LISTING STATEMENT

FORM 2A

August 14, 2023 Draft

MTL CANNABIS CORP.

(formerly Canada House Cannabis Group Inc.)

This Listing Statement is intended to provide full, true and plain disclosure about the Issuer. It is not, and is not to be construed as, a prospectus. It has not been reviewed by a securities regulatory authority and no securities are being sold or qualified for distribution by the filing of this Listing Statement.

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Cautionary Note Regarding Forward-Looking Statements

Unless otherwise indicated, all information in this Listing Statement is given as of the Specified Date (as defined below). The information provided in this Listing Statement, including information incorporated by reference, may contain “forward- looking statements” about Canada House or MTL Cannabis or the Resulting Issuer (each as defined herein). In addition, the Resulting Issuer may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Resulting Issuer that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by Canada House, MTL Cannabis or the Resulting Issuer that address activities, events or developments that Canada House, MTL Cannabis or the Resulting Issuer expects or anticipates will or may occur in the future are forward- looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Investors are cautioned that forward-looking information and statements are not based on historical facts but instead are based on reasonable assumptions and estimates of management of Canada House and MTL Cannabis at the time they were made and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, risks identified under the heading “Risk Factors”. Although Canada House and MTL Cannabis have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and Canada House and MTL Cannabis do not undertake any obligation to revise or update any forward-looking information other than as required by applicable law.

Consequently, all forward-looking statements made in this Listing Statement and other documents of Canada House or the Resulting Issuer are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Resulting Issuer. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Resulting Issuer and/or persons acting on the Resulting Issuer's “behalf may issue. The Resulting Issuer undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. Canada House believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, Canada House has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

Glossary of Terms

The following is a glossary of certain general terms used in this Listing Statement including the summary hereof. Note that the definitions included in the glossary many include other capitalized terms as also defined therein. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Terms and abbreviations used in the financial statements included in or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

"**Abba**" means Abba Medix Corp.

"**Affiliate**" means a company that is affiliated with another company as described below.

A corporation is an "Affiliate" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A corporation is "controlled" by a Person if:

(a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**Archerwill**" means Archerwill Investments Inc., and investment fund based in Toronto, Canada who is a party to or owner of the Archerwill Instruments.

"**Archerwill 2022 Amendments**" means the amendments to the Archerwill Instruments agreed among Archerwill and Canada House on July 22, 2022.

"**Archerwill 2023 Amendments**" means the amendments to the Archerwill Instruments agreed, conditional on the Tranche Two Closing, among Archerwill and Canada House on June 28, 2023.

"**Archerwill Consideration Warrants**" means the warrant issuable pursuant to the Archerwill 2023 Amendments upon the Tranche Two Closing.

"**Archerwill Debenture**" means the five year $6,500,000, 8% convertible debenture issued to Archerwill on August 5, 2020, the principal and accrued interest of which are convertible at maturity into Common Shares at the option of Archerwill, as amended and restated on July 22, 2022, and further amended pursuant to the Archerwill 2023 Amendments.

"**Archerwill Instruments**" means the Archerwill Debenture, the Archerwill Loan Warrant, the Archerwill Consideration Warrant, and the Voting Rights Agreements.

"**Archerwill Loan Warrant**" means the warrant issued to Archerwill on August 5, 2020 and amended on July 22, 2022 and to be cancelled pursuant to the Archerwill 2023 Amendments.

“**Archerwill Prepayment Warrants**” means the warrants issuable pursuant to the Archerwill Debenture upon the agreed prepayment of the Archerwill Debenture.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

(i) that Person's spouse or child; or

(ii) any relative of the Person or of his spouse who has the same residence as that Person.

“**Board**” or “**Board of Directors**” means the board of directors of Canada House or the Resulting Issuer as the context so implies.

“**Canada House**” means Canada House Cannabis Group Inc.

“**CBCA**” means the *Canada Business Corporations Act*, as amended.

“**CHC**” means Canada House Clinics Inc.

“**Circular**” means the information circular distributed by Canada House to its Shareholders in advance of its annual general and special meeting of the Shareholders to be held on July 16, 2023.

“**Common Shares**” means the common shares of Canada House before the Tranche Two Closing or the common shares of the Resulting Issuer following the Tranche Two Closing, as the case may be.

“**Company**” means Canada House or the Resulting Issuer, as the case may be.

“**Consideration Shares**” means the shares issued to the Vendors pursuant to the Tranche One Closing and to be issued to the Vendors on the Tranche Two Closing in partial satisfaction of the Purchase Price as further described in section 3.2.

“**CSE**” means the Canadian Securities Exchange.

“**Deemed Issued and Outstanding Basis**” means, as at the applicable measuring time, the number of Common Shares equal to the sum of:

(a) 22,788,427 (being the number of issued and outstanding Common Shares as at the Tranche One Closing); plus

(b) 22,779,340 (being the number of Consideration Shares that were issued on the Tranche One Closing); plus

(c) any Consideration Shares issued on the Tranche Two Closing (or with respect to calculating the number of Consideration Shares that will be issued on the Tranche Two Closing, the number of Consideration Shares that will be issued); plus

(d) any Anti-Dilution Event Consideration Shares that have been issued, and with respect to calculating the number of Anti-Dilution Event Consideration Shares that will be issued, such

Anti-Dilution Event Consideration Shares that will be issued, except that only 50% of any Common Shares (rounded up to the nearest whole Common Share) issued on account of the exercise of the Archerwill Prepayment Warrants shall be so included.

“**Disinterested Shareholders**” means the Shareholders who are not Interested Parties with respect to the Tranche Two Closing.

“**Earn-Out**” means the potential $5 million future cash payment to the Vendors in partial satisfaction of the Purchase Price as further described in item 3.1.

“**Facilities**” means the licensed facilities owned by Company’s wholly-owned subsidiaries, including a 22,000 sq. ft. indoor production facility in Pickering, Ontario owned by Abba and leased to Artisinal Cannabis Company, a 64,000 sq. ft. indoor production facility in Louiseville, Québec, and, following the Transaction, a 57,000 sq. ft. licensed facility of MTL Cannabis based in Montreal.

“**Finder’s Fee Shares**” means the 394,321 Common Shares issued in connection with the Tranche One Closing and 131,441 Common Shares to be issued in connection with the Tranche Two Closing, as further described in section 3.1.

“**Governmental Authority**” means any Canadian or foreign, federal, provincial, state, county, regional, local or municipal government, any agency, administration, board, bureau, commission, department, service, or other instrumentality or political subdivision of the foregoing, and any Person with jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or monetary policy (including any court or arbitration authority).

“**ICM**” means IsoCanMed Inc.

“**ICM Promissory Notes**” means the promissory notes in the aggregate principal amount of $12,500,000 issued on June 12, 2020 by Canada House to the vendors of the shares of ICM, bearing interest at 5% payable annually.

“**Interested Parties**” are the parties who would be considered as such under MI 61-101*,* in relation to the Tranche Two Closing.

"**Investor Rights Agreement**" means the investor rights agreement between Canada House and Archerwill dated August 5, 2020 and terminated effective August 30, 2022.

"**Licences**" means all licences, permits, approvals, orders, authorizations, registrations, findings of suitability, franchises, exemptions, waivers and entitlements issued or proposed to be issued by a Governmental Authority required for, or relating to, the conduct of the business of the Company.

“**Licensed Producer**” means a holder of a Licence to cultivate issued in accordance with the Cannabis Act and Cannabis Regulations.

“**Listing Statement**” means this listing statement of the Company filed with the CSE pursuant to its requirements and to advance approval of the listing of the Common Shares of the Resulting Issuer following the Transaction.

“**Meeting**” means the annual general and special meeting of the Shareholders to be held July 14, 2023 to conduct the matters outlined in the Circular.

"**MI 61-101**" means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

"**MTL Cannabis**" means Montréal Cannabis Médical Inc.

"**Name Change**" means the amendment to the articles of incorporation of Canada House as outlined in the Circular, approved by the Shareholders at the Meeting, to effect the change of the name of Canada House to "MTL Cannabis Corp.".

"**Person**" means an individual, partnership, corporation, limited liability corporation, trust or any other entity.

"**Purchase Price**" means the total consideration paid by Canada House to acquire MTL Cannabis pursuant to the Agreement including *inter alia*, the Consideration Shares and the Earn-Out.

"**Pro Forma**" means on a basis which gives effect to the Tranche Two Closing.

"**Resulting Issuer**" means the Company following the completion of the Transaction, at which time it shall also execute the Name Change.

"**Share Consolidation**" means the consolidation, effective August 16, 2022, of the Common Shares on the basis of thirty (30) pre-consolidation shares for each one (1) post-consolidation share.

"**Share Exchange Agreement**" means the share exchange agreement signed as of August 9, 2021 among Canada House and MTL Cannabis, as restated on July 22, 2022 and on June 28, 2023.

"**Specified Date**" means June 30, 2023.

"**Tranche One Closing**" means the closing of the first tranche of the Transaction pursuant to which Canada House acquired 24.99% of the issued and outstanding shares of MTL Cannabis in exchange for 22,779,340 Consideration Shares.

"**Tranche Two Closing**" means the closing of the second tranche of the Transaction pursuant to which Canada House acquired the remaining 75.01% of the issued and outstanding shares of MTL Cannabis in exchange for such number of Consideration Shares of Canada House as will result in the Vendors owning an additional 70,713,556 Common Shares, or 80% of the issued and outstanding shares of the Resulting Issuer on a Deemed Issued and Outstanding Basis.

"**Transaction**" means collectively, the Tranche One Closing and the Tranche Two Closing, which together complete the proposed acquisition of MTL Cannabis by Canada House pursuant to the Share Exchange Agreement, as further described in the Circular and in section 3.2 of this Listing Statement.

"**Vendors**" means the securityholders MTL Cannabis who are to divest of their direct interests in it as part of the Transaction.

"**Voting Support Agreements**" means the agreements among Archerwill and certain Shareholders entered into on or around August 5, 2020 whereby such Shareholders agreed to vote against any "change of control" or sale transaction requiring Shareholder approval which would impair Archerwill's rights which Archerwill has agreed shall not include the Transaction.

"**VWAP**" means volume weighted average price.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

The head office and registered office of the Resulting Issuer is located at 1773 Bayly Street Pickering, Ontario L1W 2Y7 and 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, H9R 1B4, respectively.

2.2 Jurisdiction of Incorporation

Canada House

Canada House was incorporated under the *Business Corporations Act* (British Columbia) on September 29, 1982 and continued under the CBCA on March 31, 1995. Canada House has been a reporting issuer in a jurisdiction of Canada for over 20 years and currently is, and following the Transaction continues to be, a reporting issuer under the laws of the provinces of British Columbia, Alberta, Ontario and Québec.

Canada House changed its name from "Saratoga Electronic Solutions Inc." / "Solutions Électroniques Saratoga Inc." to "Abba Medix Group Inc." on May 4, 2015, to "Canada House Wellness Group Inc." on November 7, 2016, to "Canada House Cannabis Group Inc." on March 14, 2019 and to "MTL Cannabis Corp." on July 28, 2023. On August 16, 2022, Canada House completed the Share Consolidation on the basis of thirty (30) pre-consolidation shares for each one (1) post-consolidation share.

Further details regarding Canada House can be found under its SEDAR profile at www.sedar.com.

MTL Cannabis

MTL Cannabis was incorporated under the CBCA on April 27, 2017 under the name "Montréal Cannabis Médical Inc." / "Montréal Medical Cannabis Inc.".

MTL Cannabis is a private company and is not a reporting issuer in any jurisdiction of Canada. As at July 28, 2023, MTL Cannabis became a wholly-owned subsidiary of Canada House (now renamed MTL Cannabis Corp.).

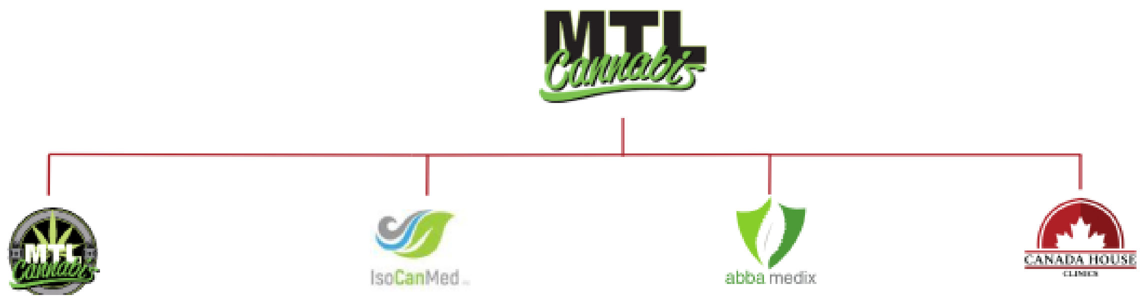
2.3 Inter-corporate Relationships

Canada House beneficially owns voting securities representing 100% of the votes attaching to all voting securities of each of its corporate subsidiaries, including Canada House Clinics Inc., Abba Medix Corp., and IsoCanMed Inc.

MTL Cannabis has no subsidiaries.

2.4 Corporate Structure following the Transaction

Pursuant to the Transaction, Canada House acquired 100% of the voting securities of MTL Cannabis and effected the Name Change, changing its name from Canada House Cannabis Group Inc. to MTL Cannabis Corp. and became the Resulting Issuer. It is anticipated that the Resulting Issuer will be approved for trading on the CSE under the ticker symbol "MTLC". For further details on the Transaction see item 3.2 – *Significant Acquisitions and Dispositions*.



2.5 Non-corporate Issuers and Issuers incorporated outside of Canada

This section is not applicable to Canada House, MTL Cannabis or the Resulting Issuer.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

MTL Cannabis

MTL Cannabis is a Licensed Producer headquartered in Montreal, Québec and operating from a 57,000 sq. ft. licensed indoor grow facility in Pointe Claire, Québec.

As a flower-first company built for the modern street, MTL Cannabis uses proprietary hydroponic growing methodologies supported by handcrafted techniques to produce products that are truly craft for the masses. MTL Cannabis focuses on craft quality cannabis products, including lines of dried flower, pre-rolls and hash marketed under the "MTL Cannabis", "Low Key by MTL" and "R'belle" brands for the Canadian market through nine distribution arrangements with various provincial cannabis distributors. MTL Cannabis has also developed export channels for bulk and unbranded GACP quality cannabis, including for Portugal and Israel.

Significant events which have occurred over the past three year period ending March 31, 2022 and those which have occurred or are expected to occur during the current fiscal year are referenced below.

Licensing

- On February 2, 2022, MTL Cannabis' Licence was amended to permit it to sell cannabis products directly to provincially authorized distributors, allowing it to distribute cannabis products directly to wholesalers.

Supply Agreements

Domestic Supply Arrangements

- On October 14, 2021, MTL Cannabis entered into a licensing agreement with Abba pursuant to which MTL Cannabis would provide Abba wholesale product for distribution throughout Ontario.
- On October 14, 2021, MTL Cannabis entered into a licensing agreement with ICM pursuant to which MTL Cannabis would provide ICM wholesale product for distribution throughout Québec.
- On March 1, 2022, MTL Cannabis entered into a supply agreement with the Manitoba Liquor and Lotteries Corporation.
- On March 7, 2022, MTL Cannabis entered into a supply agreement with the Newfoundland and Labrador Liquor Corp.
- On March 7, 2022, MTL Cannabis secured its registration with the Saskatchewan Liquor and Gaming Authority allowing it to sell to provincially authorized purchasers.
- On March 30, 2022, MTL Cannabis entered into a supply agreement with the Liquor and Cannabis Regulation Branch (British Columbia).
- On September 23, 2022, MTL Cannabis entered into a supply agreement with the Cannabis Management Corporation, a subsidiary of the New Brunswick Liquor Corporation.
- On August 31, 2022, MTL Cannabis entered into a supply agreement with the Alberta Gaming & Liquor Commission.
- On January 10, 2023, MTL Cannabis entered into a supply agreement with the Nova Scotia Liquor Corporation.

International Export Arrangements

- On December 16, 2022, MTL Cannabis entered into an export agreement with a medical cannabis importer in Portugal, with the first shipment pursuant to such agreement being sent in April 2023.
- On March 23, 2023, MTL Cannabis entered into an export agreement with a medical cannabis importer in Israel.

Transaction between MTL Cannabis and Canada House

- On August 9, 2021, MTL Cannabis and its shareholders entered into the Share Exchange Agreement with Canada House in relation to the Transaction.
- In October 2021, MTL Cannabis provided a $1 million working capital loan to Canada House.
- On December 15, 2021, ICM entered into a loan agreement with MTL Cannabis pursuant to which ICM could borrow up to approximately $4.1 million from MTL Cannabis for the retrofit of ICM’s Facility.
- On July 26, 2022, MTL Cannabis and its shareholder entered into a restatement of the Share Exchange Agreement with Canada House to, among other things, provide for the Closing to occur as a Tranche One Closing and a Tranche Two Closing.
- On August 30, 2022, MTL Cannabis and the Vendors completed the Tranche One Closing of the Transaction.
- On November 24, 2022, ICM commercialized its first crop using MTL Cannabis grow methodologies after the MTL Cannabis funded retrofit of the ICM Facility, and sold the bulk product to MTL Cannabis. MTL Cannabis has continued to purchase bulk product from ICM since such date.
- On June 28, 2023, MTL Cannabis and its shareholders entered into a second restatement of the Share Exchange Agreement with Canada House to, among other things, remove various conditions to the Tranche Two Closing.
- On July 28, 2023, MTL Cannabis and its shareholders completed the Tranche Two Closing of the Transaction.

Canada House

Canada House operates through its subsidiaries as outlined below.

- **IsoCanMed Inc**. is a Licensed Producer located in Louiseville, Québec. ICM has invested approximately $15M in a state-of-the-art 64,000-square-foot production facility, including its recently completed retrofit under the oversight of MTL Cannabis to deploy MTL Cannabis' proven cultivation methodologies. ICM's facility currently offers the potential for an annual production capacity of over 6,000 kg of low-cost dried flower focuses.
- **Abba Medix Corp.** is a Licensed Producer with a 22,000 sq. ft. state-of-the-art indoor production facility in Pickering, Ontario that primarily operates a medical cannabis marketplace while leveraging its cultivation and license assets for third parties. On March 6, 2023, the Company announced that it had decided to cease Abba's cultivation activities to allow Abba to focus on its medical marketplace while leasing its cultivation space to Artisanal Cannabis Company Inc. Abba has curated a product portfolio for medical patients including Veterans that also includes top products from other Licenced Producers.
- **Canada House Clinics Inc.** is a leading medical cannabis clinic in the Canadian medical cannabis market, operating 12 clinics (including both standalone and embedded locations inside third-party clinics) across the country that work directly with health care practitioners to provide specialized cannabinoid therapy services to patients suffering from simple and complex medical conditions.

Significant events which have occurred over the past three year period ending July 31, 2022 and those which have occurred or are expected to occur during the current fiscal year are referenced below.

Strategic Transactions and Developments

- On June 4, 2020, Canada House announced an exclusive genetic licensing agreement with InPlanta Biotechnology Inc. to bring VetStar Day™ and VetStar Night™ strains to Abba's licensed facility in Pickering, Ontario. Under the agreement, InPlanta, a leading Cannabis R&D company based in Lethbridge, Alberta, would partner with Canada House and Abba on the production of a veteran focused line of Cannabis products to be offered exclusively to registered Abba patients.
- On June 12, 2020, Canada House acquired 100% of the outstanding shares of ICM, a fully operational cannabis producer located in Louisville, Québec, for total consideration of $19,842,566. The consideration consisted of 273,461,452 Common Shares valued as $9,444,168 plus the assumption of debt via the issuance of the ICM Promissory Notes. The ICM Promissory Notes are secured by a general security agreement registered against the assets of ICM. Canada House has the right at any time to prepay all or any portion of the principal amount of the ICM Promissory Notes without penalty or interest.
- On October 26, 2020, Canada House announced that Abba entered into a Cannabis 2.0 distribution agreement with Rubicon Organics Inc. under which Abba would distribute Rubicon's line of concentrate products through its existing provincial distribution channels.
- On May 27, 2021, Canada House announced that CHC acquired 100% of the issued and outstanding shares of Margaree Health Group Inc., a medical cannabis clinic dedicated to Veterans in Nova Scotia, for cash consideration of $500K and a three year earn out measured against Margaree's revenue during the earn out period. Margaree services over 350 Veterans in Nova Scotia to provide education, required cannabis medical documents and associated treatment plans. Margaree patients will be served by CHC's Halifax clinic.
- On June 14, 2021, announced that Abba and MTL Cannabis entered into an exclusive agreement for Abba's distribution of MTL Cannabis' high grade dried flower to Abba's medical patient base.
- On August 9, 2021, Canada House announced the Share Exchange Agreement respecting the Transaction and that upon applicable approvals, Canada House would effect the Name Change and its shares would resume trading on the CSE under a related ticker symbol following Closing.

