



CANADA HOUSE CANNABIS GROUP INC.
Formerly doing Business as CANADA HOUSE WELLNESS GROUP INC.

Management's Discussion and Analysis

For the Fifteen months period ending July 31, 2022

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

This Management's Discussion and Analysis ("MD&A") of Canada House Cannabis Group Inc., formerly Canada House Wellness Group Inc. (hereinafter referred to as 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 fifteen months period ending July 31, 2022, and the year ending April 30, 2021 (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 audited consolidated financial statements and MD&A of the Company in respect of the fifteen-month period ending July 31, 2022, and the year ending April 30, 2021 were approved and authorized for issuance by the Board of Directors of the Company on November 28, 2022. The effective date of this MD&A is November 28, 2022.

BUSINESS HIGHLIGHTS

COVID-19 global pandemic

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 fifteen months period ending July 31, 2022, the Company announced:

1. On August 25, 2022, the Company announced the results of its annual general and special meeting of shareholders held on August 23, 2022. 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 and the conditional election of Richard Clement and

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Michel Clement as additional directors, conditional upon the completion of the closing of the first tranche of the Corporation's acquisition of Montreal Cannabis Medical Inc. (“MTL”) The directors will hold office until the next Annual General Meeting of Shareholders, or until their successors are elected or appointed.

The Company's 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; and (ii) amendments to the Corporation's investment instruments with Archerwill Investments Inc. The business summary presented at the Annual General Meeting is available on the Investor Centre section of Canada House's website at <https://canadahouse.ca>.

Following the shareholder meeting, the Company completed the previously announced consolidation of its common shares on the basis of thirty (30) pre-consolidation shares for each one (1) post-consolidation share. Fractional shares resulting from the share consolidation were rounded up or down to the nearest whole Common Share. The Company has also officially adopted “Canada House Cannabis Group Inc.” as its corporate legal name.

2. On August 30, 2022, Canada House announced the closing of the first tranche of its acquisition of MTL.

With the closing of the first tranche of the Transaction (the “**Initial Closing**”), the Company acquired approximately 24.99% of the issued and outstanding shares of MTL in exchange for 49.99% of the issued and outstanding common shares of the Company. Following the completion of the Company's share consolidation announced on August 25, 2022, the shareholders of MTL were issued 22,779,340 Common Shares on the Initial Closing. There are now 45,567,767 Common Shares issued and outstanding. The definitive transaction agreement between the parties provides for the Company to acquire the remaining 75.01 % of the issued and outstanding shares of MTL on the second tranche of the Transaction (the “**Subsequent Closing**”) in exchange for such number of Common Shares that when added to the Common Shares issued on the Initial Closing, is equal to 80.0% of the issued and outstanding common shares of the Company.

Now that the Initial Closing has been completed, the parties will proceed to satisfy the closing conditions to the second tranche of the Transaction, namely MTL’s preparation of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL (the “**MTL Financial Statements**”). Following MTL’s preparation of the MTL Financial Statements, the Company will proceed to a shareholder meeting to approve the Subsequent Closing, as required by the rules and policies of the Canadian Securities Exchange.

The percentages of Common Shares noted above will be subject to anti-dilution adjustments in favour of the vendors of the MTL shares wherein additional Common Shares will be issued up to 49.99% of the Common Shares prior to the Subsequent Closing and up to 80.0% following the Subsequent Closing in the event of the issuance of Common Shares upon the conversion of the principal and accrued interest of the Company's \$6.5 million convertible debenture issued to Archerwill Investments Inc. on August 5, 2020.

The Transaction constitutes a “reverse takeover” of the Company and it is anticipated that following the Subsequent Closing, the Company will operate under the MTL corporate name with shares trading on the CSE under a related ticker symbol. Trading in the common shares of the Company has been halted since the Transaction was initially announced on August 9, 2021 and is expected to remain halted until the Subsequent Closing.

The Subsequent Closing 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 (in the case of the Subsequent Closing), (ii) the completion of the Share Consolidation, (iii) there being no material adverse change in the business of Canada House or MTL (as applicable) prior to the Subsequent Closing, and (iv) receipt of applicable third party and regulatory approvals including the approval of the CSE. The Subsequent Closing will occur as soon as possible following the satisfaction of all such closing conditions. A press release will be issued in due course to announce the expected timing of the Subsequent Closing once MTL has provided the required MTL Financial Statements.

With the Initial Closing having been concluded, the amendments to restructure certain debt obligations of the Company as described in the Company's July 26, 2022 press release are now effective.

Year Ending July 31, 2022

During the fifteen months period ending July 31, 2022, the Company announced:

1. *On May 27, 2021*, the acquisition by 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 increasing its contributions to veteran causes both through the Not-for-Profit Post Traumatic Growth Association and additional programs.
2. *On May 31, 2021*, Abba 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 a third-party distributor, National Cannabis Distributor (“**NCD**”), for sale in Saskatchewan, the fifth province in which Abba’s products are 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 MTL for Abba's distribution of MTL's high-grade dried flower to Abba's medical patient base (the "**Exclusivity Agreement**"). Under the terms of the Exclusivity Agreement, MTL has partnered with Abba to be the exclusive distributor of certain varieties of cannabis material produced by MTL and destined for sale to medical patients in Canada. The variety of strains that will be supplied to support medical patients includes MTL's 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 entered into a definitive share exchange agreement (the "**Agreement**") for Canada House's acquisition of all of the issued and outstanding shares of MTL (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 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's current brand portfolio and develop a diverse flower menu bringing premium, accessible products to cannabis consumers while maintaining existing supply agreements. MTL has experienced strong sales momentum 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 will continue to focus on its long-term consumer packaged goods (CPG) portfolio strategy for current and upcoming brands, supporting both the adult-use and medical markets. The transaction will provide MTL 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 has further expansion capabilities with an additional 58,000 sq. ft. of cultivation and production space through a second building situated at MTL's 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 twelve Canadian provinces, including Alberta, British Columbia, New Brunswick, Ontario, Québec, and Saskatchewan.

