 - $73) to a shareholder of the Company and owes promissory notes in the total amount of $12,500 payable to three shareholders.

All related party transactions were in the normal course of operations, measured at the exchange amount.

Contingencies

(a) On September 23, 2020, the Company was served with a Statement of Claim for damages for the alleged breach of a former employee's employment agreement, or in the alternative, for the alleged constructive dismissal of a former employee, in the amount of $728 plus interest and costs. The claim was initiated in the Ontario Superior Court of Justice. The Company filed a Statement of Defence to the claim on November 6, 2020 and believes the claim is without merit.

(b) The Company and its subsidiary, Abba, were 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) In the ordinary course of business and from time to time, the Company is involved in various other claims related to its ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these consolidated financial statements.

Commitments

As at April 30, 2021, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	$000's
2021	603
2022	505
2023	375
Thereafter	1,459
	2,942

Capital management

The Company defines the capital that it manages as the amounts it classifies in share capital, augmented by any amounts raised through the issuance of convertible debentures, promissory notes, borrowings and mortgage payable.

	$000's
Share capital, including equity component of convertible debentures	50,859
Convertible debentures	3,988
Promissory notes	11,006
Borrowings	446
Mortgage payable	2,000
	68,299

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing initiatives and business development activities in order to provide returns for its shareholders.

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 April 30, 2021, the Company had raised, net of issuance costs, approximately $40,612 (April 30, 2020 - $32,112) 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 financial statements (**"financial statements"**) have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting

Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on August 30, 2021.

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 audited annual consolidated statements of the Company for April 30, 2021 comprise the results of the Company and its wholly-owned subsidiaries Abba, CHC, Knalysis, and ICM.

New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the year ended April 30, 2021 had no material impact on the consolidated financial statements:

*IFRS 3 – Business Combinations ("**IFRS 3**")*
In October 2018, the IASB amended IFRS 3 seeking to clarify whether an acquisition transaction results in the acquisition of an asset or the acquisition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, although earlier application is permitted. The Company applied the standard from May 1, 2020 and it did not have material impact on the consolidated financial statements:

Amendment to IFRS 16, COVID-19-Related Rent Concessions
In May 2020, the IASB issued an amendment to permit lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment is effective for annual reporting periods beginning on or after

June 1, 2020, with earlier application permitted. The amendment did not have an impact on the consolidated financial statements.

Amendments to IFRS 3, Business Combinations
In October 2018, the IASB issued amendments to the guidance in IFRS 3, Business Combinations, which revise the definition of a business for acquisition accounting purposes. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, there will now need to be an organized workforce present. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. The amendments to IFRS 3 were effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after January 1, 2020. The amendment did not have an impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence

decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity"

Future Accounting Pronouncements

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated 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 April 30, 2021 and April 30, 2020, three customers represented 73% and two customers represented 57% of the outstanding trade and other receivable balance, respectively.

For the year ended April 30, 2021, three customers accounted for approximately 59% of the Company's consolidated revenue (2020 – 78%). As at April 30, 2021, the Company had one customer that accounted for 47% of total accounts receivable.

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:

	April 30, 2020 $000's	April 30, 2020 $000's
Not past due	1,627	503
1 to 30 days past due	49	262
31 to 60 days past due	196	27
Over 61 days past due	9	50
Total	**1,926**	**842**

There was no impairment for credit loss recognized as at April 30, 2021 and April 30, 2020.

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	2,476	2,942	603	505	375	1,459
Promissory notes	68	68	68	-	-	-
Promissory note - non-current	10,938	14,375	1,172	625	12,578	-
Trade and other payables	8,345	8,345	8,345	-	-	-
Convertible debentures	3,988	10,328	1,228	-	-	9,100
Borrowings	446	443	443	-	-	-
Due to related parties	3	3	3	-	-	-
Mortgage payable	2,000	2,133	2,133	-	-	-
	28,264	**38,637**	**13,995**	**1,130**	**12,953**	**10,559**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate becauseof changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk andother 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 April 30, 2021 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 April 30, 2021.

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 liabilitiesin 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 useof 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 twelve months ending April 30, 2021, 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 Consolidated Financial Statements for the year ended April 30, 2021.

a) Risk Factors Related to the ICM Acquisition

Acquisitions Generally

While the Company conducted substantial due diligence in connection with acquisitions generally, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of ICM for which the Company is not sufficiently indemnified pursuant to the provisions of the SEA. 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 ICM acquisition. All of these factors could cause a delay the anticipated accretive effect of the ICM acquisition 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 acquisitions, including the recent acquisition of ICM in Quebec. 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 develop and retain business relationships with current customers, and difficulties with adoption or implementation of new business plans, standards, controls, processes and systems.

Dilution

Following completion of the ICM acquisition, 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, ICM, and to the Medical Cannabis Industry

Contagious Disease and Covid-19 (Coronavirus)

The Company's business could be adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of Covid-19 (Coronavirus), which has caused a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downtown. This Covid-19 outbreak may also cause staff shortages, reduced customer traffic and increased government regulation, all of which may negatively impact the business, financial condition and results of operations of the Company.

Cannabis Activities in the United States

The changing, uncertain, regulatory environment in the United States 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. In June 2020, the Company terminated the contract with its only US customer, locatedin Pennsylvania and does not conduct business in the United States at the present time.

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 measuresto 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 contaminantsto 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 themor 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. Changesin 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 cannotbe 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. Changesin 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 theability, 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 resultsor 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 risksin such amounts as it considers to be reasonable, the insurance markets are not favorable to the cannabis industry, including Directors and Officers insurance. In addition, insurance may 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 becauseof premium costs or other reasons. Losses from these events may cause the Group to incur significant coststhat 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.

In June 2020, the Company acquired ICM, a Licensed Producer in Quebec. This acquisition is intended to provide product mainly for the Quebec market, but can now provide an alternative to productionin Pickering.

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 ha rm 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 reducethe 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. Although the Company has Product Liability insurance, 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 useor

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 effectsor interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Ifany 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 notbe 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 geographicor 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 Congressat any time choose to appropriate funds to fully prosecute the CSA, any individual or business—even thosethat 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 had a small portion of clientele that operate in Pennsylvania. The Company notes that revenue from such clientele currently does not comprisea material portion of the Company's consolidated revenues.

d) Going concern uncertainty risk

The Company's Consolidated Financial Statements for the year ended April 30, 2021 have been 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 operations. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the year ended April 30, 2021, the Company incurred a net loss of $11,365, and as at April 30, 2021, had an accumulated deficit of $59,761 and a working capital deficit of $2,266. Cash flow used in operations for the year ended April 30, 2021 was $3,362. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so in the future on terms favourable for the Company.

INFORMATION COMMUNICATION CONTROLS AND PROCEDURES

Management, including the Chief Executive Officer ("**CEO**") and the Interim 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, 2021 that have materially affected, or are reasonably likely to materially affect, the ICFR. Asa result, no such significant changes were identified through their evaluation.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaningof 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 Canadaor 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 favorableto 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 August 30, 2021. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Chris Churchill-Smith	*(signed) Peili Miao* CPA, CGA
Chief Executive Officer	Interim Chief Financial Officer