Operational Developments

- On September 3, 2019, Canada House announced that Abba had secured an amended sales license from Health Canada allowing for the sale of its own cannabis directly to patients and consumers.
- On October 1, 2019, Canada House announced that Abba had commenced sale of its Abba branded cannabis flower.
- On February 10, 2020, Canada House announced Abba had entered into a supply agreement with Alberta Gaming, Liquor and Cannabis for the supply of branded cannabis products to the adult-use market in the Province of Alberta. Under the supply agreement, Abba would initially offer recreational use products in 3.5-gram dried flower and 0.5-gram pre-rolled formats.
- On February 11, 2020, Canada House announced a supply agreement among Abba and the BC Liquor Distribution Branch, the sole wholesale distributor of non-medical cannabis for the province of British Columbia. Under the supply agreement, Abba would initially offer recreational use products in 3.5-gram dried flower and 0.5-gram pre-rolled formats.
- On March 25, 2020, in addition to reporting financial results for the third quarter of fiscal year 2020 it provided a business update relating to COVID-19. As cannabis is considered an essential service pursuant to related federal and provincial government directives, its CHC clinics and Abba would remain open for business while following government directives and best practices to reduce the risk of COVID-19 exposure and spread.
- On June 11, 2020, Canada House announced that entered into an agreement with Société Québécoise du Cannabis ("SQDC") and ICM to distribute ICM's cannabis products in Québec under the terms of ICM's existing Letter of Intent with the SQDC for the potential supply of 3,000 kg of cannabis product.
- On August 24, 2020, Canada House announced that Abba had received its amended sales license from Health Canada, allowing it to further expand its product offerings to the medical and recreational consumer markets with internally produced oil, concentrate, extract, topical and edible products.
- On September 2, 2020, Canada House announced that Abba had received authorization from the Autorité Marchés Publics to contract or subcontract with public bodies in the Province of Québec. The authorization is valid for three years in accordance with the Loi sur les contrats des organismes publics (LCOP), RLRQ, c. C-65.1.
- On October 5, 2020, Canada House announced the launch of ICM Air™ and ICM Terre™. The dried cannabis products are cultivated by ICM before being packaged and distributed by Abba.
- On December 16, 2020, Canada House announced that Abba had registered more than 500 medical patients in its first year of medical sales and that CHC had surpassed 3,000 active veteran medical registrations.
- On January 27, 2021, Canada House announced Abba's launch of Veterans Kush, a cultivar developed specifically for Veterans with PTSD. It was the first cultivar released under Abba's partnership with InPlanta Biotechnology and is available exclusively to registered Abba patients.
- On February 16, 2021, Canada House announced that Abba had surpassed 650 active medical patient registrations, 400 of which are military Veterans. The achievement of these milestones followed Abba's release of Veterans Kush, a cultivar developed specifically for Veterans with PTSD which has received strong praise from Abba's patient base, exclusively to registered Abba patients.
- On June 7, 2021, Canada House announced the change of its registered office to 551 Rue Saint-Marc, Louiseville, Québec, J5V 2L4, Canada.
- On July 6, 2021, Canada House announced that Abba had surpassed 1,000 active medical patient registrations, which had then grown from less than 600 in January 2021, representing patient growth of more than 67%.
- On November 26, 2021, Canada House announced that:

  - Its wholly owned subsidiaries, ICM and Abba have facilitated the successful launch of MTL Cannabis dried flower SKUs through four (4) of the nine (9) Canadian provinces in which they currently have distribution relationships. The initial launch includes MTL Cannabis's signature strain Sage n' Sour as well as an exclusive offering of Cookies n' Crème. Initial sales of MTL Cannabis SKUs through Abba and ICM's sales licenses have been strong and reflect MTL Cannabis' history as a top five selling dried flower SKU in almost all of the markets it has entered.
  - In addition to the above, MTL Cannabis had participated and has been successful in obtaining listings in various product calls from three 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.
  - CHC has grown from under 3,100 Veterans in January 2021 to over 3,800 Veterans.
- On March 22, 2022, Canada House provided an update on the status of the Transaction and announced that:
  - Abba and MTL have secured new genetics testing in excess of 26% THC potency which are currently being cultivated at scale within MTL Cannabis' low-cost facility. These new genetics will complement previously accepted SKUs being launched in three of Canada's largest recreational markets on using Canada House's licenses (ICM and Abba).
  - MTL Cannabis agreed to fund capital expenditures related to the retrofit (the "**Phase 1 Retrofit**") of ICM's licensed production facility located in Louiseville, Québec, with the Phase 1 Retrofit being completed under the guidance of MTL Cannabis and converting the grow methodologies at the ICM facility to align with existing methodologies of MTL Cannabis.
  - 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 reported satisfaction, and increased sales in Québec. As at such announcement, CHC had exceeded 4,000 veterans and Abba had 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.
- On May 30, 2022, Canada House announced the filing of a Notice of Change in Financial Year End on SEDAR to change its financial year end from April 30 to July 31 and that the annual audited financial statements for this transition year are for a 15-month period which includes the 3-month period starting May 1, 2022, to July 31, 2022.
- On August 25, 2022, Canada House announced that it officially adopted "Canada House Cannabis Group Inc." as its corporate legal name.
- On November 28, 2022, Canada House announced that:
  - It completed the Phase 1 Retrofit of ICM's facility such that ICM is now able to grow using the technologies and methodologies of MTL Cannabis.
  - Abba leased out its cultivation space to Artisinal Cannabis Company Inc. ("**Artisanal**"). With Abba now focusing on its medical marketplace, Canada House and MTL Cannabis decided to cease cultivation activities in Abba's cultivation facility in Pickering, Ontario and instead lease the space to Artisanal, a craft cannabis producer exclusively focused on the cultivation of premium products.
- On March 6, 2023, Canada House and Artisanal announced a strategic alliance between the companies, and the launch of Artisanal's first products in the Ontario Cannabis Store, and on the Abba medical cannabis platform.
- On May 9, 2023, Canada House announced the departure of its Chief Executive Officer, Mr. Chris Churchill-Smith and the appointment of Mr. Alex Kroon, currently President of Medical of Canada House, as Interim Chief Executive Officer.

Financing & Equity Issuances

- On September 17, 2019, Canada House announced the closing of its previously announced convertible security financing for gross proceeds of $2,587,500. The $3,105,000 face value includes $517,500 of pre-paid interest with principal payable in 18 equal monthly payments beginning the in the seventh-month following closing, reduced by any amount converted into Common Shares at a price of $0.08 and at the discretion of the investor. Interest accrues monthly and may be satisfied either in Common Shares at the market price or in cash depending on certain elections of both the investor and Canada House. The funding agreement contemplates potential future advances of up to $14,587,500 in total under the agreement. In August 2020 the entire amount owing under this convertible security financing was repaid in full from the proceeds of the issuance of the Debenture.
- On January 21, 2020, Canada House announced the issuance of 30,000,000 Common Shares at a deemed price per share of $0.05 to each of Fabian Henry and Michael Southwell pursuant to separate debt settlement agreements respecting in aggregate $3,000,000 in earn-out obligations remaining from its 2016 acquisition of Marijuana for Trauma. The Common Shares were priced at 67% premium to the 10-day volume weighted average trading price of the Common Shares on the Canadian Securities Exchange for the period ended January 17, 2020.
- On March 4, 2020, and March 11, 2020, Canada House closed tranches of a non-brokered unit financing for aggregate gross proceeds of $2,725,600. Each unit consisted of one Common Share and one detachable Common Share purchase warrant of Canada House, exercisable into one Common Share at a (pre-Share Consolidation) price of $0.05 for a period of 36 months following the closing date of the offering (subsequently extended to December 31, 2026). The net proceeds from the offering were expected to be used for general operating and working capital purposes.
- On August 5, 2020, Canada House announced a strategic investment from Archerwill and the issuance of the Archerwill Debenture and the Archerwill Loan Warrant as well as the entering into of the Investor Rights Agreement.
- On December 24, 2020, Canada House closed a $2,000,000 non-dilutive term loan financing at an annual interest rate initially of 10%. The loan is secured by the property and assets of ICM, with the principal amount repayable at the end of one year. The term of this loan was extended to January 1, 2024 and interest rate increased to 12% per annum starting from January 1, 2023.
- On November 26, 2021, Canada House announced the issuance of a $700,000 principal amount 18% secured debenture to DMMB (Pty) Holdings Ltd. with a two-year term.
- On December 23, 2021, Canada House announced that, prior to the maturity of its outstanding convertible debentures with an aggregate principal value of $1,170,000 dated December 5, 2017 (the "2017 Debentures"), it proposed entering into convertible debenture 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 right to convert obligations due under the 2017 Debentures into Common Shares; and, iv) otherwise reaffirm Canada House's obligations under the 2017 Debentures. Since the December 5, 2017 maturity date, Canada House has repaid an aggregate principal amount of $563,000 resulting in $607,000 of principal amount remaining outstanding under the 2017 Debentures with none of such amount being convertible into Common Shares.
- In July 2022, the maturity dates of the ICM Promissory Notes were amended such that $4,167,000 is due December 12, 2023, $4,167,000 is due June 12, 2024 and $4,167,000 is due December 12, 2024.
- On August 25, 2022, Canada House completed the Share Consolidation.
- In August 2022, various amendments to the Archerwill Debenture and the Archerwill Loan Warrant were effected, including an amendment of the conversion price of the Archerwill Debenture from $1.50 per Common Share (pre-Share Consolidation $0.05) to the lower of $0.90 per Common Share and the volume weighted average trading price of the Common Shares over the first 20 trading days following the resumption of trading on the CSE, subject to a minimum price of $0.50. The excise price of the Archerwill Loan Warrant was amended from $1.80 per Common Share (pre-Share Consolidation $0.06) to the lower of $1.20 per Common Share and 130% of the volume weighted

average trading price of the Common Shares over the first 20 trading days following the resumption of trading on the CSE. In addition, the Investor Rights Agreement was terminated.

- On June 28, 2023, Canada House entered into the Archerwill 2023 Amendments, which became effective concurrently with the Tranche Two Closing of the Transaction on July 28, 2023. The Archerwill 2023 Amendments include the agreement to, among other things:
  - amend the Archerwill Debenture to remove certain restrictive covenants so as to increase the operating flexibility for the Resulting Issuer and to revise the expiry date of the Archerwill Prepayment Warrants from August 5, 2025 to August 5, 2027;
  - to cancel all of the issued and outstanding Archerwill Loan Warrants;
  - to obtain certain waivers and consents such that the Archerwill Debenture and related security documents will be in good standing as at the Tranche Two Closing; and
  - in consideration for entering into the Archerwill 2023 Amendments and providing the related waivers and consents for the Tranche Two Closing, and cancelling the Archerwill Loan Warrants, issuing to Archerwill warrants to purchase up to 4,333,333 Common Shares (the "Archerwill Consideration Warrants") at an exercise price equal to the lower of $1.20 and 130% of the volume weighted average trading price of the Common Shares for the 20 day trading days following the resumption of trading of the Common Shares on the CSE expiring on August 5, 2027. The Archerwill Consideration Warrants provide that 2,600,000 of such warrants shall vest only if the volume weighted average trading price of the Common Shares for the 20-day trading days following the resumption of trading of the Common Shares on the CSE is greater than $0.65.

The Resulting Issuer

Following the completion of the Tranche Two Closing and the Name Change, Canada House is continuing to operate the businesses of MTL Cannabis and Canada House, organized as outlined in section 2.4, and subject to final approval of the CSE, its Common Shares shall resume trading as MTL Cannabis Corp. under the ticker symbol "MTLC". As at the date of this Listing Statement, the Company has received the conditional approval of the CSE to list the Resulting Issuer.

3.2 Significant Acquisitions and Dispositions

Effective on August 30, 2022, in accordance with the terms of the Share Exchange Agreement, Canada House completed the Tranche One Closing pursuant to which it acquired 24.99% of the issued and outstanding shares of MTL Cannabis in exchange for Consideration Shares constituting 49.99% of the issued and outstanding shares of Canada House.

Effective on July 28, 2023, in accordance with the terms of the Share Exchange Agreement, Canada House completed the Name Change and the Tranche Two Closing pursuant to which it acquired the remaining 75.01% of the issued and outstanding shares of MTL Cannabis in exchange for such number of Consideration Shares of Canada House as resulted in the Vendors owning 80% of the issued and outstanding shares of the Resulting Issuer on a Deemed Issued and Outstanding Basis.

The issuance of the Consideration Shares on the Tranche Two Closing was subject to a number of conditions as outlined below (and detailed within the terms and conditions of the Share Exchange Agreement, available on the Resulting Issuer's SEDAR profile at www.sedarplus.ca), including:

- approval of the Tranche Two Closing by the Disinterested Shareholders of Canada House, which occurred on July 28, 2023; and
- conditional approval of the Transaction by the CSE, which occurred on July 20, 2023.

In addition, the Purchase Price includes the Earn-Out, a performance-based cash earnout payment of $5 million payable to the Vendors, conditional upon MTL Cannabis, operating as a subsidiary of the Resulting Issuer, achieving at least $30,000,000 in gross revenue from the production facilities of MTL Cannabis and ICM, net of excise tax, for each of the first twelve and the second twelve-month periods following the Tranche Two Closing.

Immediately prior to Closing, Canada House changed its legal name to MTL Cannabis Corp., the Resulting Issuer, and subject to final approval of the CSE its Common Shares are to trade on the CSE under the ticker symbol "MTLC". The corporate organizational chart of the Resulting Issuer is included above in item 2.4.

Canada House agreed to pay a finder's fee of $100,000 in cash and by the issuance of the Finder Fee Shares to certain arms'-length third parties who assisted in introducing the Transaction opportunity to Canada House.

For an analysis on the effect the Transaction on the operating results and financial position of the Resulting Issuer, see item 5 – *Selected Consolidated Financial Information* and Schedule A – *Pro Forma Financial Statements* of this Listing Statement. Further details regarding the Resulting Issuer following completion of the Transaction are set out herein this Listing Statement.

Cormark Securities Inc. provided a preliminary fairness opinion to the Board of Directors of Canada House on August 8, 2021 but was not able to render a final written opinion as it would not do so without audited financial statements of MTL Cannabis that formed part of the review undertaken in connection with the fairness opinion process.

Evans & Evans Inc. provided a fairness opinion to the Board of Directors of Canada House in 2023, stating that, based upon and subject to the assumptions, qualifications and limitations contained therein, the Transaction is fair, from a financial point of view to Canada House's shareholders. This fairness opinion does not constitute a formal valuation under Canadian securities laws.

3.3 Trends, Commitments, Events or Uncertainties

The cannabis industry has experienced a surge in industry competition, revenue and investment over the last several years due, in part, to changes to the regulatory framework governing the cultivation and distribution of cannabis and consumer trends toward the use of alternative forms of medical treatments such as cannabis. When the federal Cannabis Act came into effect in late 2018, Canada became the second country in the world, after Uruguay, and the only G20 nation, to legalize the cultivation, possession, acquisition and consumption of cannabis and its products for adult-use. The legal regime in Canada further liberalized when the sale of edibles, drinks, vapes, concentrates, and topicals became lawful under the federal Cannabis Act in late 2019. The Company believes that the growing demand for the industry's products will continue over the next decade as a result of increasing awareness and acceptance of the safety and efficacy of the medicinal properties of cannabis and the movement of demand for illicit adult-use cannabis into legal markets, both within Canada and internationally.

Although an increasing percentage of Canadians use cannabis products to alleviate pain and to treat other health conditions, physician attitudes toward prescribing medical cannabis remains cautious. Canada House and MTL Cannabis believe that only a small percentage of Canadian doctors consider cannabis as a therapeutic alternative for their patients, and an even smaller core group of medical practitioners are active and significant prescribers. The Company expects a continued trend toward increased investment in education and research, which should contribute to physician awareness and help the medicinal market grow over time.

See item 17 – *Risk Factors.*

REGULATORY FRAMEWORK OF CANNABIS IN CANADA

Cannabis in Canada is subject to a complex regulatory framework arising from federal, provincial, and territorial legislation. The federal Cannabis Act and Cannabis Regulations provide the framework for legal access to medical and non-medical cannabis, and control and regulate its production, distribution, sale, import and export. The provinces and territories have enacted legislation to control and regulate how non-medical cannabis is distributed and sold within their respective jurisdictions. Canada's regulatory framework for cannabis is constantly evolving and Health Canada, provincial and territorial regulators frequently release and update guidance to assist the industry in interpreting and applying the laws to their operations.

Licensing

The Cannabis Regulations establish six classes and various sub-classes of licenses that authorize specific activities, namely: (1) cultivation (standard cultivation, micro-cultivation, nursery); (2) processing (standard processing, microprocessing); (3) sales (sale for medical purposes); (4) analytical testing; (5) research; and (6) and cannabis drug license. Licensing requirements and authorized activities vary by class and sub-class, and authorized activities can also be narrowed by conditions described in individual licenses when they are issued. Health Canada is responsible for reviewing and approving all federal licensing applications. While Health Canada does provide service standards for new applications, renewals, and amendments, they are not guaranteed and may not always be met by the ministry. The volume of applications in queue or under review by Health Canada, the complexity of an application or amendment, and the quality of the submission, among other factors, can impact the duration of the review process, creating uncertainty in timelines. After a license is issued, it is the holder's responsibility to comply with all applicable requirements in the Cannabis Act and Cannabis Regulations, including periodic inspections by Health Canada to ensure continued compliance.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying a "key position" such as directors, officers, large shareholders, and individuals identified by the Minister of Health, must hold a valid security clearance issued by the Minister of Health (the "Minister"). The Minister may refuse to grant security clearances to individuals with organized crime associations or past convictions for, or in association with, drug trafficking, corruption, or violent offences. Individuals who have a history of nonviolent, lower-risk criminal activity. For example, simple possession of cannabis, or small-scale cultivation of cannabis plants are not precluded by legislation from participating in the legal cannabis industry, and the granting of security clearance to such individuals is at the discretion of the Minister.

Cannabis Tracking System

The Cannabis Tracking and Licensing System ("CTLS") was established by Health Canada to, among other things, track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. Under the CTLS, holders of a cultivation, processing and/or sale for medical purposes license are required to submit monthly reports to Health Canada setting out inventory levels of finished and unfinished cannabis for each cannabis class.

Cannabis Products

The Cannabis Act differentiates between cannabis depending on its form (referred to as "classes" of cannabis in the Cannabis Act) and only permits the sale of specified classes of cannabis. Upon enactment of the Cannabis Act on October 17, 2018, these classes included dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, and cannabis oil. On October 17, 2019, edible cannabis, cannabis extracts and cannabis topicals were added to the authorized classes of cannabis. Cannabis oil was subsumed into cannabis extracts and ceased to exist as a standalone class as of October 17, 2020.

Health Products and Cosmetics Containing Cannabis
Health Canada has taken a scientific, evidence-based approach to the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Per Health Canada's Cosmetic Ingredient Hotlist, the use of cannabis species (hemp) derivatives (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, are permitted, subject to the provisions of the Cosmetic Ingredient Hotlist and the Industrial Hemp Regulations.

Packaging and Labelling
The Cannabis Regulations set out a comprehensive approach to the packaging and labelling of cannabis products. This approach helps to promote informed consumer choice and encourage the safe handling and storage of cannabis. All cannabis products must be packaged in plain packaging that is child-resistant and tamper-evident and displays a variety of information such as the standardized cannabis symbol, THC and CBD potency, and prescribed health warning messages.