Dried flower continues to dominate in the Veteran medical cannabis segment, accounting for over 50% 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.

Transaction Highlights:

- Significant combined sales: MTL has already achieved profitability via its ability to meet consumers' needs at an affordable price. There will be additional upside stemming from MTL's ability to leverage existing sales licences and distribution of Abba and eventual increased production from the Company's wholly-owned

subsidiary, 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 will expand its total cultivation capacity to 120,000 sq. ft., providing approx. 30,000 kilograms of dried flower annually. Additionally, MTL 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's strengths in operations, cultivation, brand development, marketing, retail, and sales.
- Leverage proven medical cannabis expertise and distribution: CHC has operated medical cannabis clinics for over seven years, and Abba has quickly built a significant medical business. CHC clients purchase over \$30 million of legal medical cannabis from many Licensed Producers, including Abba, 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 will continue to deliver high-quality cannabis for current and future product offerings. This Transaction will increase MTL's retail footprint by combining brand portfolios under both MTL 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 (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 achieving certain agreed-upon milestones.

Closing of the Transaction 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 (as applicable) prior to Closing, and (iv) receipt of applicable third party and regulatory approvals including the approval of the CSE.

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On the Closing of the Transaction, the Company will pay a finder's fee of \$100,000 and issue approximately 509,524 common shares (pre-consolidation - 14,285,715) (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 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 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.

9. *On September 28, 2021*, The Company promoted Ms. Peili Miao, CPA CGA, to Chief Financial Officer (CFO). Ms. Miao joined the Company in October 2019, as Financial Controller, bringing 15 years prior experience in progressive finance roles, including as CFO of a TSXV listed mining company. Ms. Miao assumed the role of Interim CFO on March 25, 2021 and led a seamless transition of the Company's finance and accounting matters during the interim period.
10. *On October 21, 2021*, the Company announced that CHC opened its new clinic in Barrie, Ontario.
11. *On November 26, 2021*, the Company provided an update on the status of the Transaction and details regarding further integration of the operations of Canada House and MTL. Canada House's wholly-owned subsidiaries, ICM, a Québec-based Health Canada licence holder, and Abba Medix Corp. ("**Abba**"), have facilitated the successful launch of MTL dried flower SKUs through four (4) of the nine (9) Canadian provinces in which they currently have distribution relationships. The initial launch includes MTL's signature strain Sage n' Sour, as well as an exclusive offering of Cookies n' Crème. Initial sales of MTL SKUs through Abba and ICM's sales licenses have been strong and reflect MTL's history as a top 5 selling dried flower SKU in almost all of the provincial markets it has entered.

In addition to the above, MTL has participated and has been successful in obtaining listings in various product calls from 3 of Canada's largest recreational markets. These accepted SKUs have launch dates on Canada House's licenses (ICM and Abba) between December 2021 and June 2022. As of the date of the MD&A, MTL has 14 SKUs listed with OCS, 9 SKUs with AGLC and 10 SKUs with SQDC.

Medical LP Patient Growth - Over 1400 active patients

With respect to Abba's medical platform, Canada House announced that Abba had more than doubled its registered patient count since January 2021, surpassing at that time 800 registered veteran patients and 1,400 total medical patients.

Other Medical Cannabis Updates

Abba and Canada House Clinics ("CHC") have been working together to ensure Abba has the most effective portfolio of products which has allowed Abba to become the LP with the second-highest number of Veterans amongst the twenty LP's that CHC works with. With this growth and the previously reported acquisition of Margaree Health Group, CHC has grown from under 3,100 Veterans in January 2021 to over 3,800 Veterans. Abba and CHC will be expanding efforts in Quebec in the coming year, starting with the launch of Abba's new bilingual shopping portal in Dec 2021.

Financing Update

In October 2021, the Company issued a \$700,000 principal amount secured debenture (the "**Debenture**") to DMMB (Pty) Holdings Ltd. in connection with a debt financing transaction. The Debenture has a two-year term and bears interest at 18% per annum. The proceeds from the issuance of the Debenture will be used for working capital purposes and for transaction costs.

The Company's board of directors unanimously approved the extension of the expiry date of 3,244,762 (subject to adjustment) outstanding common share purchase warrants of the Company issued on March 4, 2020 (the "**Warrants**") from March 3, 2023, to December 31, 2026. Aside from the extension of the expiry date, all other terms of the Warrants will remain unchanged. The extension of the Warrants is subject to acceptance by the CSE.