Promotion
The Cannabis Act and Cannabis Regulations outline several prohibitions that can potentially apply to anyone who may be involved in the promotion of cannabis, cannabis accessories and services related to cannabis, or related activities. These prohibitions are intended to protect public health and safety, including by protecting the health of young persons by restricting their access to cannabis, and young persons and others from inducements to use cannabis.

Cannabis for Medical Purposes
The Cannabis Regulations set out the regime for medical cannabis under the Cannabis Act. Patients who obtain the authorization of their healthcare practitioner have access to medical cannabis, either purchased directly from the holder of a sale for medical purposes license, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them. Starting materials for personal production, such as plants or seeds, must be obtained from a license holder.

Canada House, both through CHC's clinics and Abba's medical marketplace, derives revenues related to servicing veterans with insured coverage from Veterans Affairs Canada as administered by Blue Cross. Significant changes in coverage or adjudication of veterans' benefits related to medical cannabis would have a material impact on the medical cannabis portion of Canada House's business.

Provincial and Territorial Regulatory Regimes
Provinces and territories are authorized to license and oversee the distribution and sale of non-medical cannabis to adult consumers in their respective jurisdictions. As a result, regulations pertaining to the sale and distribution of non-medical cannabis vary from province to province and territory to territory. The Cannabis Act prohibits individuals aged 18 years or older from possessing more than 30 grams of dried cannabis or its equivalent in public and from the personal cultivation of more than four plants at any one time. Provinces and territories have the flexibility to increase the minimum age of consumption, lower possession limits, and set added requirements on personal cultivation within their respective jurisdictions. Provinces and territories can also restrict where cannabis can be consumed in public.

The following chart outlines basic details regarding the current regulatory regime by province and territory. the possession limit of 30 grams remains unchanged in all provinces.

Province /	Legal	Where Legal to Purchase

Territory	Age	
Alberta	18	Private licensed stores or government-operated online store
British Columbia	19	Government-operated stores or online, or private licensed stores
Manitoba	19	Private licensed stores or online
New Brunswick	19	Government-operated stores or online
Newfoundland and Labrador	19	Private licensed stores or government-operated online store
Northwest Territories	19	Government-operated stores or online
Nova Scotia	19	Government-operated stores or online
Nunavut	19	Government-operated online store
Ontario	19	Private licensed stores or government-operated online store
Prince Edward Island	19	Government-operated stores or online
Québec	21	Government-operated stores or online
Saskatchewan	19	Private licensed stores or online
Yukon	19	Government-operated online store or private licensed stores

Status of Regulatory Framework in the United States
Neither Canada House nor MTL Cannabis currently has any direct or indirect cannabis investments in the United States, where cannabis remains federally illegal.

INTERNATIONAL OPPORTUNITIES
In addition to Canadian domestic operations, as international medicinal demand grows, the Resulting Issuer will continue to pursue international opportunities, including further opportunities to export its products to other countries and further opportunities to enter international alliances with local partners. However, in the near term the Resulting Issuer expects the material portion of its revenue to continue to be derived from Canadian domestic sales and services.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1.1 Narrative Description of Canada House's Business

Business of the Resulting Issuer

Operating Segments

The business of the Resulting Issuer is a combination of the businesses previously conducted by MTL Cannabis and Canada House. MTL Cannabis historically had one reportable and operating segment, which focused primarily on cultivating and distributing cannabis related products and services in compliance with all applicable federal and provincial laws and deriving its revenue from such activities. Canada House historically had two reportable and operating segments, one of which focused primarily on cultivating and distributing cannabis related products and services in compliance with all applicable federal and provincial laws and deriving its revenue from such activities and the second of which was the operation of cannabis medical clinics. Going forward as the Resulting Issuer, the Company expects to maintain the same two reportable and operating segments as historically maintained by Canada House.

a) Business Objectives

The Company expects to continue MTL Cannabis' historical tradition of focusing on organic growth and in-sourcing production, while driving operating efficiencies. In addition, the Company expects to continue its incremental growth of the medical business with acquisitions or establishments of additional clinics, pursuing other segments of insurance coverage, and the growth of the Abba medical marketplace with partnership with third-party clinics.

b) Milestones

The key constituent milestones or events that will need to be reached to accomplish the objectives are listed below along with the targeted timelines and expected costs associated with reaching each.

Objectives	Milestones	Target Date	Estimated Cost
Continue focus on historical success of organic growth and in-sourcing production	Complete Phase Two of the retrofit for the ICM Facility, to expand ICM's cultivation, processing and office space by 16,227 sq. ft. to 64,000 sq. ft.	Q2 to Q4 FY 2024	$1,135,000
	Continued investment in sales and marketing efforts to further drive sales	Q2 FY 2024	$50,000
Medical business growth	Secure access to additional clinic in Québec	Q2 FY 2024	$100,000
Total Cost			1,285,243

c) Total Source and Uses of Funds

The estimated Pro Forma working capital deficit of the Resulting Issuer as at the Specified Date, after giving effect to the Transaction as if it had been completed on that date, is approximately $261,000 (which includes a current lease liability of $1,480,000).

The Tranche Two Closing, including certain amendments to the Archerwill Instruments effective concurrently with the Tranche Two Closing, was reviewed and considered by Company and is expected to improve the Company's statement of financial position and prospects going forward (including the ability of the Company to meet its short-term liquidity requirements), for the benefit of all stakeholders.

The Resulting Issuer may have certain short term liquidity requirements, including the funding of a portion of the ICM Promissory Notes in the twelve months after the Tranche Two Closing and the Resulting Issuer may require additional funds in order to satisfy its working capital deficit, or pursue and fulfill such other business objectives and may seek to issue additional securities or incur debt in order to do so. There can be no assurance that additional funding required by the Resulting Issuer in order to pursue such additional objectives will be available, if required. Canada House has historically relied upon financings to satisfy its capital requirements. The Resulting Issuer is expected to have cash flow from operations, access to equity and debt financing from prospectus exempt (private placement) and or public markets and loan financings and refinancings. However, there can be no assurance that additional sources of funding will be available to the Resulting Issuer when needed or on terms which are acceptable.

The following table sets out the proposed use of the available funds by MTL in the 12 months following the Transaction and after giving effect thereto.

Principal Uses of Funds	Amount
Milestone related costs	$1,285,000
Sales, General & Administrative Expenses	
Lease and rental expenses	$1,480,000
Professional, audit and legal fees	$500,000
Management, employee and consulting fees	$3,000,000
Other general corporate purposes(2)	$500,000
Working capital deficit as at the Specified Date(1)	$261,000
Total	$7,026,000

Notes:

(1) The Pro Forma working capital deficit as at the Specified Date excludes current liabilities related to the Company's sales, general and administrative expenses that are otherwise included in the table, being the $1.3 million in current lease liabilities with respect to real property and vehicles.

(2) General corporate purposes includes $125,000 related to insurance; $300,000 related to office; and $75,000 related to other general corporate expenses.

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. It is anticipated that anticipated cash flows from its operations will be sufficient to satisfy the achievement of the significant events and milestones as are set forth above and satisfy the Resulting Issuer's working capital deficit during the 12-month period following completion of the Transaction. However, the amounts shown in the table above are estimates only and are based on the information available to the Resulting Issuer as of the date of this Listing Statement.

Given the fact that the legal cannabis industry is quickly evolving and highly competitive, it is difficult at this time to definitively project revenue or the precise amount of funds required to complete the planned undertakings of the Resulting Issuer. For these and other reasons, management considers it to be in the best interests of the Resulting Issuer to permit management a reasonable degree of flexibility as to how the Issuer's funds are deployed among the above uses and/or to pursue other business objectives including without limitation, the buildout and expansion of the Resulting Issuer's existing or new product lines or service offerings, the building out and expansion of the Resulting Issuer's fixed assets or production or processing capacity, or the acquisition of other businesses and/or product lines or service offerings.

4.1.2 Principal Products & Services

The principal products and services of the Resulting Issuer are expected to be those products and services of MTL Cannabis and Canada House set forth above under Item 3.1 – *General Development of the Business*.

a) Methods of Distribution and Principal Markets

Cultivating and Distributing Cannabis Related Products

The Cannabis Act provides provincial, territorial and municipal governments with the authority to prescribe regulations regarding retail and distribution of adult-use cannabis. As such, the distribution model for adult-use cannabis is prescribed by provincial and territorial regulations and differs by jurisdiction. However, all provinces and territories use some combination of government run and government authorized private retailers and distributors. All of the Company's adult-use sales are conducted according to applicable provincial and territorial legislation and through applicable local agencies.

In addition, pursuant to the Cannabis Act, direct business-to-business sales between Licensed Producers and exports to foreign jurisdictions for scientific or medical purposes are permitted. The Company has and expects to continue to make bulk sales from time to time through such channels as inventory and demand requires.

The Cannabis Act also permits direct sales to approved medical patients. The Company, through its wholly-owned subsidiary Abba, operates a medical cannabis marketplace leveraging its licensed producer medical sales license. Abba purchases medical cannabis products from over 20 third-party Licensed Producers and sells them to registered patients referred to Abba by CHC and third-party independent clinics. Abba distributes over 150 different medical cannabis products, including dried flower and hash produced by MTL, to medical patients through secured shipping methods, such as Canada Post or Purolator.

See item 3.3 – *Regulatory Framework of Cannabis in Canada* for further details.

Medical Clinic Services

CHC operates a network of clinics in Canada which generates revenues from services related to the intake of medical cannabis patients, assisting with the educational, administrative and prescription requirements to support patients become approved by Health Canada, and setting up patients as registered patients with specific Licensed Producers to allow for procurement of medical cannabis products in line with their respective prescriptions. The largest client segment for CHC are Veterans with insurance coverage for medical cannabis.

b) Revenue from certain parties

In each of the last two fiscal years, on a Pro Forma basis, the Resulting Issuer did not derive more than 15% of its revenue from sales or transfers to joint ventures, controlling shareholders or investees, but rather derived all such revenue from other customers.

c) Stage of Development

This section is not applicable to the Resulting Issuer.

4.1.3 <u>Production and Sales</u>

a) Methods of producing or providing principal products

The Company, through its wholly-owned subsidiaries, is fully licensed to cultivate, process and sell cannabis products from its Facilities, in which it manages its entire production process from seed to harvest and packaging.

b) Premises

Terms of material leases or mortgages of the Resulting Issuer are outlined in the table below.

Location	Lease or Mortgage	Good Standing	Payment Terms *($/ Net Rent month)*	Expiry Date	Renewal Terms	Is Landlord a Related Party
MTL Cannabis Facility Pointe-Claire, QC	Lease	Yes	$94,377	April 1, 2028	Option to renew for a further 5 years	Yes
MTL's head office	Lease	Yes	$81,307	April 1, 2028	Month-to-month upon expiry of term	Yes
Abba Facility Pickering, ON	Lease	Yes	$25,870	January 31, 2029	Month-to-month upon expiry of term	No
ICM Facility Louiseville, QC	Mortgage	Yes	$11,667	January 1, 2024	N/A	No

c) Specialized Skills

The success of the Company is dependent upon the ability, expertise, judgement, discretion, and good faith of its senior management and the Board. The Company's future success depends on its continuing ability to attract, develop, motivate, and retain such personnel. Qualified individuals, including those with knowledge and experience in the cannabis industry, are in high demands and the Company may incur significant costs to attract and retain them.

As a Licensed Producer under the Cannabis Act, individuals occupying a "key position" with the Company, such as officers and directors and each member of the executive management team, are subject to a security clearance by Health Canada. A failure by one of these individuals to maintain or renew his or her security clearance could result in a reduction or complete suspension of certain operations.

A primary specialized skill unique to the cannabis industry is with respect to the cultivation of the product. While background in greenhouse growing may be helpful, a background with substantial experience in growing cannabis is required to grow high quality product at scale. Individuals with these specialized skills are employed by the Company and are readily available to the Company.

The medical cannabis sector across Cannabis clinics and Licensed Producers have unique business and medical operation characteristics. Individuals with these specialized skills are employed by the Company and are readily available to the Company.

In addition, the Company's Facilities are required to be in compliance with the Cannabis Act and any directives issued by Health Canada, which include strict security measures, equipment required to manage and test product quality. In order to ensure compliance with all of the Health Canada regulatory requirements, the Company must employ various personnel with regulatory expertise. While a background in the cannabis industry is not necessary for these purposes, experience in other regulated industries will assist the Company to remain compliant with the complex and rapidly evolving regulations in the industry. Individuals with this experience and skill are employed by the Company and are readily available to the Company.

d) Inputs

The Resulting Issuer sources and grows substantially all of its input cannabis materials from product grown at its own Facilities. In addition, with respect to its medical patient channels, the Company sources cannabis material from other Licensed Producers in Canada through various negotiated short and long-term purchase arrangements.

e) Intangible Properties

The ownership and protection of the Company's intellectual property is key to the Company's continued success. The Company's intangible assets are protected through trade secrets, technical know-how, and proprietary information. The Company's intellectual property is protected by seeking and obtaining registered protection (including trademarks) where possible, developing and implementing standard operating procedures and entering into agreements with parties which have access to the Company's inventions, trade secrets, technical know-how, and proprietary information such as business partners, collaborators, employees, and consultants, to protect the Company's confidentiality and ownership of its intellectual property. The Company preserves the integrity and confidentiality of its inventions, trade secrets, trademarks, technical know-how, and proprietary information by maintaining physical security of the Company's premises and physical and electronic security of the Company's information technology systems.

f) Seasonality / Cyclicality

The Resulting Issuer's business is not expected to be materially impacted by seasonality.

g) Changes to Contracts

The Resulting Issuer's business is not expected to be materially impacted by any termination of renegotiation of contracts in the 12 months subsequent to the completion of the Transaction. The Resulting Issuer does, however, expect the normal course renewal and potential related renegotiation of various contracts in the ordinary course of business, such as with respect to the leases for CHC's clinics and various supply arrangements with provincially authorized distributions.

h) Environmental Protection

Environmental protection requirements are not expected to have a material impact on the capital expenditures, earnings or competitive position of the Resulting Issuer.

i) Employees

The number of employees of Canada House as of July 31, 2022, its most recent fiscal year end was 113.

The number of employees of MTL Cannabis as of March 31, 2023, its most recent fiscal year end was 127.

As of the Specified Date, the Resulting issuer would have had 240 employees on a Pro Forma basis.

j) Foreign Operations

The Resulting Issuer is not anticipated as of Tranche Two Closing to maintain any physical premises located outside of Canada. It is anticipated to continue sourcing or supplying various products from or to various parties located outside of Canada, but is not materially dependent upon any foreign operations.

k) Substantial Contracts

Other that those leases with respect to the Facilities scribed under "*Premises*" above and the various supply arrangements with provincially authorized distributors entered into from time to time, as of Tranche Two Closing the Resulting Issuer is not expected to be substantially dependent on any contracts.

4.1.4 Competitive Conditions and Position

As of the date of this Listing Statement, Health Canada has a total of 970 companies on its list of license holders which includes duplicate sites for some Licensed Producers. There are also a number of unlicensed growers of cannabis who have or may seek to obtain some form of license under the Cannabis Act. On May 8, 2019, Health Canada also introduced changes to the cannabis licensing process. Under the new approach, Health Canada required new license applicants to have a fully built site that meets all the requirements of the Cannabis Regulations at the time of their application. The Company believes that the stringent application and compliance requirements may prove onerous or expensive for some applicants.

In addition, there are illegal growers and retailers operating in the black market that, while operating illegally, still act as competitors to the Company by diverting customers away from the legal cannabis market.

The Company believes that its leadership team, brand strategy, and commitment to premium quality cannabis products will enable the Company to establish and retain a strong and sustainable position in the market. See "*Risk Factors*" for additional information.

4.1.5 Lending and Investment Policies and Restrictions

The Resulting Issuer does not intend to engage in lending and has not adopted any such investment policies.

4.1.6 Bankruptcy and Receivership

Canada House, its subsidiaries and MTL Cannabis have not, in their respective current fiscal year or any of their past three fiscal years, been the subject of any voluntary or involuntary bankruptcy, receivership or similar proceeding.

4.1.7 Material Restructuring

Other than the Transaction described in section 3.2, neither Canada House nor MTL Cannabis have been involved in any material restructuring transactions over the last three fiscal years and neither they nor the Resulting Issuer anticipate any material restructuring transaction during their respective current financial year.

4.1.8 Social and Environmental Policies

As of the Tranche Two Closing, the Resulting Issuer is not anticipated to have any formal social or environmental policies in place that are fundamental to its operations.

4.2 Asset Backed Securities

As of the Tranche Two Closing, the Resulting Issuer will not hold any asset backed securities.

4.3 Companies with Mineral Projects

As of the Tranche Two Closing, the Resulting Issuer will not hold any mineral projects.

4.4 Companies with Oil and Gas Operations

As of the Tranche Two Closing, the Resulting Issuer will not hold any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Select Annual and Interim Financial Information

Canada House

The following table sets out selected financial information of Canada House for the fifteen-month fiscal year ended July 31, 2022, each of the twelve-month fiscal years ended April 30, 2021 and 2020 and the six-month interim period ending January 31, 2023. This selected financial information has been derived from and should be read in conjunction with the financial statements for the applicable periods, attached as Schedule "B".

Canada House *In thousands of Canadian dollars, except per share amounts.*	**As of and for 12-Month Fiscal Year ended April 30, 2020** *(audited)*	**As of and for 12-Month Fiscal Year ended April 30, 2021** *(audited)*	**As of and for 15-Month Fiscal Year ended July 31, 2022** *(audited)*	**As of and for Nine-Months ended April 30, 2023** *(unaudited)*
Summary Operating Results				
Revenue	$5,334	$11,880	$30,175	$24,661
Net Revenue (Revenue less Excise Tax)	$5,310	$10,560	$26,666	$23,145
Net income (loss)	($9,520)	($11,365)	($11,093)	$1,423
Basic and Diluted (1) Loss per share	$(0.90)	($0.52)	($0.49)	$0.03
Cash Dividends *per share*	*nil*	*nil*	*nil*	*nil*

Canada House *In thousands of Canadian dollars, except per share amounts.*	**As of and for 12-Month Fiscal Year ended April 30, 2020** *(audited)*	**As of and for 12-Month Fiscal Year ended April 30, 2021** *(audited)*	**As of and for 15-Month Fiscal Year ended July 31, 2022** *(audited)*	**As of and for Nine-Months ended April 30, 2023** *(unaudited)*
Balance Sheet Data				
Total Assets	$14,428	$36,992	$34,049	$43,978
Total Liabilities	$9,354	$30,119	$37,802	$43,547

Note: (1) Adjusted to give effect to the Share Consolidation.

MTL Cannabis

The following table sets out selected financial information of MTL Cannabis for the fiscal years ended March 31, 2021, 2022 and 2023. This selected financial information has been derived from and should be read in conjunction with the financial statements for the applicable period, attached as Schedule "D".

MTL Cannabis *In thousands of Canadian dollars, except per share amounts.*	**As of and for Fiscal Year ended March 31, 2021** *(audited)*	**As of and for Fiscal Year ended March 31, 2022** *(audited)*	**As of and for Fiscal Year ended March 31, 2023** *(audited)*
Summary Operating Results			
Revenue	$14,016	$26,074	$31,260
Net Revenue (Revenue less Excise Tax)	$13,358	$22,151	$24,570
Net income (loss)	$715	$2,202	($2,213)
Basic and Diluted net income per share	$71.50	$220.16	($221.25)
Cash Dividends per share	*nil*	*nil*	*nil*
Balance Sheet Data			
Total Assets	$17,365	$23,769	$31,745
Total Liabilities	$15,813	$20,016	$30,204

Resulting Issuer

The following table sets out certain selected financial information of the Resulting Issuer for the fiscal year ended March 31, 2023. This selected financial information has been derived from and should be read in conjunction with the financial statements for the applicable period, attached as Schedule "A".

Resulting Issuer *In thousands, except per share amounts.*	**As of and for Fiscal Year ended March 31, 2023** *(audited)*
Summary Operating Results	
Net Revenue (Revenue less Excise Tax)	$49,194
Net income (loss)	$333
Basic and Diluted Loss per share	$0.00

Resulting Issuer *In thousands, except per share amounts.*	**As of and for Fiscal Year ended March 31, 2023** *(audited)*
Cash Dividends per share	nil
Balance Sheet Data	
Total Assets	$71,369
Total Liabilities	$63,309

5.2 Quarterly Information

Canada House

The following table sets out certain selected financial information of Canada House for the eight most recently completed quarters, up to its most recently completed fiscal year ended July 31, 2022. This financial information has been derived from and should be read in conjunction with the publicly disclosed financial statements for the applicable periods available under Canada House's SEDAR profile at www.sedar.com.

Canada House *In thousands, except per share amounts.*	**As of and for the three-month periods ended:**							
	July 31 2021	October 31 2021	January 31 2022	April 30 2022	July 31, 2022(1)	October 31 2022	January 31 2023	April 30, 2023
Revenue	$4,673	$5,921	$7,446	$5,933	$6,202	$6,580	$8,339	$9,742
Net Revenue (Revenue less Excise Tax)	$4,024	$5,106	$6,176	$5,497	$5,863	$5,981	$7,819	$9,345
Net income (loss)	($2,575)	($3,377)	($1,699)	$(2,146)	($1,296)	$609	$87	$756
Basic and Diluted (Loss) per share (2)	($0.11)	($0.15)	($0.07)	$(0.09)	($0.06)	$0.02	$0.00	$0.02

Notes:

(1) Figures for Revenue, Net Revenue and Net Loss for the three-month period ending July 31, 2022 were calculated by subtracting the totals for the respective four preceding quarters from the totals for the fifteen-month year ended July 31, 2022.

(2) All Basic and Diluted (Loss) per share numbers are presented on a post-Share Consolidation basis.

Resulting Issuer

For available pro forma financial information of the Resulting Issuer, see *Schedule A.*

5.3 Dividends

The future payment of dividends will be dependent upon the financial requirements of the Resulting Issuer to fund further growth, the financial condition of the Resulting Issuer and other factors which the Resulting Issuer Board may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future.

5.4 Foreign GAAP

This item does not apply to the Company.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Canada House's annual MD&A for the financial years ended July 31, 2022 and April 30, 2021 as well as the interim MD&A for interim nine-month period ended April 30, 2023 are attached to this Listing Statement as Schedule C – *MD&A of Canada House*.

MTL Cannabis' MD&A for the years ended March 31, 2022 and 2023 are attached hereto as Schedule E – *MD&A of MTL Cannabis*.

7. MARKET FOR SECURITIES

The Common Shares of Canada House are listed on the CSE under the symbol "CHV". Pursuant to the policies of the CSE, the Common Shares have been halted from trading since the proposed Transaction was announced on August 9, 2021. Until all requirements of the CSE have been met and it issues its final approval for the Transaction, the Common Shares will not be listed for trading on any exchange or market. It is the aim of the Resulting Issuer to have the Common Shares commence trading on the CSE under the new symbol "MTLC".

8. CONSOLIDATED CAPITALIZATION

The following table sets forth the debt and equity capital of Canada House as at July 31, 2022 and the Resulting Issuer as of the Specified Date on a Pro Forma basis, after giving effect to the Tranche Two Closing. The table should be read in conjunction with Schedule A, Schedule B as well as Item 14 – *Capitalization*.

Capitalization *Currency amounts in thousands of Canadian dollars.*	**Canada House**		**Resulting Issuer**	
	As of Fiscal Year ended July 31, 2022	Number of Common Shares (issued or issuable)	**Pro Forma, as of the Specified Date**	Number of Common Shares (issued or issuable)
Non-trade debts				
Borrowings	$4,485	n/a	$12,103	n/a
ICM Promissory notes	$13,542		$12,526	
Lease	$2,432		$14,249	
Mortgage	$2,000		$2,000	
Archerwill Debenture and other debentures	$8,583		$8,617	
Equity				
Common Shares – *outstanding as at July 31, 2022*	$48,685	22,788,427	$55,106	22,788,427
Consideration Shares issued to Vendors pursuant to the Transaction	$-	-	$98,168(1)	93,492,896(1)
Finder's Shares issued pursuant to the Transaction	$-	-	$500(2)	525,762(2)
Common Shares issued to settle certain service fees	$-	-	$200(3)	190,476(3)
Archerwill Debenture *(Equity component)*	$670	5,022,002(4)	$2,174	16,019,332(4)
Options	-	1,265,000	-	1,765,000(5)

Capitalization *Currency amounts in thousands of Canadian dollars.*	**Canada House**		**Resulting Issuer**	
	As of Fiscal Year ended July 31, 2022	Number of Common Shares (issued or issuable)	**Pro Forma, as of the Specified Date**	Number of Common Shares (issued or issuable)
Warrants	-	10,039,908	-	5,978,095(6)
Contributed surplus	$12,555		$14,399	
Deficit	$67,899		$1,980(7)	

Notes:

(1) 22,779,340 Consideration Shares were issued in connection with the Tranche One Closing and 70,713,556 Consideration Shares were issued in connection with the Tranche Two Closing, and such number of Consideration Shares (93,492,896) resulted in the Vendors owning 80% of the issued and outstanding shares of the Resulting Issuer on a Deemed Issued and Outstanding Basis. Such Consideration Shares have a deemed price of $1.05 per share in accordance with the terms of the Share Exchange Agreement.

(2) 394,321 Finder's Fee Shares were issued in connection with the Tranche One Closing and 131,441 Finder's Fee Shares were issued in connection with the Tranche Two Closing. Such Common Shares have a deemed price of $0.95 per share, being the 20 day VWAP of the Common Shares on the CSE on the trading day prior to the announcement of the Transaction, adjusted for the Share Consolidation.

(3) On March 29, 2023, Canada House issued such shares to settle certain outstanding $200,000 in service fees, at a deemed price of $1.05 per share.

(4) In accordance with the Archerwill 2022 Amendments, effective August 2022, the conversion price of the Archerwill Debenture was amended from $1.50 (equal to $0.05 pre-Share Consolidation) to the lower of $0.90 and the VWAP of the Common Shares over the first 20 trading days following the resumption of trading of the Common Shares on the CSE, subject to a minimum price of $0.50 per Common Share. The number of Common Shares calculation is based on the minimum price of $0.50 per Common Share and includes interest accrued as at the Specified Date.

(5) 500,000 of such options relate to options to be granted to a former executive officer of the Company subsequent to the Tranche Two Closing, for which the exercise price is not yet ascertainable. Such options are to be granted five (5) days after the resumption of trading of the Resulting Issuer on the CSE, with an exercise price equal to the greater of the closing market price of the Common Shares on the prior day and the date of the grant, and will expire five (5) years from the date of the grant.

(6) In accordance with the Archerwill 2023 Amendments, 60% of the Archerwill Consideration Warrants will be cancelled where the 20 day VWAP of the Common Shares following the resumption of trading on the CSE is equal to or less than $0.65 per common share. The 1,733,333 Archerwill Consideration Warrants included in such number of warrants is based on the minimum price of $0.50, which results in 60% cancellation of 4,333,333 Archerwill Consideration Warrants. See Item 14.2 herein for further details on all such warrants.

(7) Based upon the Pro Forma Financial Statements set out in Schedule "A" hereto.

9. OPTIONS TO PURCHASE SECURITIES

Canada House has established a stock option plan for its Directors, officers, employees and consultants which is expected to remain in effect as that of the Resulting Issuer following the Transaction. The 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.

The 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 resolution of the Board. In addition, the aggregate number of Common Shares so reserved for issuance to one person may not exceed 5% of the total then issued and outstanding. If any options terminate, expire, or are cancelled, the number of options so terminated, expired or cancelled shall again be available under the plan.

Each share option converts into one Common Share 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 table below presents all options to purchase Common Shares in the Resulting Issuer on a Pro Forma basis as of the Specified Date.

Resulting Issuer Options	Number of Options	Weighted Average Exercise Price	Weighted Average Years to Expiry
Options Granted by Canada House prior to the Tranche Two Closing			
Executive Officers *(current or prior)*	754,167	$1.50[(1)]	1.8
Directors *(current or prior)*	635,000	$1.50	2.4
Employees (*current or prior*)	375,833	$1.53	2.6
Total	1,765,000		

Note: (1) 500,000 of such options relate to options to be granted to a former executive officer of the Company subsequent to the Tranche Two Closing, for which the exercise price is not yet ascertainable.

Subject to applicable regulatory approvals, the Resulting Issuer intends to grant options to certain employees, consultants, directors and officers following the Tranche Two Closing. The terms of such options will be disclosed once determined by the Resulting Issuer Board.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of Canada House's Securities

The Resulting Issuer is authorized to issue an unlimited number of Common Shares without par value. See item 14 – *Capitalization*, for a breakdown of share capital.

Each Common Share carries the right to one vote at all meetings of the Shareholders. All Common Shares rank equally as to voting powers, dividends and participation in assets upon liquidation.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions, no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a Shareholder to contribute additional capital attached to the Common Shares.

10.2 Debt Securities

The Resulting Issuer does not have any plans to list any debt securities at this time.

10.4 Other Securities

The Resulting Issuer does not intend to list any other securities at this time.

10.5 Modification of Terms

There are no provisions regarding the modification, amendment or variation of any rights attached to the Common Shares.

10.6 Other Attributes

None of the matters set out in section 10.6 of CSE Form 2A are applicable to the Common Shares.

10.7 Prior Sales

No Common Shares of Canada House were issued during the twelve months preceding the date of this Listing Statement and no dispositions by Related Parties occurred in this time period other than those listed in the table below.

Date	Comment	Number of Common Shares	Price Per Security
August 30, 2022	Issued pursuant to the Tranche One Closing under the Share Exchange Agreement	22,779,340	$1.05
February 7, 2023	Finder's Shares issued to an arms' length party in respect of the First Tranche Closing	394,321	$0.95
March 29, 2023	Issued to an arms' length party for services rendered pursuant to an advisory agreement related to the Transaction	190,476	$1.05
July 28, 2023	Issued pursuant to the Tranche Two Closing under the Share Exchange Agreement	70,713,556	$1.05
July 28, 2023	Finder's Shares issued to an arms' length party in respect of the Tranche Two Closing	131,441	$0.95

10.7 Stock Exchange Price

The Common Shares of Canada House are listed on the CSE under the trading symbol "CHV". The Common Shares have been subject to a trading halt since the Transaction was announced on August 9, 2021, subject to all requisite approvals of the Transaction and those respecting the listing of the Common Shares of the Resulting Issuer.

Period	High	Low	Volume Traded
August 9, 2021 – the date hereof	n/a	n/a	n/a
July 1, 2021 to August 8, 2021	$0.035	$0.025	4,992,546
April 1, 2021 – June 30, 2021	$0.04	$0.025	17,348,301

Note: Figures above are shown on a pre-Share Consolidation basis.

11. ESCROWED SECURITIES

As the pro forma market capitalization based upon the deemed price per Consideration Share in the Transaction of $1.05 exceeds $100,000,000, no additional escrow requirements are expected under the policies of the CSE with respect to the principals of the Resulting Issuer, as the Resulting Issuer would constitute an "exempt issuer" under National Policy 46-201 – *Escrow for Initial Public Offerings* (the "Policy").

12. PRINCIPAL SHAREHOLDERS

Other than indicated below, there are no Persons who beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of Company as at the date of this Listing Statement or upon completion of the Transaction.

Principal Shareholders	Common Shares held in Canada House (% of Class)	Common Shares held in the Resulting Issuer (% of Class)
Richard Clement Family Trust[(1)]	10,535,445 (23.12%)	43,238,461 (37%)
Michel Clement Family Trust[(2)]	10,535,445 (23.12%)	43,238,461 (37%)

Notes:

(1) The Richard Clement Family Trust is controlled by Richard Clement, who has the exclusive power to vote, or direct the voting, and the exclusive power to sell, or direct the sale, of such Common Shares.

(2) The Michel Clement Family Trust is controlled by Michel Clement, who has the exclusive power to vote, or direct the voting, and the exclusive power to sell, or direct the sale, of such Common Shares.

12.3 Voting Trusts

As a condition to the completion of the Debenture investment, certain shareholders of Canada House holding an aggregate of 12,294,553 Common Shares entered into the Voting Support Agreements under which shareholders, agreed to vote against any "change of control" or sale transaction requiring shareholder approval which would impair Archerwill's rights under certain Archerwill Instruments.

12.4 Associates and Affiliates

To the knowledge of the Company, no principal shareholder of the Company is an Associate or Affiliate of another principal shareholder of the Company.

13. DIRECTORS AND OFFICERS

13.1 – 13.5 – Directors and Officers

The following table lists the names, municipalities of residence of the anticipated Directors and executive officers of the Resulting Issuer, their positions and offices to be held with the Resulting Issuer, and their principal occupations during the past five (5) years and the number of securities of the Resulting Issuer beneficially owned, directly or indirectly, or over which control or direction will be exercised by each, on a Pro Forma basis.

Name Municipality of Residence	Principal Occupations for the Previous Five Years	Positions and Offices with the Resulting Issuer	Director/ Officer Since	Number and Percentage of Common Shares Owned or Controlled[(1)]
Directors (including Executive Directors)				
Erik Bertacchini Rosemere, Québec	President of IsoCanMed, a subsidiary of Canada House	Director, President of IsoCanMed, a	2020	2,582,692 2.27%

Name Municipality of Residence	Principal Occupations for the Previous Five Years	Positions and Offices with the Resulting Issuer	Director/ Officer Since	Number and Percentage of Common Shares Owned or Controlled[(1)]
		subsidiary of Canada House		
Richard Clement Montreal, Québec	Chief Cultivation Officer of MTL Cannabis; previously CEO of MTL Cannabis	Director, Chief Cultivation Officer	2022	43,238,461 37.0%
Yves Metten Hudson, Québec	Executive Vice-president and Chief Operating Officer for MBC Group; Executive Vice-President, Canadian CIO and Board Member for RHEA Inc.	Director	N/A	Nil
Tarek Ahmed Calgary, Alberta	Founder & Principal Cronos Advisory providing fractional CFO and controller services; previously, Chief Financial Officer BRNT Group - Cannabis Brand House	Director	N/A	Nil
Dennis Moir Toronto, Ontario	Corporate Director; previously CFO/COO of CNW Group Ltd.	Director	2018	304
Executive Officers				
Michel Clement Montreal, Québec	Chief Operating Officer of MTL Cannabis	Chief Operating Officer	N/A	43,238,461 37.0%
Peili Miao Toronto, Ontario	Chief Financial Officer of Canada House; and previously Interim Chief Financial Officer and Controller of Canada House	Chief Financial Officer	N/A	200 0.0%
Michael Perron Toronto, Ontario	Chief Executive Officer of MTL Cannabis; previously Financial and Business Consultant; VP Business Development of MediPharm Labs Corp.	Chief Executive Officer	N/A	Nil

Note:
(1) The information as to the number of shares beneficially owned, or over which control or direction is exercised, directly or indirectly, not being within the direct knowledge of the Resulting Issuer, has been obtained from public filings available at www.sedi.ca.

The Directors and officers of the Resulting Issuer as a group will own, directly or indirectly, or exercise control or direction over, 89,059,814 Common Shares immediately following completion of the Transaction (representing 76.1% of all of the issued and outstanding Common Shares on a non-diluted basis).

Committees of the Board

Initially, the only committees of the proposed Resulting Issuer Board will be an audit committee (the "**Audit Committee**") and a Compensation, Corporate Governance and Nominating Committee (the "**Compensation, Corporate Governance and Nominating Committee**").

Upon completion of the Transaction, the Audit Committee is expected to be comprised of Messrs. Yves Metten, as Chair, Tarek Ahmed and Richard Clement, each of whom, other than Mr. Richard Clement, is "independent" within the meaning of NI 52-110. Each Audit Committee member is "financially literate", within the meaning of NI 52-110 and possesses education or experience that is relevant for the performance of their responsibilities as an Audit Committee member. See Section 13.11 – *Management* below.

The mandate of the Audit Committee will be to assist the Resulting Issuer Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Resulting Issuer. The Audit Committee will be responsible for:

- conducting reviews and discussions with management and the external auditors relating to the audit and financial reporting;
- assessing the integrity of internal controls and financial reporting procedures; ensuring implementation of internal controls and procedures;
- reviewing the quarterly and annual financial statements and management's discussion and analysis of the Resulting Issuer;
- selecting and monitoring the independence, performance and remuneration of the external auditors; oversight of all disclosure relating to financial information.

The Audit Committee will also be responsible for reviewing and following the procedures established in the Resulting Issuer's codes, policies and guidelines as may be established from time to time.

Upon completion of the Transaction, the Compensation, Corporate Governance and Nominating Committee is expected to be comprised of Messrs. Richard Clement as Chair, Erik Bertacchini and Dennis Moir. The Compensation, Corporate Governance and Nominating Committee will be responsible for (i) assisting the Board in determining the compensation for the Resulting Issuer's executive officers and recommending these plans to the Board; and (ii) assisting the Board in matters pertaining to governance in accordance with good corporate practice and applicable regulatory requirements. This committee's responsibilities will include:

- reviewing and approving the compensation of the Chief Executive Officer and other officers of the Resulting Issuer appointed by the Board;
- reviewing and approving the compensation policies, plans and programs for the Resulting Issuer's executive officers and other senior management, as well as its overall compensation plans and structure;
- reviewing and discussing with management and recommending to the Board of the Resulting Issuer the disclosure to be included under the caption "Executive Compensation" for use in any annual reports, prospectuses, proxy circulars or information circulars;
- recommending to the Board the compensation for Directors;
- administering the share option plan and share compensation arrangements;
- reviewing and approving any public disclosures regarding governance matters as may be required by securities regulatory authorities;
- reviewing transactions between the Resulting Issuer and its Directors, officers, Shareholders and other related parties for recommendation to the Board;
- evaluating the performance and effectiveness of the Board of the Resulting Issuer as a whole, the various committees of the Board of the Resulting Issuer and individual Directors on a regular and ongoing basis;
- considering nominations for Directors and approving Director nominations for recommendation to the Board;
- reviewing and recommending changes in the role, composition and structure of the Board and its various committees; and
- establishing an orientation and education program for new Directors and providing continuing education for existing Directors.

The Compensation, Corporate Governance and Nominating Committee will seek to ensure an objective process for determining compensation. The Compensation, Corporate Governance and Nominating Committee will review the various compensation elements both individually and in total to seek alignment with the Resulting Issuer's compensation program objectives. The Compensation, Corporate Governance and Nominating Committee will then make recommendations on all executive pay, short-term incentives and long-term incentive options to the Board for approval.

13.6 – 13.9 Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions;

Personal Bankruptcies

Except as disclosed below, no director of the Resulting Issuer:

(a) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including any personal holding company of such director, chief executive officer or chief financial officer that:

(i) while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(ii) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days issued after the that person issued after the director, chief executive officer or chief financial officer ceased to be a director or executive officer and which resulted from an event that occurred while the person was acting in such capacity;

(b) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Resulting Issuer and any personal holding company of such director or executive officer) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) nor any personal holding company has, within 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person or their personal holding company.

No director of the Resulting Issuer has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

13.10 Conflicts of Interest

Certain directors and officers of the Resulting Issuer are associated with other reporting issuers or other corporations that may give rise to conflicts of interest. In accordance with the CBCA, directors or officers of the Resulting Issuer who have a material interest in a material transaction or a proposed material transaction with the Resulting Issuer are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. In addition, the Directors are required to act honestly and in good faith with a view to the best interests of the Resulting Issuer.

Some of the Directors and officers of the Resulting Issuer have or will have either other employment or other business or time restrictions placed on them and, accordingly, these Directors and officers of the Resulting Issuer will only be able to devote part of their time to the affairs of the Resulting Issuer.

To the best of the Company's knowledge, and other than disclosed elsewhere herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, its promoters, Directors and officers or other members of management of the Resulting Issuer or of any proposed promoter, Director, officer or other member of management except that certain of the Directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Issuer and their duties as a director or officer of such other companies. See item 4.13 – *Production and Sales, (b) – Premises*, item 16 - *Indebtedness of Directors and Executive Officers*, and item 20 – *Interest of Management and Others in Material Transactions*, and the disclosure of related party transactions in the financial statements and corresponding MD&A of MTL Cannabis and Canada House attached hereto as Schedule "B" though Schedule "E".