12. On December 23, 2021, the Company announced that, prior to the maturity of its outstanding Convertible Debentures dated December 5, 2017 (the "**2017 Debentures**"), the Company corresponded with the remaining holders of 2017 Debentures and proposed Convertible Debenture Amending Agreements (the "**Amending Agreements**") to: i) extend the Maturity Date of the 2017 Debentures to December 5, 2022; ii) increase the interest rate on the outstanding Principal from 8.5% per annum to 18.0% per annum from and after December 5, 2021; iii) remove the conversion right under the Debenture; and, iv) reaffirm the Company's obligations under the 2017 Debentures. As the Maturity Date of the 2017 Debentures has passed without payment of the amounts due at maturity, the Company is in default under the 2017 Debentures and will continue to be so until the Company pays the amounts due at maturity or reaches agreements with respect to the extension of the Maturity Date thereof. If the Company is not able to enter into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures, the principal and interest of the 2017 Debentures not subject to such extensions will be due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof. Upon expiry, \$1,955 related to the conversion feature was reclassified from contributed surplus to deficit. As of July 31, 2022, \$1,050 of the principal amount of the 2017 Debentures remains outstanding and presented within current liabilities.

13. On March 22, 2022, the Company provided an update on the status of the Transaction. Canada House announced that it was awaiting MTL and their auditor's completion of the MTL Financial Statements.

Cultivation and Sales Update

MTL has continued to work closely with Canada House's wholly-owned subsidiaries, ICM and Abba, to increase MTL's presence across Canada. MTL's Cookies n' Cream dried flower SKU outperformed expectations as an exclusive offering in Ontario and will see its distribution expanded alongside Sage & Sour, in dried flower and soon to be listed pre-roll formats, to 6 Provinces across Canada.

In addition, Abba and MTL have secured exciting new genetics testing in excess of 26% THC potency which are currently being cultivated at scale within MTL's low-cost facility. These new genetics will complement previously accepted SKUs being launched in 3 of Canada's largest recreational markets on Canada House's licenses (ICM and Abba).

Finally, MTL has agreed to fund capital expenditures related to the retrofit of ICM's licensed production facility located in Louiseville, Québec. The retrofit has been initiated and will be completed under the guidance of MTL and will convert the grow methodologies at the ICM facility to align with existing methodologies at MTL's existing 57,000 sq. ft. licensed facility. The retrofit of the ICM facility is being completed in two phases. The initial and second phases of the retrofit will result in incremental increases of ICM's annual production capacity of 5,000 kgs and 5,000 kgs respectively (10,000 kgs total).

Clinic and Medical Cannabis Update

Abba and CHC continue to grow their medical presence diligently and deliberately, driven by Abba's leading portfolio of medical cannabis products (which now includes topicals, suppositories and an even larger list of partners, brands and choices) and CHC's provision of leading cannabinoid therapy services. Abba's monthly medical cannabis sales have increased over 60% from summer of 2021 levels and have exceeded \$500K monthly since Nov 2021. The recent launch of Abba's new bilingual shopping portal has led to increased functionality, higher satisfaction, and increased sales in Quebec. CHC has now exceeded 4,000 Veterans and Abba has reached 1,000 Veterans showing continued success in serving this important segment. Abba daily medical sales exceeded \$40K per day for the first time in March 2022.

14. On May 12, 2022, the Company announced cancellation of 348,333 incentive stock options previously held by certain directors, officers, and employees of the Company.
15. On May 30, 2022, the Company filed on SEDAR a Notice of Change in Financial Year End pursuant to Section 4.8(2) of National Instrument 51-102 – *Continuous Disclosure Obligations* providing notice that it has determined to change its financial year end from April 30 to July 31. The Company has determined to change its financial year for reporting and planning purposes in order to better allow for allocation of internal resources dedicated to the audit function while the Company is progressing its previously announced reverse takeover transaction with MTL. The annual audited financial statements of the transition year will be 15 months and will include the period starting May 1, 2021, to July 31, 2022. The interim and annual reporting periods of the transition year will be changed based on the new fiscal year-end date.
16. On June 20, 2022 the Company filed on SEDAR an Amended Notice of Meeting and Record Date for its annual general and special meeting of shareholders to be held on August 23, 2022. May 20, 2022 was fixed as the record date for determining which shareholders will be entitled to receive notice of and to vote at the meeting.

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17. On July 25, 2022, the Company announced amendment of meeting date for the Annual General and Special Meetings of security holders to August 23, 2022.
18. On July 26, 2022, the Company announced restatement of share exchange agreement for the acquisition of MTL over two tranches. The first stage of the Transaction provides for the acquisition by the Company of approximately 24.99% of the issued and outstanding shares of MTL in exchange for 49.99% of the issued and outstanding common shares ("**Common Shares**") of the Company (currently anticipated to be 22,779,340 Common Shares (pre-consolidation - 683,380,223) post-issuance. The second stage will result in the Company's acquisition of the remaining 75.01 % of the issued and outstanding shares of MTL in exchange for such number of Common Shares that when added to the Common Shares issued on the Initial Closing, is equal to 80.0% of the issued and outstanding Common Shares of the Company.

The percentages of Common Shares noted above will be subject to anti-dilution adjustments in favour of the vendors of the MTL shares wherein additional Common Shares will be issued up to 49.99% of the Common Shares prior to the Subsequent Closing and up to 80.0% following the Subsequent Closing in the event of the issuance of Common Shares upon the conversion of the principal and accrued interest of the Company's \$6.5 million convertible debenture (the "**Archerwill Debenture**") issued to Archerwill Investments Inc. ("**Archerwill**") on August 5, 2020 and any other convertible debentures of the Company outstanding prior to the Initial Closing.