13.11 <u>Management</u>

Michael Perron (Age: 38) – Chief Executive Officer

Michael Perron brings more than 15 years of diverse experience to the leadership role at MTL Cannabis. Previously operating his own national advisory firm where he supported corporate development initiatives for a number of clients ranging from private equity, natural resources, and the CPG industry. Mr. Perron previously held the role of VP Business Development at MediPharm Labs (TSX:LABS) where he helped drive more than $129M of sales and $29M EBITDA for the company in its first full year of operations, building out the B2B, B2C, and international channels.

Prior to his role at MediPharm, Mr. Perron served a number of national advisory leadership roles at MNP, focused on the cannabis industry as well as a number of other industry verticals. Mike received a CPA (California) designation in addition to earning a master of accounting (MAcc) from the University of Southern California and a bachelor degree from the University of Jamestown.

Richard Clement (Age: 46) – Director and Chief Cultivation Officer

Richard Clement brings more than 20 years of cannabis cultivation and operations experience, and is the co-founder of MTL Cannabis. Mr. Clement was previously leading MTL Cannabis in the role of CEO until November 2022 when he shifted to focus on the cultivation operations.

Michel Clement (Age: 44) – Chief Operating Officer

Mr. Clement brings more than 20 years of cannabis cultivation and operations experience to the Company and is the co-founder of MTL Cannabis. With a background in the culinary industry, Mr. Clement leverages his experience to lead the MTL Cannabis operations, establishing a best-in-class packaging and distribution department to support the fulfillment of sales for the Company.

Peili Miao (Age: 49) – Chief Financial Officer

Ms. Peili Miao, a Charted Professional Accountant, joined Canada House as Financial Controller in October 2019 with 15 years prior experience in progressive finance roles, including as CFO of a TSXV listed mining company. Ms. Miao has been intimately involved in all the Company's finance and accounting matters over the past two years.

Erik Bertacchini (Age: 52) – Director and President of IsoCanMed

Erik Bertacchini is a qualified civil engineer with more than 20 years of experience building, owning and operating successful and profitable businesses in construction and real estate development. Most recently Mr. Bertacchini co-founded ICM, which was sold to Canada House in 2020 and has been a member of the board of directors of Canada House since such time. Mr. Bertacchini received an engineer's degree in civil engineering from Polytechnique Montréal.

Yves Matten (Age: 57) - Director

Yves Metten is the Executive Vice-President and Chief Operations Officer of MBC-Group. Mr. Matten has held several executive positions where he has acquired more than 25 years of strategic growth expertise and experience in Sales, Marketing and Operations. Mr. Matten joined MBC in 2021. After almost 19 years at Bell Canada where he worked with multiple level of Government and some of Canada's largest and most strategic customers, Mr. Matten was the Executive Vice-President for RHEA Canada, member of the RHEA Group.

Mr. Matten Metten studied at Belgium's Université Catholique de Louvain la Neuve in Applied Economics, before completing his master's in management science at the Boston University. A member of the Association des MBA du Québec, Mr. Matten also has ITIL certification, Electronic Commerce Institute professional certification and GIAC Information Security Professional (GISP) certification.

Tarek Ahmed (Age: 29) – Director

Tarek Ahmed, CPA is an experienced financial executive specializing in capital raising and corporate governance. As the Principal at Cronos Advisory, a distinguished fractional CFO practice, Tarek is dedicated to enabling sustainable growth for entrepreneurs in the start-up and scale-up space. With a proven track record, Tarek has extensive experience working with high-growth corporations, overseeing $30M+ in transactions within the cannabis, tech, and CPG sectors. He brings a wealth of expertise from his background in audit at Deloitte and his impactful role as Chief Financial Officer and Board Director at BRNT Group. Tarek's unique blend of financial acumen and strategic leadership consistently drives organizations towards excellence and success.

Dennis Moir (Age: 64) – Director

Mr. Moir is an accomplished financial and operational executive with significant experience in strategy formulation and mergers and acquisitions. Throughout his career, spanning over three decades, Mr. Moir has held various senior financial and operational management positions with some of Canada's more progressive technology and digital communication companies including Chief Financial Officer of PC DOCS Group International, BlueCat Networks and most recently Chief Financial Officer and Chief Operating Officer of CNW Group (a.k.a. Canada Newswire). Mr. Moir has over 20 years of solid board experience both as an executive and non-executive director. Mr. Moir was Chair of Habitat for Humanity Greater Toronto Area and serves on other non-profit boards. He also currently sits as director for De'Longi Canada Inc. Mr. Moir holds a Bachelor of Commerce degree from the University of Toronto, and is a CPA, CA. He is also a member of the Institute of Corporate Directors and holds an ICD.D.

14. CAPITALIZATION

14.1 Fully Diluted Share Capital

The following tables set out the diluted share capital of the Resulting Issuer on a Pro Forma basis, after giving effect to the Transaction as of the Specified Date:

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non- diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	116,997,561	139,759,988[(1)]	100.0	100.0
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	89,059,814	111,241,957[(1)]	76.1	79.6
Total Public Float (A-B)	27,937,747	28,518,031	23.9	20.4
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions (C)	Nil	Nil	Nil	Nil
Total Tradeable Float (A- C)	116,997,561	139,759,988 [(1)]	100.0	100.0

Notes:

[(1)] Includes Common Shares issuable on the conversion of the Archerwill Debenture assuming the lowest possible conversion price of $0.50, conversion of all interest accrued as at the Specified Date, and the maximum number of Archerwill Consideration Warrants are cancelled. See Item 14.2 for further details.

[(2)] Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders.

Public Securityholders (Registered)

Common Shares Size of Holding	Number of holders	Total number of securities
1 – 99 securities	46	284
100 – 499 securities	4	1,733
500 – 999 securities	2	1,455
1,000 – 1,999 securities	3	4,907
2,000 – 2,999 securities	4	9,909
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	1	4,167
5,000 or more securities	20	46,133,913

Total:	80	46,156,368

Public Securityholders (Beneficial)

Common Shares Size of Holding	Number of holders	Total number of securities
1 – 99 securities	2,186	73,873
100 – 499 securities	1,675	386,532
500 – 999 securities	492	336,790
1,000 – 1,999 securities	392	541,157
2,000 – 2,999 securities	140	337,788
3,000 – 3,999 securities	118	401,128
4,000 – 4,999 securities	63	391,652
5,000 or more securities	222	11,211,664
Unable to confirm	2,186	73,873
Total:	7,474	13,754,457

Non-Public Securityholders (Registered)

Class of Security Size of Holding	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	2	86,476,922
Total	2	86,476,92 2

14.2 Convertible / Exchangeable Securities

The table below lists the securities of the Resulting Issuer which are convertible or exchangeable into Common Shares, as of the Specified Date on a Pro Forma basis.

Description of Security *(conversion / exercise terms, price)*	**Number of Securities**	**Common Shares Issuable on Conversion / Exercise**	**Conversion / Exercise Price**
Stock Option Plan[1]	1,765,000	1,765,000	$1.50
Archerwill Debenture[2]	$6,500,000 in principal and $1,509,666 in interest	8,899,628 to 16,019,322	$0.50 to $0.90
Archerwill Consideration Warrant[3]	1,733,333 to 4,333,333	1,733,333 to 4,333,333	Up to $1.20
Archerwill Prepayment Warrants[4]	-	-	-
Other warrants[5]	4,244,762	4,244,762	$1.50
Total	n/a	16,642,723 to 26,362,417	n/a

(1) See under heading 9 "*Options to Purchase Securities*" for further details on the stock option plan. Such stock options have a weighted average exercise price of $1.50 and an average contractual life years remaining of 1.79 years and include 500,000 options to be granted to a former executive officer of the Company subsequent to the Tranche Two Closing, for which the exercise price is not yet ascertainable.

(2) $6,500,000 in principal and $1,509,666 in accrued interest as at the Specified Date of the Archerwill Debenture is convertible into Common Shares of the Resulting Issuer at the lower of $0.90 and the volume weighted average trading price of the Common Shares of the Resulting Issuer during the 20 trading days following the Transaction, subject to a minimum price of $0.50.

(3) The exercise price of the Archerwill Consideration Warrants is the lower of $1.20 per Common Share and 130% of the volume weighted average trading price of the Common Shares over the first 20 trading days following the resumption of trading on the CSE. In accordance with the Archerwill 2023 Amendments, 60% of the Archerwill Consideration Warrants will be cancelled where the 20 day VWAP of the Common Shares following the resumption of trading on the CSE is equal to or less than $0.65 per common share. The Archerwill Consideration Warrants expire on August 5, 2024.

(4) The Archerwill Prepayment Warrants are issuable upon the prepayment of the Archerwill Debenture. Under the terns of the Archerwill 2023 Amendments, Canada House has agreed to prepay the full Archerwill Debenture prior to maturity. The number of Archerwill Prepayment Warrants that are to be issued is equal to the number of Common Shares into which the Archerwill Debenture is then convertible and the exercise of the Archerwill Prepayment Warrants is to be equal to the conversion price of the Archerwill Debenture at the applicable time. Accordingly, the dilution from the exercise of the Archerwill Prepayment Warrants would be the same as the dilution from the conversion of the Archerwill Debenture and has not been expressed in the table above subject to potential issuance of the corresponding Anti-Dilution Consideration Shares.

(5) 3,244,762 Common Share purchase warrants were issued pursuant to a private placement on March 10, 2020 with an exercise price of $1.50 per Common Share (on a post-Consolidation basis) and with an expiration of December 31, 2026. 1,000,000 Common Share purchase warrants were issued as at the Tranche One Closing in connection with amendments to the maturity dates of the ICM Promissory Notes in July 2022.

14.3 Other Listed Securities

The Resulting Issuer has no other listed securities reserved for issuance that are not included in section 14.1 or 14.2.

15. EXECUTIVE COMPENSATION

Canada House

Details related to the executive compensation paid by Canada House, prepared in accordance with Form 51-102F6V of National Instrument 51-102 – *Continuous Disclosure Obligations*, can be found in the Circular on SEDAR (www.sedar.com).

Resulting Issuer

The following table sets forth the anticipated compensation, excluding discretionary bonuses not known or reasonably calculable as at the date of this Listing Statement, to be paid or awarded during the 12-month period following the completion of the Transaction to the Directors and executive officers (the "**Named Executive Officers**") of the Resulting Issuer.

Name and position	Year	Salary, consulting fee, retainer or commission ($)	Bonus ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total compensation ($)
Executive Officers and Non-Independent Directors							
Erik Bertacchini President, IsoCanMed & Director	2023	$180,000	-	-	-	-	$180,000
Michel Clement Chief Operating Officer	2023	$250,000	-	-	-	-	$250,000
Richard Clement Chief Cultivation Officer & Chair of the Board	2023	$250,000	-	-	-	-	$250,000
Peili Miao CFO	2023	$190,000	$35,000	-	-	-	$225,000
Michael Perron Chief Executive Officer	2023	$250,000	-	-	-	-	$250,000
Independent Directors							
Yves Metten Director	2023	-	-	$20,000	-	-	$20,000
Tarek Ahmed Director	2023	-	-	$20,000	-	-	$20,000
Dennis Moir Director	2023	-	-	$20,000	-	-	$20,000

Stock Option Plan

The Company maintains a stock option plan for the benefit of Directors, officers, employees and consultants. The maximum number of Common Shares reserved for issuance and available for purchase pursuant to options granted under the stock option plan cannot exceed 10% of the total number of Common Shares issued and outstanding at the date of any grant made. In addition, the aggregate number of Common Shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding Common Shares. Options pursuant to the stock option plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board of Directors which shall not exceed five years from the date of grant and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed.

Securities Authorized for Issuance under the Stock Option Plan

The following table sets out certain details respecting the stock option plan on a Pro Forma basis, as of the Specified Date. It is the sole compensation plan pursuant to which equity securities of the Company are authorized for issuance. A further description of the stock option plan may be found in section 9 – *Options to Purchase Securities*.

Number of securities issuable upon exercise of outstanding options	Number Exercisable	Weighted average exercise price of outstanding options ($)	Weighted Average Years remaining to exercise	Number of Common Shares remaining available for future issuance under the Stock
1,265,000	1,265,000	$1.50	1.79	3,350,256

Termination and Change of Control Benefits

The Corporation has entered into an Employment Agreement ("**CFO Employment Agreement**") with Peili Miao pursuant to which Ms. Miao was appointed Chief Financial Officer of the Company. Under the CFO Employment Agreement, if the Company terminates Ms. Miao without cause, Ms. Miao is entitled to a minimum of twelve (12) months of notice period or severance pay.

Conditional on the Tranche Two Closing, the Corporation expects to enter into Employment Agreements with its new Named Executive Officers as follows:

- with Michael Perron pursuant to which Mr. Perron will be appointed as Chief Executive Officer (the "**CEO Employment Agreement**"). Under the CEO Employment Agreement, if the Company terminates Mr. Perron without cause, Mr. Perron is entitled to a minimum of two (2) months of notice period or severance pay for every month employed up to twenty four (24) months (recognizing his service period with MTL Cannabis);
- with Richard Clement pursuant to which Mr. Clement will be appointed as Chief Cultivation Officer (the "**CCO Employment Agreement**"). Under the CCO Employment Agreement, if the Company terminates Mr. Clement without cause, Mr. Clement is entitled to a minimum of twenty four (24) months of notice period or severance pay; and
- with Michel Clement pursuant to which Mr. Clement will be appointed as Chief Operating Officer (the "**COO Employment Agreement**"). Under the COO Employment Agreement, if the Company terminates Mr. Clement without cause, Mr. Clement is entitled to a minimum of twenty four (24) months of notice period or severance pay.

Oversight of Compensation Plans

The Board of Directors is responsible for developing and implementing the Directors' compensation plan. The main objectives of the Directors' compensation plan are (a) to attract and retain the services of the most qualified individuals, (b) to compensate the Directors in a manner that is commensurate with the risks and responsibilities assumed in Board and board committee membership, and is competitive with other comparable public issuers, and (c) to align the interests of the Directors with those of the long-term Shareholders.

The Corporate Governance, Nominations and Compensation Committee is responsible for reviewing the Company's policy regarding remuneration of Directors and making recommendations to the Board. Currently, Canada House's practice is to compensate all non-executive directors with an annual retainer of $20,000, and chairs of the committees of the Board with an annual retainer of $2,500. In addition, independent Directors may be granted stock options pursuant to the stock option plan. Non-independent Directors do not receive additional compensation in their capacity as a Director.

In setting compensation for the Named Executive Officers, the Board of Directors reviews salaries paid to the executive officers, salaries and bonuses paid to other officers of equivalent role in the industry and the Named Executive Officers' impact on the achievement of the Resulting Issuer's objectives for the previous and current financial year.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time since the beginning of the most recently completed financial years of Canada House or MTL Cannabis and up to the Specified Date has any current or former director, executive officer or other employee of Canada House, MTL Cannabis, the Resulting Issuer or any of their respective subsidiaries or any Associate of any such individual been indebted to Canada House, MTL Cannabis, the Resulting Issuer or any of their subsidiaries nor has any such person's indebtedness to another entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Canada House, MTL Cannabis, the Resulting Issuer or any of their respective subsidiaries, other than:

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During the year ended March 31, 2022 ($)	Amount Outstanding as at the Specified Date ($)	Financially Assisted Securities Purchases During the Year Ended March 31, 2022 (#)	Security for Indebtedness	Amount Forgiven During the Year Ended March 31, 2022 ($)
Les Entreprises Nordico Inc. (Associate) (1)	Borrower	$382,495 in principal(2)	$1,027,827	Nil	Nil	Nil
9336-4644 Quebec Inc. (Associate)(1)	Borrower	$1,417,290 in principal(2)	$5,040,935	Nil	Nil	Nil
9336-4644 Quebec Inc. (Associate)(1)	Guarantor	$16,000,000 in principal	$16,130,000 in principal and interest as at December 31, 2022(3)	Nil	General security	Nil

Notes:

(1) Such companies are controlled by Mr. Richard Clement, a director, significant shareholder and proposed executive officer of the Company and Mr. Mitchel Clement, a proposed executive officer and significant shareholder of the Company.
(2) Such borrowings are in relation to an equipment loan that bears interest at 10% per year and is currently payable.
(3) Such borrowings are in relation to a first mortgage on the MTL Cannabis Facility and its head office that bears interest at the lender's PRIME + 2% per year and matures on an eighteen-month term.

17. RISK FACTORS

The following risk factors are not a definitive list of all risk factors associated with an investment in the Common Shares of the Resulting Issuer. Additional risks and uncertainties, including those currently unknown or considered immaterial by the Resulting Issuer, Canada House or MTL Cannabis may also adversely affect the business of the Resulting Issuer and /or the value of the Common Shares.

RISKS ASSOCIATED WITH THE TRANSACTION

Impact on Common Share Price

Numerous factors could affect the price of the Common Shares of the Resulting Issuer following the Transaction, including those described in Canada House's prior public filings as well as the risk of anticipated strategic or operational benefits of the Transaction not being realized in the timelines expected or at all, or the risk of the Transaction ultimately resulting in a detrimental impact on the operations of the Resulting Issuer. There is no certainty that the price of the Common Shares of the Resulting Issuer following the re-commencement of trading on the CSE will equal the deemed price per Consideration Share under the Transaction, and may be lower.

Dilution

If the Transaction is approved, the Vendors will in aggregate be issued that number of Common Shares representing approximately 80% of the total on a Deemed Issued and Outstanding Basis. If the Archerwill Debentures are converted or the Archerwill Prepayment Warrants are exercised into Common Shares, additional Common Shares will be issuable to the Vendors pursuant to anti-dilution protections in the Share Exchange Agreement such that the number of Common Shares issuable to the Vendors is to represent 80% of the total number of Common Shares on a Deemed Issued and Outstanding Basis.

Significant Shareholders

Following the Transaction, the Vendors will in aggregate hold 80% of the Common Shares on a Deemed Issued and Outstanding Basis. Such persons in aggregate, or certain combinations of individual Vendors may have, subject to applicable law, the ability to determine the outcome of certain matters submitted to the Shareholders for approval in the future, including the election and removal of Directors, amendments to the Company's corporate governing documents and certain business combinations. The Company's interests and those of its significant or controlling Shareholders may at times conflict, and this conflict may at times be resolved against the Company's interests. The concentration of control in the hands of select Shareholders may also impact the potential for the initiation, or the success of, an unsolicited bid for the Company's securities in the future.

Reduced Liquidity

The marketability and liquidity of the Common Shares could be adversely affected as a result of the reduced proportion of the Common Shares that will comprise a portion of the public float following the Transaction.

LEGAL AND REGULATORY RISKS

Compliance with Laws

The adult-use and medical cannabis industries and markets are subject to a variety of laws in Canada and internationally. The business and activities of the Company are heavily regulated. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of cannabis, and also including laws and regulations relating to health and safety, healthcare practitioner services, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. To the knowledge of management, the Company is currently in compliance under the Cannabis Act. Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on its Licences issued in accordance with the Cannabis Act and Cannabis Regulations to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way it may have a material adverse effect on the Company's business, financial condition and results of operations.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition and results of operations. Further, the Company is subject to ongoing inspections by Health Canada to monitor compliance with licensing requirements. The Company's existing Licences and any new licences that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that the Company is found not to be in compliance. Should the Company fail to comply with the applicable regulatory requirements or with conditions set out under its Licences or should its Licences be revoked, the Company may not be able to continue producing or distributing cannabis in Canada. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. The Company may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Changes in Laws, Regulations and Guidelines

The legislative framework pertaining to the Canadian cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories resulting in an asymmetric regulatory and market environment, different competitive pressures and significant additional compliance and other costs and/or limitations on the Company's ability to participate in such markets. The laws, regulations and guidelines applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen by the Company. The Cannabis Act came into effect on October 17, 2018. However, uncertainty exists with respect to the implementation of the Cannabis Act, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use, recreational purposes. Since cannabis remains illegal under U.S. federal law (other than recent legalization of hemp) any engagement in cannabis-related activities may lead to heightened scrutiny by regulatory bodies and other authorities that could negatively impact the Company and/or its personnel. The impact of these new laws, regulations and guidelines on the business of the Company, including increased costs of compliance and other potential risks, cannot be fully predicted; accordingly, the Company may experience adverse effects.