The parties have agreed to restructure the Transaction in this manner as MTL has to date not been able to deliver the required MTL Financial Statements in order for the Company to proceed to a shareholder meeting to approve the Transaction, as is required by the rules and policies of the Canadian Securities Exchange (the "**CSE**"). To reflect the parties' commitment to the Transaction and in light of the ongoing integration of the business of the Company with the business of MTL, the parties determined to proceed with the Initial Closing and the further integration of the two businesses while the necessary MTL Financial Statements and pro forma financial statements together with the related management's discussion and analysis are prepared to allow the Company to call and hold a special meeting of Shareholders to approve the Subsequent Closing.

The Restated Agreement also provides for amendments to the criteria for the cash earnout payment of \$5 million (the "**Earnout**") that may be payable under the Restated Agreement. Originally, the Earnout was conditional upon MTL and ICM (now employing the genetics and grow methodologies of MTL) achieving stand-alone revenue of \$20M and production of 10,000 kilograms of merchantable dried flower in each of the first twelve months and the second twelve months following the closing of the Transaction. The Restated SEA provides for the Earnout to be achieved upon gross revenue from the production facilities of MTL and of ICM net of excise tax being at least \$30,000,000 for each of the first twelve months and the second twelve months following the Subsequent Closing.

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 are listed on the CSE under the trading symbol "CHV." The Corporation is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

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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; ICM, a licensed producer in Louiseville, Quebec, that produces high-quality medical-grade cannabis. Canada House’s goal is to become the leading cultivator of premium craft cannabis and provider of cannabinoid therapy, targeting the national medical cannabis markets, the recreational adult-use market in Quebec and across Canada, and Margaree, a medical cannabis clinic dedicated to Veterans in Nova Scotia.

Corporate Structure:

Abba, CHC, Knalysis, ICM and Margaree 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 672800NB Inc. and operated under the business name “Marijuana for Trauma” until changing its name to “CanadaHouse Clinics Inc.” in October 2018. CHC owns and operates medicinal cannabis clinics. It provides services to assist its 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 license under the ACMPR on January 12, 2018 and a 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 parties and its own licensed producers that meet 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, edibles and topicals 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 capitalize on rapidly growing Quebec cannabis market and SQDC opportunities.*

As a result of the strategic acquisition of ICM, the Company has accessed the vast Quebec cannabis market through ICM's signed a letter of intent with the Société québécoise du cannabis ("SQDC").

The Company will continue to enhance the grow methodologies deployed at ICM's 64,000 square foot production facility to increase its annual production capacity of low-cost dried flower. ICM 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 up to 50,000 kg. This additional grow capacity further ensures the security of supply for Canada House's medical patients and better positions the Company to meet the growing demand from provincial distributors across Canada.

3. *Continue to add new SKU's to further leverage existing adult-use recreational channels.*

Canada House, through its two Licensed Producers, continues to pursue additional provincial distribution, particularly as it relates to exciting new genetics Abba has secured which are testing in excess of 26% THC potency. These new genetics are currently being lent to MTL to cultivate at their low-cost facility and will complement previously accepted SKUs being launched in 3 of Canada's largest recreational markets on ICM and Abba's licenses. These genetics are deemed to be of tremendous value and a significant asset and contributor to the continued success of the Company.

Canada House Clinics Inc.

CHC's mission is to improve the quality of life for anyone suffering from post-traumatic stress disorder, chronic pain and/or other medical conditions. CHC is not in the business of growing or distributing cannabis and will not undertake these activities in the future. CHC provides education services to assist their patients in selecting a Licensed Producer, identify appropriate strains, and consult and support patients regarding the use of medical cannabis. Since its inception, CHC has directly supported thousands of veterans and civilians across Canada with comprehensive service and care. CHC currently has fourteen clinic locations, including both standalone and embedded locations inside third-party medical clinics. There are three clinics in 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

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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 producer payments. 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 understanding of what treatments and products work best for a specific diagnosis. The data gathering can further be used in 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. CHC 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 increasing its contributions to veteran causes both through Not-

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for-Profit Post Traumatic Growth Association, and additional programs.

CHC focuses on Abba client growth and meanwhile maintains Licensed Producers to provide greater capacity and more care alternatives. As of July 31, 2022, in addition to Abba and ICM, CHC had sixteen 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 can produce between 2,000 and 3,000 kg of premium cannabis annually. 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 leverage the production capacity at this facility to support new revenue opportunities that monetize and de-risk its cultivation space while continuing to focus on its medical marketplace and medical fulfillment from this facility.

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

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	<p>2. Cannabis in its natural form/cannabis resin added additional subdivision C grow room and oil extraction room included in the license</p> <p>Sale is 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.</p>
<p>July 20, 2018 License No 10-MM0264/2018</p>	<p>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.</p>
<p>July 31, 2018 License No 10-MM0264/2018</p>	<p>Production of Fresh Cannabis Sale Still governed by the section 22 (2) limited version</p>
<p>November 10, 2018 License No. LIC-MZPK573ALN-2018-1</p>	<p>Updated License under Cannabis regulations Standard cultivation license Standard Processing license (including sales of seeds and planting materials)</p>
<p>December 21, 2018 License No. LIC-MZPK573ALN-2018-1</p>	<p>Sales (Medical) -Dried cannabis License with condition.</p>
<p>August 30, 2019 License No. LIC-MZPK573ALN-2018-2</p>	<p>Amended Sales License - Abba can start legally selling its own branded dry flower and fresh cannabis.</p>
<p>August 21, 2020 License No. LIC-MZPK573ALN-2020</p>	<p>Amended sales license – Abba can start selling cannabis oil, concentrate, topical and edible products.</p>

IsoCanMed Inc.

ICM has invested approximately \$15 million in a state-of-the-art 64,000-square-foot production facility, including its recently completed retrofit under the oversight of MTL to deploy MTL’s proven cultivation methodologies. ICM’s facility currently offers the potential for an annual production capacity of over 6,000 kg of low-cost dried flowers. 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 from ICM 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.

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ICM holds the following licenses:

Date	Description
January 12, 2018 License No 10-MM0766/2018	Cannabis Cultivation License Sales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
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 for sales or provision on this licensed to license dealer solely 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 own branded dry flower and fresh cannabis.

Corporate activities

In August 2021, the Company entered into a share exchange agreement with MTL. During the fifteen months ending July 31, 2022, the Company borrowed \$1,000 from MTL at 3% interest per annum. The loan is unsecured and has no specific terms of repayment. In October 2021, the Company issued a \$700 principal amount secured debenture which has a two-year term. On December 15, 2021, MTL and ICM entered into a loan agreement for ICM to borrow

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up to \$4,139 from MTL. The loan was used for capital expenditures related to the retrofit of ICM's facility. As of July 31, 2022, the balance of the loan is \$1,640 including \$1,612 of principal and \$27 of interest accrued at 8% per annum.

Going Concern Uncertainty

The 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 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 fifteen months period ended July 31, 2022 and the year ended April 30, 2021, the Company incurred a net loss of \$11,093 and \$11,365, and as at July 31, 2022, had an accumulated deficit of \$68,899 and a working capital deficit of \$9,317. Cash flow used in operations for the fifteen months period ended July 31, 2022 was \$1,525. 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 favorable for the Company.

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 fifteen months period ended July 31, 2022 and the year ended April 30, 2021.

	As at and for the 15-months period Ended July 31, 2022 \$000's	As at and for the Year Ended April 30, 2021 \$000's	As at and for the Year Ended April 30, 2020 \$000's
Revenue	30,175	11,880	5,334
Net revenue	26,666	10,560	5,310
Loss	(11,093)	(11,365)	(9,520)
Current assets	7,727	9,873	4,982
Non-current assets	26,322	27,119	9,446

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Current liabilities	17,044	12,139	3,940
Non-current liabilities	20,758	17,980	5,414
Working capital (deficiency)	(9,317)	(2,266)	1,042
Deferred income tax liability	1,986	1,855	-
Share capital	48,685	48,685	39,241
Shareholders' equity (deficiency)	(3,753)	6,873	5,074
Loss per share - basic and diluted	\$(0.49)	\$(0.52)	\$(0.03)

Quarterly Results

Quarter	Revenues	Net loss	Net loss per share basic and diluted
	\$000's	\$000's	\$
	(Unaudited)	(Unaudited)	(Unaudited)
<i>15-months ended July 31, 2022</i>			
Quarter ended July 31, 2022	5,863	(1,296)	(0.06)
Quarter ended April 30, 2022	5,497	(2,146)	(0.09)
Quarter ended January 31, 2022	6,176	(1,699)	(0.07)
Quarter ended October 31, 2021	5,106	(3,377)	(0.15)
Quarter ended July 31, 2021	4,024	(2,575)	(0.11)
<i>Year ended April 30, 2021</i>			
Quarter ended April 30, 2021	2,898	(6,156)	(0.27)
Quarter ended January 31, 2021	2,872	(2,518)	(0.11)
Quarter ended October 31, 2020	2,263	(2,059)	(0.09)
Quarter ended July 31, 2020	2,527	(632)	(0.03)

RESULTS OF OPERATIONS

Revenues

During the quarter ending July 31, 2022, net revenue increased by \$1,839 or 46%, from \$4,024 during the quarter ending July 31, 2021, to \$5,863. The increase for the quarter ending July 31, 2022, compared to July 31, 2021, is due to a \$1,416 increase in Abba and ICM product revenues from the adult-use recreational market and medical sales market, a \$154 increase in Abba and ICM license revenue and offset by a \$41 decrease in CHC's referral revenue, and \$310 of increase in the excise tax.

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During the fifteen months ending July 31, 2022, net revenue increased by \$16,106 or 153%, from \$10,560 during the year ending April 30, 2021, to \$26,666. The increase for the fifteen months period ending July 31, 2022, compared to April 30, 2021, is due to an \$16,420 increase in Abba product revenues from the adult-use recreational market and medical sales market and a \$383 increase in Abba's license revenue and a \$1,492 increase in CHC's referral revenue as a result of the acquisition of Margaree and offset by \$2,189 of increase in the excise tax.