Any amendment to or replacement of the Cannabis Act or other applicable rules and regulations governing the Company's activities may cause adverse effects on the Company's business, financial condition and results of operations. For instance, the Company, both through CHC's clinics and Abba's medical marketplace, has revenue related to servicing veterans with insured coverage from Veterans Affairs Canada as administered by Blue Cross. Significant changes in coverage or adjudication of veterans' benefits related to medical cannabis would have a material impact on the medical cannabis portion of the Company's business. There is also a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to the associated regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of governmental authorities, securities regulators and exchanges, and the Company's operations may not be in compliance with such laws, regulations and guidelines.

Reliance on Licences and Permits

The Company's ability to grow, store and sell cannabis in Canada is dependent on its Licences from Health Canada. Failure to comply with the requirements of the Licences or any failure to maintain its Licences would have a material adverse effect on the business, financial condition and operating results of the Company. Should Health Canada not extend or renew the Licences, or should it renew the Licences on different terms or not provide the amendments as requested for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected. The Company is dependent upon its Licences for its ability to grow, store and sell cannabis and other products derived therefrom. The Licences are subject to ongoing compliance, reporting requirements and renewal. In addition to the Licences, the operations of the Company may require other Licences and permits from various governmental authorities, including, but not limited to, local municipalities. The Company currently has all non-federal permits and Licences that it believes are necessary to carry on its business. The Company may require additional Licences or permits in the future and there can be no assurance that the Company will be able to obtain all such additional Licences and permits. In addition, there can be no assurance that any existing Licences and permits will be renewable if and when required or that such existing Licences and permits will not be revoked.

Reliance on Facilities

The Facilities are integral to the Company's business and adverse changes or developments affecting any of the Facilities may impact the Company's business, financial condition and results of operations. Adverse changes or developments affecting facilities owned or leased by the Company, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other Facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under its existing licence or the prospect of renewing the licence or could result in a revocation of the licence.

Constraints on Marketing Activities

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities and the potentially broad interpretation of such restrictions imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased sales prices for its products, the Company's sales and operating results could be adversely affected.

Environmental Regulations and Risks

The Company's operations are subject to environmental regulation federally and in the municipal and provincial jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of waste. Environmental legislation is evolving in a manner which will require increasingly stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Employee Health and Safety Regulations

The Company's operations are subject to laws and regulations concerning employee health and safety and the Company will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of the Company.

Fraudulent or Illegal Activities by Employees, Contractors or Consultants
The Company's employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct that violates:
- government regulations;
- manufacturing standards;
- federal and provincial healthcare fraud and abuse laws and regulations; or
- laws that require the true, complete and accurate reporting of financial information or data.

It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Anti-Money Laundering Laws and Regulation Risk
Canadian and international money laundering, financial recordkeeping, and proceeds of crime laws and regulations apply to the Company. Specifically, the Company is subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations, and guidelines, enforced by governmental authorities internationally. If any of the Company's transactions, operations, investments and proceeds thereof, dividends or distributions therefrom, profits, or revenues accruing from such operations or investments, were found to violate money laundering legislation, they may be viewed as proceeds of crime under any applicable legislation. This could restrict or otherwise jeopardize the Company's ability to declare or pay dividends or effect other distributions.

Anti-Bribery Law Violations
The Company's business is subject to Canadian laws prohibiting companies and employees from engaging in bribery or other prohibited payments to foreign officials to obtain or retain business. Additionally, the Company is subject to the anti-bribery laws of any other countries in which it conducts business. The Company's employees or other agents may without its knowledge and despite its best efforts, engage in conduct prohibited under anti-bribery laws for which the Company may be held responsible. While the Company's policies mandate compliance with anti-corruption and anti-bribery laws, there can be no assurance that the Company's internal controls will always protect it from recklessness, fraudulent behaviour, dishonesty, or other such inappropriate acts committed by its affiliates, employees, contractors, or agents. If the Company's employees or agents are found to have engaged in such practices, the Company could suffer severe penalties, reputational damage, and other consequences that may have a material adverse effect on its business, financial condition, and results of operations.

Regulatory or Agency Proceedings, Investigations and Audits

The Company's businesses require compliance with certain laws and regulations. Failure to comply with applicable laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Product Liability

As a manufacturer and 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 involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's 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.

Litigation

The Company may become party to litigation from time to time in the ordinary course, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and require the Company to devote significant resources to such matters. Even if the Company is involved in litigation and wins, litigation may redirect many of the Company's resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brands.

Insurance Coverage

The Company has insurance to protect its assets, operations, directors and employees. While the Company believes the insurance coverage addresses all material risks to which it is exposed and is adequate and customary in the current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, the business, results of operations and financial condition could be materially adversely affected.

Intellectual Property
The Company's success depends in part on its ability to protect its rights to intellectual property and/or to license intellectual property rights on favourable terms. The Company relies upon various forms of intellectual property protection, including copyright, trademarks and trade secrets, as well as contractual provisions, to protect intellectual property rights. Despite precautionary measures, the steps the Company takes may not prevent misappropriation of the Company's intellectual property, and the agreements the Company enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada. With respect to the trademark and patent applications that the Company has filed, the Company cannot offer any assurances about whether such applications will be granted. Even if trademark and patent applications are successfully approved, third parties may challenge their validity, enforceability, or scope, which may result in such trademarks or patents being narrowed, found unenforceable or invalidated. Even if they are unchallenged, any trademark or patent applications and future trademarks and patents may not adequately protect the Company's intellectual property, provide exclusivity for its products or processes, or prevent others from designing around any issued patent claims. Any of these outcomes could impair the Company's ability to prevent competition from third parties, which may have an adverse impact on the Company's business.

Trademark protection is an important factor in establishing product recognition. Any limitations on the the Company's ability to protect its trademarks from infringement could result in injury to any goodwill which may be developed in those trademarks. Moreover, the Company may be unable to use one or more of its trademarks because of successful third-party claims. To protect the Company's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of business or adversely affect the business, financial condition and results of operations. In addition, other parties may claim that the Company's products infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. The Company also relies on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company's trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to or be independently developed by competitors, which could adversely affect the Company.

INDUSTRY AND OPERATING RISKS

Risks Inherent in an Agricultural Business
The Company will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing cannabis, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as disease, insect pests, changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market conditions. In addition, other items can affect the marketability of cannabis grown indoors, including, among other things, the presence of non-cannabis related material, genetically modified organisms and excess heavy metals and residues of pesticides, fungicides and herbicides.

The Cannabis Industry in Canada
As a Licensed Producer, the Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and

evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of restrictions on sales and marketing or restrictions on sales in certain areas, could have a material adverse effect on the Company's business, financial conditions and results of operations.

Operating in a New and Evolving Industry
The nature of the new and rapidly evolving industry and developing market for cannabis may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, the Company will be susceptible to adverse developments in this new market and industry, the sole market in which it operates, such as new developments, changing demographics, changing regulatory regime and other factors. If the Company's applicable subsidiaries are unable to successfully operate as a Licensed Producer, this could substantially reduce the Company's earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of the Common Shares and adversely affect the Company's ability to raise additional capital.

New Industry and Market
The Company's business as a Licensed Producer represents a relatively new industry and nascent market. 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 Company will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations, especially against competitors who have already spent some time building their brands. These activities may not promote the Company's brand and products as effectively as intended, or at all. This new market and industry has competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will exist or grow as estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects this new market and industry may materially and adversely affect the business, financial conditions and results of operations of the Company.

Limited Standardized Research on the Effect of Cannabis
To date, there is limited standardization in the research of the effects of cannabis, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis. Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as CBD and THC) remains in relatively early stages. Future research and clinical trials may draw opposing conclusions to statements in this AIF or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for the Company's products.

Long-Term Health Impacts Associated with Use of Cannabis and Cannabis Derivative Products
There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether for adult-use or medicinal purposes. As such, there are inherent risks associated with using the Company's cannabis and cannabis derivative products. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Unfavourable Publicity or Consumer Perceptions
The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception of the Company's products can be

significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or publicity will be favourable to the medical or recreational 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 favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. Adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have a material adverse effect on the Company's business, financial condition and results of operations. 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.

Reputational Risk to Third Parties
The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Competition
To date, Health Canada has issued hundreds of Licences to produce, cultivate and/or sell cannabis. As a result, the Company has significant competition from other companies, some of which have longer operating histories and greater financial resources, operating and marketing experience than the Company. Additionally, a large number of companies appear to be applying for production licences, some of which may:

- have significantly greater financial, technical, marketing and other resources;
- be able to devote greater resources to the development, promotion, sale and support of their products and services; and
- have more extensive customer bases and broader customer relationships.

Further, the cannabis industry is undergoing substantial change, which has resulted in an increase in new and existing competitors, consolidation and the formation of strategic relationships. Acquisitions or other consolidating transactions could harm our business in a number of ways, including losing patients and/or customers, revenue and market share, or forcing us to expend greater resources to meet new or additional competitive threats. There is potential that we will face intense competition from not only existing companies but from new entrants including those resulting from the federal legalization of cannabis use in the U.S. if and when it occurs, all of which could harm our operating results. Changes in the number of licenses granted and the number of licensed producers ultimately authorized by Health Canada, as well as other regulatory changes in both Canada and the U.S. that have the effect of increasing competition, could have an adverse impact on our ability to compete for market share in Canada's cannabis market

Some competitors may have significantly greater financial, technical, marketing, and other resources compared to us. Such companies may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships. Such competition may make it difficult to enter into supply agreements, negotiate favourable prices, recruit or retain qualified employees, and acquire the capital necessary to fund the Company's capital investments.

The Company also faces competition from illegal cannabis dispensaries and 'black market' operations and participants, who do not have a valid license, that are selling cannabis to individuals, including products with higher concentrations of active ingredients, using flavours or other additives or engaging in advertising and promotion activities that are not permitted by law. Because they do not comply with the regulations governing the cannabis industry, illegal market participants' operations may also have significantly lower costs.

Conflicts of Interest

Certain directors and officers of the Company hold, and may in future hold, interests in other companies involved in the same or similar businesses to the Company, or that act as vendors, landlords or suppliers to the Company, and as such may, in certain circumstances, have a conflict of interest, which could be adverse to the Company and, whether the conflict of interest is real or perceived, put the reputation of the Company at risk. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a Company who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under applicable law.

Limited Operating History

The Company is a relatively early-stage company and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its growing, marketing and sales efforts. Additionally, where the Company experiences increased sales its current operational infrastructure may require changes to scale the business efficiently and effectively to keep pace with demand and achieve longterm profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Managing Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In order to manage growth and changes in strategy effectively, the Company must • maintain adequate systems to meet customer demand;

- expand sales and marketing, distribution capabilities and administrative functions;
- attract and retain qualified employees, including in respect of its management team.

While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities. The Company could also fail to successfully integrate acquired entities into the business of the Company.

Strategic Partnerships

The Company currently operates parts of its business through partnerships with other companies, and it may enter into additional strategic alliances in the future. Such endeavors may involve risks not otherwise present, including: control, additional expenditures, conflicting interests, increased dependence and exit strategies, which could have a material adverse effect on the Company, its financial condition and results of operations. In addition, the Company may, in certain circumstances, be liable for the actions of its strategic partners.

Reliance on Third Party Suppliers, Manufacturers, Contractors and Insurers
The Company's business is dependent on a number of fundamental inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of the Company and materially adversely impact the business, financial condition and operating results of the Company.

In addition, Canada House derives revenue, both from its clinic and Abba medical marketplace operations, related to servicing veterans with insured coverage from Veterans Affairs as administered by Blue Cross. Significant changes in coverage or adjudication of veterans' benefits related to medical cannabis would have a material impact on medical cannabis portion of Canada House's revenue.

Supply Shortages and Overages
The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply. In the future, Licensed Producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian adult-use and medical markets, and they may be unable to export the oversupply into other markets where cannabis use is also legal. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected. In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or future production levels.

Disruption of Supply Chain
Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred:

- extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.;
- a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Impact of the COVID-19 Pandemic; Other Potential Public Health Crises");
- political instability, social and labour unrest, war or terrorism; or
- interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Third Party Transportation
Any delay by third party transportation and/or rising costs associated with these services may adversely affect the Company's financial performance. Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financial condition and operating results of the Company. Any such breach could impact the Company's ability to continue operating under its Licences or impede the prospect of renewing its Licences.

Reliance on Skilled Workers and Equipment
The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

Attraction and Retention of Key Personnel
The Company has a small management team and the loss of a key individual or inability to attract suitably qualified management could have a material adverse effect on the Company's business. While employment and management services agreements are customarily used as a primary method of retaining the services of key personnel, these agreements cannot assure the continued services of such persons. The Company may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. In addition, there is a risk that management or key personnel will fail to execute in their roles or falter in judgment in certain circumstances, all of which could have an adverse effect on the operations and financial results of the Company. A deterioration in relationships with employees or in the labour environment could result in work interruptions or other disruptions, or cause management to divert time and resources from other aspects of the Company's business, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Development of New Products and Technologies
The Company and its competitors are actively seeking to develop new products in order to keep pace with any new market developments and generate revenue growth. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. The technologies, processes and formulations the Company uses may also face competition or become obsolete. Rapidly evolving markets, technology, emerging industry standards and frequent introduction of new products characterize the cannabis business. The introduction of new products and new technologies, including new manufacturing processes or formulations, and the emergence of new industry standards may render the Company's current products obsolete, less competitive or less marketable. The process of developing new products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company may be unable to anticipate changes in customer requirements that could make its existing technology, processes or formulations obsolete. The Company's success will depend on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Failure to develop new technologies and products and the obsolescence of existing technologies or

processes could adversely affect the Company's business, financial condition, results of operations and prospects.

Effectiveness of Quality Control Systems
The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the business, financial condition and operating results of the Company.

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 labelling 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 the Company is subject to a recall, the reputation of 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 regulatory agencies, requiring further management attention, potential loss of applicable Licences and potential legal fees and other expenses.

Internal Controls
If the Company's internal controls are ineffective, its operating results and market confidence in its reported financial information could be adversely affected. The Company's internal controls over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, if it experiences difficulties in their implementation, or if controls are disrupted or compromised as a result of cyber-attacks, its business and operating results and market confidence in its reported financial information could be harmed and it could fail to meet its financial reporting obligations. The existence of any material weaknesses in the future may preclude management from concluding that the Company's internal controls over financial reporting are effective and may further preclude its independent auditors from issuing an unqualified opinion that the Company's internal controls are effective. Any material weaknesses could cause investors to lose confidence in the Company's financial reporting and may negatively affect the price of its Common Shares. The Company can make no assurances that it will be able to timely and cost effectively remediate any internal control deficiencies. Moreover, effective internal controls are necessary to produce reliable financial reports. If the Company is unable to satisfactorily remediate any deficiencies or if it discovers other deficiencies in its internal controls over financial reporting, then such deficiencies could lead to misstatements in its financial statements or otherwise negatively impact its financial statements, business, results of operations and reputation.

Information Technology Systems and Cyber-Attacks

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

FINANCIAL RISKS

Cash Flow from Operations

The Company cannot guarantee that it will maintain positive cash flow status in the future. The Company's working capital requirements over the next 12 months may also be greater than the Company currently anticipates for a variety of reasons, including, but not limited to, the following: the ability of the Company to maintain production at expected levels; the operating costs at the Facilities may be higher than expected; cash used in the Company's operating activities does not improve over historical results; increases in materials, production or labour costs; labour disputes; synergies resulting from the Transaction may not materialize; and a resurgence or worsening of the COVID-19 pandemic and the related health and safety measures that may be instituted, particularly in the jurisdictions in which the Company operates. Many of these factors, including the ongoing impact of the COVID-19 pandemic, are not within the Company's control. If the Company experiences future negative cash flow, the Company may be required to raise additional funds through the issuance of equity and/or debt securities, incur other forms of indebtedness and/or reduce operating costs which could have a negative impact on short-term revenue generation. There can be no assurance that the Company will be able to generate positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Company.

Ability to Achieve or Maintain Profitability

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

Wholesale Price of Cannabis Volatility

The cost of production, sale, and distribution of cannabis is dependent on a number of key inputs and their related costs, including equipment and supplies, labour and raw materials related to the Company's growing operations, as well other overhead costs such as electricity, water, and utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's financial condition and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition, results of operations and prospects. There is currently no established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the Company's business, financial condition and operations. The Company's operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as the Company's profitability is directly related to the price of cannabis. Any price decline may have a material adverse effect on the Company.

Impact of the Illicit Supply of Cannabis
Despite the legalization of medical and adult-use cannabis in Canada, illegal operations remain. Illegal dispensaries and market participants may be able to:

- offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations;
- use delivery methods, including certain edibles, concentrates and extract vaporizers, that Licensed Producers are currently prohibited from offering to individuals in Canada;
- use marketing and branding strategies that are restricted under the Cannabis Act and Cannabis Regulations; and
- make claims not permissible under the Cannabis Act and other regulatory regimes.
- As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs. As a result of the competition presented by the illicit market for cannabis, continued reluctance of consumers currently utilizing these unlicensed distribution channels to begin purchasing from Licensed Producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could:
- result in the perpetuation of the illicit market for cannabis;
- adversely affect the Company's market share; and
- adversely impact the public perception of cannabis use and Licensed Producers, all of which could have a materially adverse impact on the Company's business, operations and financial condition.

Vulnerability to Rising Energy Costs
The Company's cannabis growing operations will consume considerable energy, which will make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Ability to Establish and Maintain Bank Accounts
While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company will be required to seek alternative payment solutions. If the industry were to move towards alternative payment solutions, the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Additional Financing and Restrictions
The continued development of the Company may require additional financing. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The failure to raise additional capital could result in the delay or indefinite postponement of current business objectives or the Company becoming insolvent. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, on terms that are favourable or acceptable to the Company. In addition, from time to time, the

Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed in whole or in part, by debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Compliance with Listing Requirements
The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including, but not limited to, the Canadian Securities Administrators, the CSE, and the Ontario Securities Commission. These rules and regulations continue to evolve in scope and complexity, creating many new requirements.

No Assurance That Listing Standards Will Continue to be Met
The Company must meet continuing listing standards to maintain the listing of the Common Shares on the CSE. If the Company fails to comply with listing standards and the CSE delists the Common Shares, the Company and its shareholders could face significant material adverse consequences, including but not limited to:

- a limited availability of market quotations for the Common Shares;
- reduced liquidity for the Common Shares;
- a limited amount of news about the Company and analyst coverage; and
- a decreased ability for the Company to issue additional equity securities or obtain additional equity or debt financing in the future.

Obligations as a Public Company
As a public company, the Company is subject to corporate governance and public disclosure requirements that increase costs and add risks of non-compliance, which could adversely impact the price of the Common Shares.

Volatile Market Price of the Common Shares
The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities for a profit, or at all. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts (including short-sellers) or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. Financial markets have historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

Dilution

The Company's articles permit the issuance of an unlimited number of Common Shares and shareholders will have no pre-emptive rights in connection with such further issuance. The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company.

18. PROMOTERS

No person or company is or has been within the two years immediately preceding the date of this Listing Statement, a promoter of the Resulting Issuer.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

To the knowledge of management of the Resulting Issuer, there are no legal proceedings to which the Resulting Issuer or MTL Cannabis is a party, which, if adversely determined would be expected to have a material adverse effect on the Resulting Issuer.

19.2 Regulatory Actions

Neither Canada House nor the Resulting Issuer is subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has Canada House or the Resulting Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be necessary to disclose in providing provide full, true and plain disclosure of all material facts relating to the Resulting Issuer 's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as listed below, to the knowledge of the Resulting Issuer's management, no Director or officer, insider or 10% Shareholder of the Resulting Issuer, nor any of their respective Associates, affiliates or member of their group has or had any material interest, direct or indirect, in any transaction in the preceding three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Resulting Issuer.