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 fifteen months ended July 31, 2022, were \$2,603 and \$14,592 compared to \$2,761 and \$10,591 for the three months ended July 31, 2021 and twelve months ended April 30, 2021, a decrease of \$158 or 6% for the three months period compared with July 31, 2021 and an increase of \$4,001 or 38% compared with April 30, 2021. The change is mainly due to a \$161 increase in sales and marketing from \$311 for the three months ending July 31, 2021 to \$472 for the three months ending July 31, 2022 and a increase of \$1,419 from \$506 for the year ended April 30, 2021 to \$1,925 for the fifteen months ending July 31, 2022.

General and administrative for the three and fifteen months ended July 31, 2022, were \$1,408 and \$10,119, compared to \$1,908 and \$8,253 for three months ending July 31, 2021 and the year ended April 30, 2021.

It was a \$500 or 26% decrease for the quarter ended July 31, 2022 and a \$1,866 or 23% increase in general and administrative expenses for the fifteen months period ended July 31, 2022 compared with the year ended April 30, 2021.

The increase during fifteen months period ending July 31, 2022 compared with the year ended April 30, 2021 is mainly due to an increase of \$739 or 12% increase in salaries, wages, and consulting fees. The sales ramp-up at Abba and ISO, which required more customer service, administration and finance staff, is the main contributor to the increase in salaries, wages and consulting fees.

General operating expenses increased from \$268 to \$653, an increase of \$385 or 144%, for the quarter ended July 31, 2022, and increased from \$1,280 from the year ended April 30, 2021 to \$1,860 for the fifteen months period ending July 31, 2022, a increase of \$580 or 45% during the year.

Professional fees increased from \$341 for the year ended April 30, 2021 to \$821 for the fifteen months period ended July 31, 2022. The increase is mainly due to additional audit fees incurred for the fifteen months period ending July 31, 2022, due to business growth and additional legal fees incurred to resolve issues related to the operation and constructive dismissal of former employee.

Finance, Transaction Costs and Other Expenses

During the three months ended July 31, 2022, Finance and transaction costs decreased by \$41 or 5% to \$867 from \$908 compared with the three months ending July 31, 2021. The decrease is mainly due to less non-cash accretion expense on convertible debentures was recognized.

Finance and transaction costs increased by \$1,766 or 65%, from \$2,736 for the twelve months ending April 30, 2021,

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to \$4,502 for the fifteen months ending July 31, 2022. The increase is mainly due to interest accrued on the promissory notes and non-cash accretion expense on convertible debentures.

CHANGE IN FINANCIAL POSITION

Consolidated cash flows for the fifteen months ending July 31, 2022 and the year ended April 30, 2021 were as follows:

	July 31, 2022	April 30, 2021
Cash flow used in operating activities	(1,525)	(3,355)
Cash flow used in investing activities	(2,158)	(664)
Cash flow provided by financing activities	2,298	4,087
Net change in cash	(1,385)	68

Operating Activities

For the fifteen months period ended July 31, 2022, and the year ended April 30, 2021, cash used in operating activities was \$1,525 and \$3,355 respectively, \$1,830 or 55% lower in the fifteen months period ending July 31, 2022 compared to the year ended April 30, 2021. The decrease in the amount of cash used during the fifteen months period ending July 31, 2022, compared to the year ended April 30, 2021, is primarily related to the ramp-up of sales partially offset by the additional costs incurred.

Investing Activities

Cash used in investing activities in 2022 includes \$681 of the cash consideration for the business acquisition and consideration payout and \$2,431 of cash used in the purchase of property, plant and equipment offset by \$954 of the government grant for the retrofit at ICM. For the fifteen months period ended July 31, 2022, and the year ended April 30, 2021, cash used in investing activities was \$2,158 and \$664 respectively, \$1,494 or 225% higher in the fifteen months period ending July 31, 2022 compared to the year April 30, 2021.

Financing Activities

For the fifteen months period ended July 31, 2022, and the year ended April 30, 2021, net cash provided by the financing activities were \$2,298 and \$4,087, respectively. During the fifteen months period ending July 31, 2022, the Company borrowed \$2,640 from MTL and issued a \$700 debenture to a third-party lender. Cash used during the fifteen months period ending July 31, 2022 includes \$757 of lease payments, \$165 cash payments for interest on debentures, and \$120 repayment of the debentures. During year ending April 30, 2021, \$6,110 of net proceeds was raised from Archerwill Debenture. The Company paid \$707 of lease payments, repaid \$485 in promissory notes, paid \$133 of interest on debentures, and repaid \$2,818 of convertible debentures.

Consolidated Statement of Financial Position

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As of July 31, 2022, the total assets were \$34,049 compared to \$36,992 as of April 30, 2021. The \$2,943 decrease is primarily due to a \$1,385 decrease in cash from \$1,835 as of April 30, 2021, to \$450 as of July 31, 2022, \$608 decrease in biological assets, and \$1,417 decrease in inventory. The decrease is partially offset by a \$151 increase in prepaid expenses and deposits, and a \$1,113 increase in trade and other receivables from \$1,945 as of April 30, 2021, to \$3,058 as of July 31, 2022. The \$151 increase in prepaid expenses and deposits is mainly due to increase of ICM's Excise duty deposit with CRA due to increased sales volume.

The Company's current liabilities as of July 31, 2022, were \$17,044 compared to \$12,139 as of April 30, 2021. The increase in current liabilities is primarily due to a \$3,229 increase in trade and other payables, an \$1,440 increase of current portion of the borrowings as a result of the reallocation of non-current liability to current. and a \$197 increase in consideration payables. As of July 31, 2022, working capital is a deficit of \$9,317 compared to a working capital deficit of \$2,266 as of April 30, 2021.

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

	Note	Number of Shares	Share Capital \$000's	Equity Component of Convertible Debentures \$000's	Contributed Surplus \$000's	Deficit \$000's	Total Shareholders' Equity \$000's
Balance as at May 1, 2020		13,666,406	39,241	419	13,810	(48,396)	5,074
Common shares issued pursuant to business acquisition		9,115,381	9,444	-	-	-	9,444
Convertible debenture		-	-	1,755	1,504	-	3,259
Share-based compensation		-	-	-	461	-	461
Net loss and comprehensive loss for the period		-	-	-	-	(11,365)	(11,365)
Balance as at April 30, 2021		22,781,787	48,685	2,174	15,775	(59,761)	6,873
Balance as at May 1, 2021		22,781,787	48,685	2,174	15,775	(59,761)	6,873
Share-based compensation		-	-	-	467	-	467
Net loss and comprehensive loss for the period		-	-	-	-	(11,093)	(11,093)
Expiry of conversion feature		-	-	-	(1,955)	1,955	-
Balance as at July 31, 2022		22,781,787	48,685	2,174	14,287	(68,899)	(3,753)

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.

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

The Company recognized \$467 of share-based compensation expense during the year ended July 31, 2022 (April 30, 2021 – \$461), with a corresponding amount recognized as a contributed surplus.

During the fifteen months period ended July 31, 2022, the Company did not issue any stock options, 80,000 stock options expired and 163,333 stock options were forfeited. On May 12, 2022, the Company announced cancellation of 348,333 incentive stock options previously held by certain directors, officers, and employees of the Company.

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 fifteen months period ended July 31, 2022 and the year ended April 30, 2021 is as follows:

	July 31, 2022	April 30, 2021
Salaries and wages	2,114	1,819
Share-based compensation	266	342
General and administrative	88	-
	2,468	2,161

During the fifteen-month period ended July 31, 2022, the Company paid \$188 of consulting fees to a shareholder and paid \$28 of rent to a company owned by the same shareholder. As of July 31, 2022, the Company owes \$136 (April 30, 2021 - \$3) to a shareholder of the Company and owes promissory notes in the total amount of \$12,500 payable (April 30, 2021 - \$12,500) to three shareholders.

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

Contingencies

(a) The Company and its subsidiary, Abba, were served with a Statement of Claim for damages for the alleged

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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.

- (b) On April 15, 2021, Canada House's wholly owned subsidiary, ICM, was served with an application to initiate proceedings for damages for its alleged failure to pay invoices in the amount of \$304 plus pre and post judgment interest. Prior to the Plaintiff initiating proceedings, ICM provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at ICM's facility. The list of deficiencies includes the Plaintiff's supply and installation of a chiller which has not yet been put into operation by the Plaintiff. The Plaintiff and ICM discussed ICM's payment of the balance owing (approximately \$305) on the total contract value of \$2,300 when the Plaintiff had successfully remedied the outstanding deficiencies in its workmanship. In addition, at the request of the Plaintiff, ICM provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving ICM's requested comments, the Plaintiff halted all communication and proceeded with this application.

ICM retained external counsel to appear on ICM's behalf and respond to the application. ICM's external counsel has filed a Defence and Counterclaim to the Plaintiff's application along with the expert report relied upon in same. At this time, the Plaintiff's defense to ICM's Counterclaim and any expert evidence to be relied upon by the Plaintiff have not been filed with the Court. Initial discoveries of the Parties related to the Plaintiff's claim and ICM's Counterclaim have been delayed.

- (c) Prior to the maturity of the Company's outstanding Convertible Debentures dated December 5, 2017 (the "2017 Debentures"), the Company corresponded with the remaining holders of 2017 Debentures and proposed Convertible Debenture Amending Agreements (the "Amending Agreements") to: i) extend the Maturity Date of the 2017 Debentures to December 5, 2022; ii) increase the interest rate on the outstanding Principal from 8.5% per annum to 18.0% per annum from and after December 5, 2021; iii) remove the conversion right under the Debenture; and, iv) reaffirm the Company's obligations under the 2017 Debentures. The Company has not entered into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to such extensions is due and payable and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

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 July 31, 2022, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	\$000's
2022	541
2023	467

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2024	425
Thereafter	1,228
	2,661

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.

	July 31, 2022	April 30, 2021
Share capital, including equity component of convertible debentures	50,859	50,859
Convertible debentures	4,767	3,988
Promissory notes	10,866	11,006
Borrowings	3,926	446
Mortgage payable	2,000	2,000
	72,418	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 July 31, 2022, the Company had raised, net of issuance costs, approximately \$41,312 (April 30, 2021 - \$40,612) 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

These consolidated 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 November 28, 2022

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 consolidated statements of the Company for July 31, 2022 comprise the results of the Company and its wholly-owned subsidiaries Abba, CHC, Knalysis, ICM, TLP, and Margaree,

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.

IFRS 3 – Business Combinations (“IFRS 3”)

Amendments to IFRS 3 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 27 - Provisions, Contingent Liabilities and Contingent

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Assets be used to identify liabilities and contingent assets arising from business combination.