Transaction	Overview of Transaction	Interested Person/s	Relationship with Issuer	Value of Interest
The Tranche Two Closing	See item 3.2 – *Significant Acquisitions and Dispositions*.	Messrs. Richard and Michel Clement	Mr. Richard Clement is a director of the Company and indirectly owns or controls more than 10% of the Company's Common Shares Mr. Michel Clement indirectly owns or controls more than 10%	Each of Messrs. Richard and Michel Clement indirectly own and control 37% of MTL Cannabis, which will be transferred to the Company on the Tranche Two Closing

			of the Company's Common Shares	
Lease of MTL Facility	See item 4.1.3 – *Production and Sales, (b) Premises*	The landlord pursuant to such lease arrangement is an Associate of Mr. Richard Clement	Mr. Richard Clement is a director and Mr. Mitchell Clement is a proposed director of the Company and each indirectly owns or controls more than 10% of the Company's Common Shares	See item 4.1.3 – *Production and Sales, (b) Premises*
Lease of MTL Head Office	See item 4.1.3 – *Production and Sales, (b) Premises*	The landlord pursuant to such lease arrangement is an Associate of Mr. Richard Clement	Mr. Richard Clement is a director and Mr. Mitchell Clement is a proposed director of the Company and each indirectly owns or controls more than 10% of the Company's Common Shares	See item 4.1.3 – *Production and Sales, (b) Premises*
Purchase of equipment and services	During the three fiscal years preceding the date of this Listing Statement, MTL Cannabis acquired various equipment and services	The wholesale vendor of consumables and hydroponic equipment is an Associate of Messrs. Richard and Michel Clement	Messrs. Richard and Michel Clement indirectly own or control more than 10% of the Company's Common Shares	Such Associate was paid an aggregate of $7,037,760 over such three year period
Cash advances	During the three fiscal years preceding the date of this Listing Statement, MTL Cannabis received various cash advances as a 17% demand loan	Mr. Richard Clement and an Associate of Mr. Richard Clement are the lenders	Mr. Richard Clement is a director of the Company and indirectly owns or controls more than 10% of the Company's Common Shares	As at the date of this Listing Statement, an aggregate of $6,181,958 is payable pursuant to such loans
Amendments to ICM Promissory Notes	In July 2022, the maturity dates of the ICM Promissory Notes were amended such that $4,167,000 is due December 12, 2023, $4,167,000 is due June 12, 2024 and $4,167,000 is due December 12, 2024. On or prior to the Tranche Two Closing, such principal amounts due December 12, 2023 and June 12, 2024 are expected to be extended to August 1, 2024.	The lenders pursuant to the ICM Promissory Notes may be Associates of Mr. Erik Bertacchini	Mr. Erik Bertacchini is a director of the Company	See "Overview of Transaction"

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditors of the Resulting Issuer are MNP LLP, located at 1155 René-Lévesque Blvd W 23e étage, Montreal, Quebec H3B 2K2.

21.2 Transfer Agent and Registrar

The transfer agent and registrar of will remain Computershare Investor Services Inc., at its Toronto office located at 100 University Ave, 8th Floor, Toronto, Ontario, M5J 2Y1.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, other than contracts entered into in the ordinary course of business, Canada House entered into the following material contracts:

- the Share Exchange Agreement, as amended;
- the Archerwill Instruments; and
- the ICM Promissory Notes.

Copies of any material contract of Canada House referred to in this Listing Statement may be found under Canada House's profile on SEDAR at www.sedarplus.ca.

During the course of the two years prior to the date of the Listing Statement, other than contracts entered into in the ordinary course of business, MTL Cannabis did not enter into any material contracts other than:

- the Share Exchange Agreement, as amended; and
- that guarantee with respect to $16,000,000 principal mortgage of 9336-4644 Québec Inc. as detailed under Item 16 hereof.

Copies of any material contract of MTL Cannabis referred to in this Listing Statement will be found under Canada House or the Resulting Issuer's profile on SEDAR at www.sedarplus.ca.

22.2 Special Agreements

This section is not applicable to Canada House, MTL Cannabis or the Resulting Issuer.

23. INTEREST OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of Canada House, MTL Cannabis or the Resulting Issuer or of an Associate or Affiliate of Canada House, MTL Cannabis or the Resulting Issuer and no such person is expected to be elected, appointed or employed as a Director, senior officer or employee of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the Resulting Issuer or an Associate or Affiliate of the Resulting Issuer.

MNP LLP provided the audit reports in respect of the audited financial statements of MTL Cannabis included in this Listing Statement and are independent of MTL Cannabis in accordance with the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

The 2022 consolidated financial statements of Canada House Cannabis Group Inc. included in this Listing Statement have been audited by the Canada House's auditor, Ernst & Young LLP, located at 100 Adelaide Street West, PO Box 1, Toronto, Ontario, M5H 0B3. Ernst & Young LLP has advised Canada House that it is independent in the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Resulting Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer and its securities.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of the Canada House

Schedule B contains the audited consolidated financial statements of Canada House as at July 31, 2022 and April 30, 2021 and for the 15-month period ended July 31, 2022 and the year ended April 30, 2021 and the unaudited interim financial statements as at April 30, 2023 and for the three and nine-month periods ended April 30, 2023.

25.2 Financial Statements of MTL Cannabis

Schedule D contains the audited financial statements of MTL Cannabis for the years ended March 31, 2023 and 2022.

25.3 Pro-Forma Statements

The unaudited pro-forma statements of the Resulting Issuer are attached as Schedule A to this Listing Statement.

CERTIFICATE OF MTL CANNABIS CORP.

Pursuant to a resolution duly passed by the board of directors of Canada House Cannabis Group Inc. (the "**Corporation**"), Canada House, hereby applies for the listing of the above mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Canada House. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this __ day of ______ , 2023.

By: ___________________________________ Michael Perron, Chief Executive Officer	By: ___________________________________ Peili Miao, Chief Financial Officer

On Behalf of the Board of Directors

By: ___________________________________ Director	By: ___________________________________ Director

SCHEDULE A
PRO FORMA FINANCIAL STATEMENTS

MTL Cannabis Corp.

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in Canadian dollars, unaudited)

MTL Cannabis Corp.
Pro Forma Condensed Consolidated Statement of Financial Position
[Unaduited] [expressed in Canadian dollars, except number of shares]

	MTL Cannabis as at March 31, 2023	Canada House as at April 30, 2023	Pro forma adjustments	Note 4	Pro forma consolidated
ASSETS	$	$	$		$
Current assets					
Cash	437,551	511,434	—		948,985
Trade and other receivables	6,328,531	7,762,476	(8,060,948)	[A]	6,030,059
Inventory	9,169,875	2,910,230	(183,163)	[G]	11,896,942
Biological assets	1,260,189	1,066,040	—		2,326,229
Prepaid expenses and deposits	351,038	615,134	—		966,172
	17,547,184	12,865,314	(8,244,111)		22,168,387
Non-current assets					
Property, plant and equipment, net	3,554,376	11,479,724	1,041,148	[B]	16,075,248
Investment in associate	—	6,140,435	(6,140,435)	[C]	—
Right of use assets, net	10,643,541	2,302,481	—		12,946,022
Intangible assets and goodwill, net	—	11,192,359	8,987,135	[D]	20,179,494
TOTAL ASSETS	31,745,101	43,980,312	(4,356,263)		71,369,151
LIABILITIES					
Current liabilities					
Trade and other payables	9,023,669	11,550,633	(6,918,132)	[A]	13,656,170
Income taxes payable	987,578	—	—		987,578
Lease obligations - current	185,804	546,815	—		732,619
Convertible debentures - current	—	627,000	—		627,000
Notes payable - current	6,157,979	6,123,364	—		12,281,343
Borrowings - current	1,460,000	2,572,574	(1,336,000)	[E]	2,696,574
Consideration payable - current	—	196,995	—		196,995
	17,815,030	21,617,381	(8,254,132)		31,178,279
Non-current liabilities					
Lease obligations - non current	11,576,866	1,884,803	—		13,461,669
Convertible debentures - non current	—	4,484,529	(351,529)	[F]	4,133,000
Financial instruments liabilities	—	3,635,000	—		3,635,000
Notes payable - non current	—	7,817,019	—		7,817,019
Borrowings - non current	—	1,916,969	(1,836,969)	[E]	80,000
Consideration payable - non current	—	195,153	—		195,153
Deferred tax liability	812,363	1,996,095	—		2,808,458
	30,204,259	43,546,948	(10,442,630)		63,308,578
SHAREHOLDERS' EQUITY					
Share capital	100	55,107,069	(45,761,069)	[B, D, F]	9,346,100
Contributed surplus	111,430	12,554,832	(12,358,577)	[B, D, F, I, J]	307,685
Equity conversion feature	—	670,358	(670,358)		—
Retained Earnings (Accumulated deficit)	1,429,312	(67,898,894)	64,876,370	[A, C, F]	(1,593,212)
	1,540,842	433,364	6,086,367		8,060,573
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,745,101	43,980,312	(4,356,263)		71,369,151

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

MTL Cannabis Corp.
Pro Forma Condensed Consolidated Statement of Operations and Comprehensive Loss
For the year ended March 31, 2023
[Unaudited] [expressed in Canadian dollars, except number of shares]

	MTL Cannabis Year ended March 31, 2023	Canada House 12 months ended April 30, 2023	Pro forma adjustments	Note 4	Pro forma consolidated
	$	$	$		$
Revenue, net	24,570,038	29,009,357	(4,385,483)	[G]	49,193,912
Cost of sales	15,810,128	12,172,872	(3,171,550)	[G, H]	24,811,450
Inventory impairment	—	228,037	1,931,914	[H]	2,159,951
Gross profit before fair value adjustments	8,759,910	16,608,448	(3,145,847)		22,222,511
Fair value adjustments on biological assets	6,126,189	3,264,659	—		9,390,848
Fair value adjustments on sale of inventory	(6,986,307)	(2,237,363)	91,660	[G]	(9,132,010)
Gross profit	7,899,792	17,635,744	(3,054,187)		22,481,349
Operating expenses					
General and administrative	7,455,299	8,681,401	(5,068,838)	[E, G]	11,067,862
Sales and marketing	961,392	1,585,524	—		2,546,916
Share-based compensation	—	49,044	31,388	[I]	80,432
Amortization and depreciation	676,016	2,481,707	40,891	[B]	3,198,614
	9,092,707	12,797,676	(4,996,559)		16,893,824
Operating income (loss)	(1,192,915)	4,838,068	1,942,372		5,587,525
Finance expense, net	1,915,982	4,136,110	164,867	[J]	6,216,959
Loss (gain) on debt settlement and modifications	—	(242,180)	—		(242,180)
Other expense (income)	(313,379)	710	—		(312,669)
Gain on asset disposal	—	10,999	—		10,999
Loss on remeasurement of contingent consideration	—	161,407	—		161,407
Share of income from investment in associate	—	611,195	(611,195)	[C]	—
Income (loss) before income taxes	(2,795,518)	159,827	2,388,700		(246,991)
Income tax (recovery) expense	(583,003)	2,999	—		(580,004)
Net income (loss) and comprehensive income (loss) for the year	(2,212,515)	156,828	2,388,700		333,013
Income per share - basic and diluted					$ 0.00
Weighted average number of common shares outstanding - basic and diluted					116,997,561

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

1. DESCRIPTION OF PROPOSED TRANSACTION

On August 9, 2021, Canada House Cannabis Group Inc., ("Canada House") and Montréal Cannabis Médical Inc. ("MTL Cannabis") entered into a share exchange agreement. Subsequently, on July 22, 2022, Canada House and MTL Cannabis entered into a restated share exchange agreement (the "Agreement"). Pursuant to the Agreement, Canada House will acquire all of the issued and outstanding shares of MTL Cannabis (the "Transaction"). The Transaction will be effected over two tranches.

The first stage of the Transaction was completed on August 30, 2022 (the "Tranche One Closing"). The Tranche One Closing resulted in Canada House acquiring 24.99% of the issued and outstanding common shares of MTL Cannabis in exchange for 49.99% of the issued and outstanding common shares of Canada House. Canada House issued 22,770,340 common shares to the shareholders of MTL Cannabis on the Tranche One Closing. Subsequent to this transaction, 45,567,767 common shares of Canada House were issued and outstanding.

The second stage of the Transaction was completed on July 28, 2023 (the "Tranche Two Closing"). The Tranche Two Closing resulted in Canada House acquiring the remaining 75.01% of the issued and outstanding shares of MTL Cannabis in exchange for 30.01% of the issued and outstanding common shares of Canada House. Canada House issued 70,713,556 common shares to the shareholders of MTL Cannabis on the Tranche Two Closing.

Upon closing of the Transaction, Canada House issued 131,441 common shares in addition to 394,321 common shares issued in connection with the Tranche One Closing for a finder's fee (collectively 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 lockdown period in accordance with applicable securities laws. Canada House also issued 190,476 shares on March 29, 2023, to settle service fees payable incurred in relation to the Transaction. Subsequent to this transaction, 116,997,561 common shares of Canada House were issued and outstanding.

The Transaction will constitute a reverse take-over ("RTO") of Canada House by MTL Cannabis, with Canada House being the legal acquirer and MTL Cannabis being the acquirer for accounting purposes. Pursuant to the Transaction, Canada House will effect a name change, changing its name from Canada House Cannabis Group Inc. to MTL Cannabis Corp.

MTL Cannabis was incorporated on April 27, 2017, under the Canada Business Corporations Act. MTL Cannabis is a Health Canada licensed cultivator and processor. MTL Cannabis received its license to cultivate and process cannabis on February 7, 2020. MTL Cannabis also received its license to sell dried cannabis on February 22, 2022. MTL Cannabis' head office is located at 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, Canada, H9R 1B4.

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 Canada House is located at 551 Rue Saint-Marc, Louiseville, Quebec, J5V 2L4, Canada.

Canada House's common shares are listed on the Canadian Securities Exchange under the trading symbol "CHV." Canada House is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

Canada House is the parent company of wholly-owned subsidiaries (as defined below) with operations as follows:

- 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.

Canada House has the following wholly-owned subsidiaries:

- Abba Medix Corp. ("Abba")
- 672800 NB Inc. d/b/a Canada House Clinics Inc. ("CHC")
- The Longevity Project Corp.
- 690050 NV Inc. d/b/a Knalysis Technologies
- 2104071 Alberta Inc.
- IsoCanMed Inc. ("ICM")
- Margaree Health Group Inc. ("Margaree")

2. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed consolidated statement of financial position of MTL Cannabis has been prepared by management of MTL Cannabis for illustrative purposes only, to show the effect of the acquisition of MTL Cannabis by Canada House constituting a RTO of Canada House by the shareholders of MTL Cannabis assuming that the Transaction was completed on March 31, 2023.

The accompanying unaudited pro forma condensed consolidated statement of operations and comprehensive loss for the year ended March 31, 2023, has been prepared for illustrative purposes only, to show the effect of the Transaction assuming that the Transaction was completed on April 1, 2022.

While Canada House is the legal acquirer of MTL Cannabis, MTL Cannabis has been identified as the acquirer for accounting purposes. As Canada House meets the definition of a business, as defined in *IFRS 3 - Business Combinations* ("IFRS 3"), the acquisition is within the scope of IFRS. The pro forma condensed consolidated financial statements represent the continuation of the financial statement of MTL Cannabis. The assets and liabilities of MTL Cannabis are presented at their historical carrying values and the identifiable assets acquired and the liabilities assumed of Canada House are recognized and measured at fair value.

These unaudited pro forma condensed consolidated financial statements have been derived from and should be read in conjunction with the following:

- Audited financial statements of MTL Cannabis for the year ended March 31, 2023;
- Unaudited condensed consolidated financial statements of Canada House for the twelve-month period ended April 30, 2022;
- Audited consolidated financial statements of Canada House for the fifteen-month period ended July 31, 2022; and
- Unaudited condensed consolidated interim financial statements of Canada House for the three and nine months ended April 30, 2023.

The fiscal periods of MTL Cannabis and Canada House end on March 31 and July 31, respectively, which differs by more than 93 days. Therefore, for the twelve months ended April 30, 2023, the unaudited condensed consolidated statement of loss and comprehensive loss of Canada House has been derived from the following:

- The unaudited condensed consolidated interim financial statements of Canada House for the three and nine months ended April 30, 2023; plus
- The audited consolidated financial statements of Canada House for the fifteen-month period ended July 31, 2022; minus
- The unaudited condensed consolidated financial statements of Canada House for the twelve-month period ended April 30, 2022.

The unaudited pro forma condensed consolidated financial statements have been compiled using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as set out in the unaudited consolidated financial statements of MTL Cannabis for the year ended March 31, 2023.

The unaudited pro forma consolidated financial statements should be read in conjunction with the financial statements and notes thereto of Canada House and MTL Cannabis described above. The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the continuing entity which would have actually resulted had the Transaction been effected on the dates indicated. Further, the unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the results of operations that may be obtained in the future. The historical financial statements have been adjusted in the pro forma condensed consolidated financial statements to give effect to pro forma events that are (1) directly attributable to the Transaction, (2) factually supportable and (3) with respect to the statements of operations and comprehensive loss, expected to have a material continuing impact on the results of MTL Cannabis. The pro forma adjustments and allocations of the purchase price of Canada House by MTL Cannabis as a reverse takeover are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed after asset and liability valuations are finalized. The final valuation will be based on the actual assets and liabilities of Canada House that exist as of the date of completion of the acquisition.

3. ESTIMATED PURCHASE PRICE AND PRELIMINARY PURCHASE PRICE ALLOCATION

For accounting purposes in accordance with IFRS 3, MTL Cannabis is considered the acquirer, and the fair value of the purchase consideration for the Transaction is assumed to be $9,346,000. The consideration is based on the independently determined equity value of Canada House and the number of shares that Canada House would have to issue to acquire 100% of the issued and outstanding shares of MTL Cannabis.

The following table summarizes the calculation of the purchase price based on the number of shares issued by Canada House:

Shares issued to MTL Cannabis on Tranche One Closing	22,779,340
Shares to be issued to MTL Cannabis shareholders on Tranche Two Closing	70,713,556
Total shares issued to MTL Cannabis shareholders	93,492,896
Value per common share of Canada House	$0.100
Total estimated purchase price (rounded)	$9,346,000

A preliminary valuation analysis of the fair value of the Canada House assets and liabilities has been performed as at April 30, 2023.

The following table summarizes the preliminary purchase price allocation:

	$
Cash	511,434
Trade and other receivables	5,253,745
Inventory	2,910,230
Biological assets	1,066,040
Prepaid expenses and deposits	615,134
Property, plant and equipment, net	12,520,872
Right of use assets, net	2,302,481
Intangible assets and goodwill, net	20,179,494
Trade and other payables	(7,541,613)
Lease obligations	(2,431,618)
Convertible debentures	(4,760,000)
Financial instrument liabilities	(3,635,000)
Notes payable	(13,940,382)
Borrowings	(1,316,574)
Consideration payable	(392,148)
Deferred tax liability	(1,996,095)
Purchase consideration transferred	**9,346,000**

Management of MTL Cannabis believes the fair values recognized above are based on reasonable estimates derived from currently available information. A final determination of the fair value of assets acquired and liabilities assumed will be based on the actual assets and liabilities of Canada House that exist as at the closing date of the Transaction. Any differences between the carrying value and the fair value of assets acquired and liabilities assumed would result in a respective change in goodwill and other potential intangible assets recognized. The final purchase price allocation may vary based on final appraisals, valuations, and analyses of the fair value of the acquired assets and assumed liabilities. Accordingly, the unaudited pro forma adjustments are preliminary and have been made solely for illustrative purposes. Differences between the final purchase price allocation and the preliminary purchase price allocation presented above could be material.

Goodwill and other potential intangible assets to be recognized are estimated to have a combined valuation of $20,179,494. Intangible assets expected to be separately recognized include brand name, computer software, licenses, and customer lists. Any such intangible assets and related deferred taxes, which could be material in amount, can only be determined upon completion of detailed valuation work upon closing of the Transaction.

4. PRO FORMA ADJUSTMENTS

Adjustments to the pro forma financial statements are limited to those that reflect the accounting for the Transaction in accordance with IFRS. The pro forma financial statements give effect to the Transaction as if it had occurred on March 31, 2023, for purposes of the pro forma statement of financial position and April 1, 2022, for the pro forma statements of operations and comprehensive loss.

The pro forma adjustments are as follows:

[A] Trade receivables and trade payables

The adjustment is to eliminate combined trade receivables and trade payables of $8,060,948 and $6,918,132, respectively, in the statement of financial position due between the parties as of the respective statement of financial position dates.