IAS 8 – Accounting policies, Changes in accounting estimates and Errors (“IAS 8”)

Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023.

IAS 12 – Income Taxes (“IAS 12”)

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively.

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 July 31, 2022 and April 30, 2021, three customers represented 42% and 73% of the outstanding trade and other receivable balance, respectively. For the 15-month period ended July 31, 2022, three customers accounted for 77% of revenue (2021 – three customer accounted for 73% of revenue).

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:

	July 31, 2022	April 30, 2021
Not past due	1,726	1,627
1 to 30 days past due	724	94
31 to 60 days past due	358	196
Over 61 days past due	226	9
	3,034	1,926

As at July 31, 2022, the expected credit loss recognized was \$14 (April 30, 2021 - \$14).

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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	2,288	2,661	541	467	425	1,228
Promissory notes	76	76	76	-	-	-
Promissory note - non-current	10,790	12,500	-	4,167	8,333	-
Trade and other payables	11,574	12,254	11,221	-	-	1,033
Convertible debentures	4,767	9,183	1,116	-	-	8,067
Borrowings	3,926	925	-	925	-	-
Due to related parties	3	3	3	-	-	-
Mortgage payable	2,000	2,346	2,345	-	-	-
	35,424	39,948	15,303	5,559	8,758	10,328

Market risk

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at July 31, 2022 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 of July 31, 2022.

Fair values

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

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

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

During the fifteen months period ended July 31, 2022, there were no transfers of amounts between levels.

Risk Factors

The following section on Risk Factors should be read in conjunction with the annual Management's Discussion and Analysis for the fifteen months period ended July 31, 2022.

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 downturn. 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, located in 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 HealthCanada, enabling the sale of its own cannabis directly to patients and consumers.

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

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

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

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

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

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

c) *Regulatory Risks*

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

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

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

The Group's business as a Licensed Producer represents a new industry and new market resulting from its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, the Group will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations.

These activities may not promote the Group's brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Change in Laws, Regulations, and Guidelines.

The Group's proposed operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the

environment. While to the knowledge of the Group's management, the Group is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Group may cause adverse effects to the Group's operations and the financial condition of the Group.

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

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

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

Volatile Stock Price

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

Limited Operating History

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

History of Losses

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

Risks Inherent in an Agricultural Business

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

Energy Costs

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

Reliance on Management

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

Insurance and Uninsured Risks

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

Although the Group maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, 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 because of premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on a Single Facility

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

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 production in 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 harm the Group's results of operations or cause it to fail to meet its reporting obligations. If the Group or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Group's consolidated financial statements and materially adversely affect the trading price of the Group shares.

Litigation

The Group may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Group becomes involved be determined against the Group such a decision could adversely affect the Group's ability to continue operating and the market price the Group shares and could use significant resources. Even if the Group is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers

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

Limited Market for Securities

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

Unfavorable Publicity or Consumer Perception

Management of the Group believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Group's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Group's proposed products and the business, results of operations, financial condition and cash flows of the Group. The Group's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Group, the demand for the Group's proposed products, and the business, results of operations, financial condition and cash flows of the Group. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Group's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. 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 use or include inadequate warnings

concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

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

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

Risk Factors Related to the United States

Investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the

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

The United States Congress has passed appropriations bills in 2018 and each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business even those that have fully complied with state law could be prosecuted for violations of federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Though the Company does not directly engage in activities that may be the subject of any such proceedings, its Knalysis division has a small portion of clientele that operates in Pennsylvania. The Company notes that revenue from such clientele currently does not comprise a material portion of the Company's consolidated revenues.

d) Going concern uncertainty risk

The 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 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 fifteen months period ended July 31, 2022 and April 30, 2021, the Company incurred a net loss of \$11,093 and \$11,365, and as at July 31, 2022, had an accumulated deficit of \$68,899 and a working capital deficit of \$8,690. Cash flow used in operations for the fifteen month period ended July 31, 2022 was \$1,534. 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

favorable for the Company.

INFORMATION COMMUNICATION CONTROLS AND PROCEDURES

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

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

The CEO and CFO have evaluated whether there were changes to the ICFR during the fifteen months ended July 31, 2022 that have materially affected, or are reasonably likely to materially affect, the ICFR. As a result, no such significant changes were identified through their evaluation.

FORWARD-LOOKING STATEMENTS

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

Readers are cautioned not to place undue reliance on forward looking information and there can be no assurance that forward looking information will prove to be accurate as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking information if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking information will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking information, include, but are not limited to: fluctuations in the currency markets (such as the Canadian Dollar and the United States Dollar); changes in national and local government, legislation, taxation, controls, regulations and political or economic developments in Canada or other countries in which the Company may carry on business in the future; operating or technical

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difficulties in connection with exploration and development activities; risks and hazards associated with the business of the production and distribution of medical cannabis (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on the production and distribution of medical cannabis, including those currently enacted in Canada; employee relations; relationships with and claims by local communities; availability and increasing costs associated with operational inputs and labor; business opportunities that may be presented to, or pursued by, the Company; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A available under the Company's profile at www.sedar.com.

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

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

This MD&A was prepared as at November 28, 2022. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Chris Churchill-Smith

Chief Executive Officer

(signed) Peili Miao CPA, CGA

Chief Financial Officer