[B] Property, plant and equipment

This adjustment is to reflect the following:

i. Increasing the Canada House property, plant and equipment to an estimated fair value of $12,520,872 as at March 31, 2023, an overall increase of $1,041,148 from the carrying value. The overall increase represents an increase to the fair value of a building owned a subsidiary of Canada House. The fair value of the building was established through a third-party valuation report.
ii. For the year ended March 31, 2023, the Company would have incurred additional depreciation of $40,891, had the acquisition closed on April 1, 2022. This increase is reflected in the line item 'Amortization and depreciation' in the statement of operations and comprehensive loss.

[C] Investment in associate

After the Tranche One Closing, Canada House recorded an investment in associate on the statement of financial position. The adjustment is to eliminate the following:

i. The investment in associate balance of $6,140,435 in the statement of financial position as at March 31, 2023.
ii. The share of loss from investment in associate in the amount of $611,195 in the statement of operations and comprehensive loss for the nine months ended March 31, 2023.

[D] Intangible assets and goodwill

Adjusts goodwill and intangible assets in the pro forma statement of financial position as at March 31, 2023, as follows:

Reversal of the historical Canada House intangible assets and goodwill	$(11,192,359)
Intangible assets and goodwill recognized in purchase price accounting	20,179,494
Pro forma increase to intangible assets and goodwill	$8,987,135

[E] Borrowings

Canada House has two loans due to MTL Cannabis in the aggregate amount of $3,172,969, consisting of outstanding principal and interest, as of April 30, 2023. MTL Cannabis had fully written off the balance of loans receivable due from Canada House as of March 31, 2023.

The adjustment is to eliminate the outstanding loan balances payable by Canada House to MTL Cannabis in the statement of financial position, and the provision impact to the statement of operations and comprehensive loss for the year ended March 31, 2023.

i. The current loan and accrued interest balance of $1,336,000 was eliminated from the line item 'Borrowings' in the statement of financial position under 'Current liabilities'.
ii. The non-current loan of $1,836,969 was eliminated from the line item 'Borrowings' in the statement of financial position under 'Non-current liabilities'.
iii. For the year ended March 31, 2023, MTL Cannabis recorded a provision of $2,907,252. This provision was eliminated from the line item 'General and administrative' in the statement of operations and comprehensive loss.

[F] Convertible debentures

Adjusts the carrying value of the liability component of the convertible debentures from $4,484,529 to an estimated fair value of $4,133,000 as at March 31, 2023, a decrease of $351,529. The fair value was determined based on the expected remaining cash flows, discounted by the estimated interest rate of a similar non-convertible debt based on current market rates.

[G] Adjustments to sales transactions between MTL Cannabis and Canada House

The purpose of this adjustment is:

1. To reverse revenue of $2,148,134 recognized by MTL Cannabis on the sale of inventory to Canada House, with a corresponding reversal to cost of sales of $1,163,873 and realized fair value adjustment of $91,660. The cost of sales and realized fair value adjustment relate to product that was purchased by Canada House from MTL Cannabis and sold to third parties. The carrying value of inventory acquired by Canada House from MTL Cannabis and on hand at period end is also adjusted to eliminate the increase in the carrying value of the inventory based off the price paid by Canada House to MTL Cannabis.
2. To reverse revenue of $2,237,349 recognized by Canada House for licensing and transportation fees charged to MTL Cannabis, with a corresponding reversal to general and administrative expenses of $2,161,586, and to cost of sales of $75,763. The adjustments to general and administrative expenses and costs of sales are to reverse the expense recognized by MTL Cannabis.

The cumulative impact of the adjustments to reduce revenue and cost of sales are as follows:

Adjustment	Revenue ($)	Cost of sales ($)
[G] 1	2,148,134	1,163,873
[G] 2	2,237,349	75,763
[H]	-	1,931,914
	4,385,483	**3,171,550**

[H] Inventory impairment

For the year ended March 31, 2023, MTL Cannabis recognized in costs of sales impairment of inventory in the amount of $1,931,914. This amount was reclassed to the line item 'Inventory impairment' in the statement of operations and comprehensive loss.

[I] Share-based compensation

As a part of the Tranche Two Closing, the Company will issue 500,000 options to a former executive. This adjustment is to record an additional $31,388 of share-based compensation for the options to be issued. The options were valued using the Black-Scholes Model based on management's best estimate. Differences in the actual share-based compensation expense to be recorded based on the final terms of the option agreement could be material.

[J] Warrants

The adjustment reflects the issuance of 999,999 warrants to lenders as compensation for entering into an agreement to modify the terms of outstanding promissory notes. This adjustment is to record an additional $164,867 as a finance expense with a corresponding increase recognized in contributed surplus. The warrants were valued using the Black-Scholes Model based on management's best estimate.

SCHEDULE B
FINANCIAL STATEMENTS OF CANADA HOUSE

Canada House Cannabis Group Inc.

Formerly as Canada House Wellness Group Inc.

Condensed Interim Consolidated Financial Statements

April 30, 2023

(Expressed in thousands of Canadian dollars)

(Unaudited)

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)

Table of Contents

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)

	Note	April 30, 2023	July 31, 2022
ASSETS			
Current assets:			
Cash		**511**	450
Trade and other receivables	5	**7,762**	3,058
Inventory	6	**2,910**	3,601
Biological assets	7	**1,066**	84
Prepaid expenses and deposits		**615**	534
		12,864	7,727
Property, plant and equipment, net	9	**11,480**	12,954
Investment in associates	8	**6,140**	**-**
Right-of-use assets, net		**2,302**	2,182
Intangible assets, net		**7,646**	7,640
Goodwill	4	**3,546**	3,546
Total assets		**43,978**	34,049
LIABILITIES			
Current liabilities:			
Trade and other payables		**11,550**	11,574
Due to related parties	11	**-**	3
Current portion of lease liability		**547**	378
Current portion of debentures	13	**627**	1,050
Mortgage payable	14	**1,956**	2,000
Promissory notes	10	**4,167**	76
Borrowings	12	**2,573**	1,766
Consideration payable	4	**197**	197
		21,617	17,044
Non-current liabilities			
Lease liability		**1,885**	1,910
Borrowings	12	**1,917**	2,160
Promissory notes	4,10,11	**7,817**	10,790
Consideration payable	4	**195**	195
Debentures	13	**4,485**	3,717
Financial instruments liabilities	13	**3,635**	-
Deferred tax liabilities	4	**1,996**	1,986
Total liabilities		**43,547**	37,802

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Condensed Interim Consolidated Statements of Financial Position (continued)
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)

	Note	April 30, 2023	July 31, 2022
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	15	**55,106**	48,685
Equity component of convertible debentures	13,15	**670**	2,174
Contributed surplus	15,16	**12,555**	14,287
Deficit		**(67,900)**	(68,899)
Total shareholders' equity (deficiency)		**431**	(3,753)
Total liabilities and shareholders' equity (deficiency)		**43,978**	34,049

Nature of operations and going concern (note 1)
Commitments and contingencies (note 20)
Subsequent events (note 24)

Approved by the Board:
"*Dennis Moir*" Chair of the Board

"*Norman Betts*" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Condensed Interim Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the three and nine months ended April 30, 2023 and 2022

	Note	Three months ended April 30 2023 $000's	Three months ended April 30 2022 $000's	Nine months ended April 30 2023 $000's	Nine months ended April 30 2022 $000's
Revenue					
Referral revenue		**1,314**	1,316	**4,008**	3,974
Product revenue		**6,279**	4,387	**17,330**	14,893
License revenue and other		**2,149**	230	**3,323**	433
Less excise tax		**(397)**	(436)	**(1,516)**	(2,521)
Net revenue		**9,345**	5,497	**23,145**	16,779
Cost of sales	6	**3,260**	2,750	**8,107**	7,977
Inventory impairment	6	**-**	1,259	**-**	2,996
Gross profit before fair value adjustments		**6,085**	1,488	**15,038**	5,806
Realized loss (gain) on sale of inventory		**1,137**	(5)	**2,236**	898
Unrealized (gain) loss on biological assets	7	**(1,217)**	88	**(3,416)**	278
Gross profit		**6,165**	1,405	**16,218**	4,630
Expenses					
General and administrative	19	**2,665**	2,241	**7,273**	6,803
Sales and marketing	19	**389**	259	**1,114**	1,142
Share-based compensation	16	**-**	53	**23**	255
Right-of-use assets amortization		**116**	90	**356**	273
Depreciation and amortization	9	**462**	263	**1,429**	755
		3,632	2,906	**10,195**	9,228
Profit (loss) from operations		**2,533**	(1,501)	**6,023**	(4,598)
Finance costs	17	**1,471**	810	**3,737**	2,727
Change in fair value of financial instruments	13	**(204)**	-	**(469)**	-
Loss (gain) on debt settlement and modifications	10	**-**	(75)	**701**	(75)
Loss on assets disposal		**20**	-	**20**	-
Share of loss from investment in associates	8	**540**	-	**611**	-
Other expenses		**-**	-	**-**	2
Profit (loss) before income taxes		**706**	(2,236)	**1,423**	(7,252)
Recovery of income taxes		**(50)**	(90)	**(29)**	(30)
Net profit (loss) and comprehensive profit (loss) for the period		**756**	(2,146)	**1,452**	(7,222)
Weighted average number of shares outstanding - basic and diluted		**45,999,560**	**22,788,427**	**43,205,310**	22,788,427
Net profit (loss) per share - basic and diluted	18	**$ 0.02**	$ (0.09)	**$ 0.03**	$ (0.32)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada House Cannabis Group Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(formerly Canada House Wellness Group Inc.)
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the nine months ended April 30, 2023 and 2022

	Note	Number of Shares	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Shareholders' (Equity) Deficiency
Balance as at July 31, 2021		**22,788,427**	**48,685**	**2,174**	**15,961**	**(62,336)**	**4,484**
Share-based compensation		-	-	-	255	-	255
Net loss and comprehensive loss for the period		-	-	-	-	(7,222)	(7,222)
Balance as at April 30, 2022		**22,788,427**	**48,685**	**2,174**	**16,216**	**(69,558)**	**(2,483)**
Balance as at July 31, 2022		22,788,427	48,685	2,174	14,287	(68,899)	(3,753)
Common shares issued pursuant to investment in associates	8	22,779,340	5,846	-	-	-	5,846
Shares issued for finder's fee and service	8	584,797	575	-	-	-	575
Charge related to modification of conversion feature and warrants	13	-	-	-	-	(453)	(453)
Convertible debenture	13	-	-	(1,504)	(1,755)	-	(3,259)
Share-based compensation	16	-	-	-	23	-	23
Net loss and comprehensive loss for the period		-	-	-	-	1,452	1,452
Balance as at April 30, 2023		**46,152,564**	**55,106**	**670**	**12,555**	**(67,900)**	**431**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the nine months ended April 30, 2023 and 2022

	Note	April 30 2023	April 30 2022
Cash provided by (used in)			
Operating activities:			
Net profit (loss) and comprehensive profit (loss) for the period		**1,452**	(7,222)
Add (deduct) items not affecting cash			
Depreciation and amortization	9	**1,433**	755
Share-based compensation	16	**23**	255
Non-cash finance and transaction costs		**2,237**	3,880
Realized fair value loss on sale of inventory		**2,236**	898
Unrealized fair value (gain) loss in fair value of biological assets		**(3,416)**	278
Inventory impairment		**-**	4,000
Share of loss from investment in associates	8	**611**	-
Loss (gain) on debt settlement and modifications		**701**	(75)
Change in fair value of financial instruments		**(265)**	-
Cost of goods sold		**89**	-
Right-of-use assets amortization		**356**	273
		5,457	3,042
Changes in non-cash working capital balances related to operations			
Trade and other receivables		**(4,704)**	(2,701)
Inventory		**(1,394)**	(2,577)
Biological assets		**2,548**	986
Prepaid expenses and deposits		**(81)**	(1,029)
Trade and other payables		**(375)**	635
Deferred tax liabilities		**10**	-
Net cash provided by (used in) operating activities		**1,461**	(1,644)
Investing activities:			
Purchase of property, plant and equipment, net	9	**(296)**	25
Investment in associates	8	**(330)**	-
Net cash provided by (used in) investing activities		**(626)**	25
Financing activities:			
Borrowings		**244**	2,267
Lease payments		**(456)**	(454)
Cash interest payments on debenture		**-**	(97)
Repayment of convertible debentures		**(423)**	(80)
Mortgage renewal		**(60)**	-
Repayment of promissory note		**(79)**	-
Net cash provided by (used in) financing activities		**(774)**	1,636
Increase in cash during the period		**61**	17
Cash, beginning of period		**450**	741
Cash, end of period		**511**	758

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Nature of operations and going concern uncertainty

Canada House Cannabis Group Inc. (the “**Company**”), formerly Canada House Wellness Group Inc., was incorporated on September 29, 1982 under the *Company Act* of the Province of British Columbia and is listed on the Canadian Securities Exchange (the "**Exchange**") under the symbol CHV (formerly ABA).

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended April 30, 2023, comprise the results of the Company and its wholly owned subsidiaries Abba Medix Corp. ("**Abba**"), Canada House Clinics Inc. (“**CHC**”), The Longevity Project Corp. ("**TLP**"), 690050 NB Inc. doing business as Knalysis Technologies (“**Knalysis**”), 2104071 Alberta Inc., which holds the dispensary license in Edmonton, Alberta, IsoCanMed Inc. (“**IsoCanMed**”), a licensed producer in Louiseville, Quebec, that produces high quality medical grade cannabis, and Margaree Health Group Inc. (“**Margaree**”), a medical cannabis clinic dedicated to Veterans in Nova Scotia. 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.

Using its own proprietary patient management software developed by Knalysis, CHC provides education services concerning appropriate cannabinoid therapies to patients. Abba initially received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations, as well as its license to produce cannabis oil and subsequently received an amendment to its Producer’s Licence from Health Canada to include the sale and provision of marijuana seeds. In December 2018, Abba received a sales license to sell products from others, but not its own production. In August 2019, Abba was granted an amended license to sell its own production to provincially and territorially authorized provincial retailers and to holders of a license for medical purposes. The Company commenced sale of its Abba branded cannabis flower on October 1, 2019. On June 7, 2021, the Company announced that the registered office of the Company changed to 551 Rue SaintMarc, Louiseville, Quebec from 1773 Bayly Street, Pickering, Ontario.

Going concern uncertainty

The unaudited condensed interim 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 unaudited condensed interim 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 three and nine months ended April 30, 2023, the Company earned a net profit of $756 and $1,452, respectively, and as at April 30, 2023, had an accumulated deficit of $67,900 and a working capital deficit of $8,753. Cash flow from operations for the nine months ended April 30, 2023 was $1,461. Whether, and when, the Company can attain sustained profitability and sustained positive cash flows from operations that is material 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 sustained profitability and sustained positive cash flows from operations that is material, there can be no assurance that the Company will achieve and sustain profitability and be able to do so in the future that is material for the Company.

2. Basis of preparation

Statement of compliance
These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"), as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on June 29, 2023.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the 15-month period ended July 31, 2022.

3. Significant accounting policies

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the 15-month period ended July 31, 2022, no new standards were adopted other than the Company adopted IAS 28 Investments in Associates to account its new investment in an associate (note 8).

Investment in associates
Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see "Equity Method" below), after initially being recognized at cost. The Company has received unaudited financial statements from MTL and has relied on the information provided by MTL management as input in the preparation of its unaudited condensed interim consolidated financial statements for the three and nine months ended April 30, 2023 and 2022 (note 8).

Equity method
Under the equity method of accounting, investments in associates and joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company. The carrying amount of equity-accounted investments is tested for impairment.

3. Significant accounting policies (continued)

New and Amended Standards

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 is 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 adopted the Amendments to IAS 1 effective August 1, 2022 with no impact to the Company's 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 Assets be used to identify liabilities and contingent assets arising from business combination. The Company adopted the Amendments to IFRS 3 effective August 1, 2022 with no impact to the Company's consolidated financial statements.

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.

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.

3. Significant accounting policies (continued)

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.

4. Business acquisitions

Margaree Health Group Inc. acquisition
On May 27, 2021 ("**Closing Date**"), the Company's wholly-owned subsidiary, CHC, acquired 100% of the issued and outstanding shares of Margaree Health Group Inc. ("**Margaree**"), a medical cannabis clinic dedicated to veterans in Nova Scotia, for total consideration of $911. The consideration consisted of $500 of cash and a three year earn-out measured against Margaree's revenue during the earn-out period, valued at $411.

The earn-out consideration payable in cash or, at the joint election and agreement of CHC and vendor, shall be payable as follows:

- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023; and
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2023 to April 30, 2024 during the first week of July 2024.

In the event CHC achieves a Margaree earn-out revenue target of $350 for period from May 1, 2021 to April 30, 2022, the vendor may elect to amend the earn-out consideration such that is payable as follows:

- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023.

In the event CHC achieves a Margaree earn-out revenue target of $330 for period from May 1, 2021 to April 30, 2022, $365 for period from May 1, 2022 to April 30, 2023, or $400 for period from May 1, 2023 to April 30, 2024, the vendor may elect to amend the earn-out consideration such that the vendor will receive a payment of 45% of Margaree earn-out revenue for the period in which it achieves the earn-out revenue target. On June 30, 2022, the vendor elected 45% of the revenue for three years and CHC paid $181 of consideration based on 45% of the revenue $402 earned during the period from May 1, 2021 to April 30, 2022.

For accounting purposes, the consideration payable is valued at the net present value of the estimated earn-out payments using a discount of 10% on the Closing date. On July 31, 2022, the remaining balance of the contingent consideration was revalued to be $392 based on the increased sales since the acquisition resulting a $161 expense of remeasurement on contingent consideration in the three months.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

5. Trade and other receivables

The Company's trade and other receivables include the following:

	April 30 2022	July 31, 2022
Trade and other receivables	**7,743**	3,034
Input taxes and other taxes receivables	**19**	24
	7,762	3,058

As at April 30, 2023, $104 (July 31, 2022 - $14) of allowance for doubtful accounts has been provided for and is not expected to be collected.

6. Inventory

The Company's inventory is comprised of the following:

	April 30 2022	July 31, 2022
Dried cannabis		
- Work-in-process	**1,137**	2,146
- Finished goods	**1,766**	1,424
Packaging and consumables	**7**	7
Other	**-**	24
	2,910	3,601

As of April 30, 2023, the balance of inventory is comprised of a fair value gain of $399 (July 31, 2022 - $163) upon harvest, $251 (July 31, 2022 - $1,115) of cost capitalized to inventory and $2,260 (July 31, 2022 - $2,323) of purchased products.

Products purchased from other producers are carried at the lower of their carrying amount and net realizable value. Carrying amount approximates the price paid to acquire the products.

Cost of sales for the three and nine months ended April 30, 2023 is $3,260 and $8,107 (April 30, 2022 - $2,750 and $7,977). The Company assessed there was no impairment to the inventory for the three and nine months ending April 30, 2023 (April 30, 2022 for $1,259 and $2,996).

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

7. Biological assets

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	$'000
Balance as at April 30, 2021	**692**
Production costs capitalized	1,305
Changes in fair value due to biological transformation	(159)
Transferred to inventory upon harvest	(1,754)
Balance as at July 31, 2022	**84**
Production costs capitalized	1,249
Changes in fair value due to biological transformation	3,416
Transferred to inventory upon harvest	(3,683)
Balance as at April 30, 2023	**1,066**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model that estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected wholesale selling price.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. Harvested cannabis is transferred from biological assets to inventory at their fair value less costs to sell at harvest.

The biological assets were measured at their fair value less costs to sell of $1,066 on April 30, 2023 (July 31, 2022 - $84).

As at April 30, 2023			
Significant inputs and assumptions	**Inputs**	**Sensitivity**	**Effect on biological asset balance**
Weighted average selling price per gram	$1.80	10% Increase or decrease	$127
Average yield per plant	705 grams	10% Increase or decrease	$98
Post-harvest cost per gram	$0.41	10% Increase or decrease	$29

As at July 31, 2022			
Significant inputs and assumptions	**Inputs**	**Sensitivity**	**Effect on biological asset balance**
Weighted average selling price per gram	$1.75	10% Increase or decrease	$11
Average yield per plant	586 grams	10% Increase or decrease	$8
Post-harvest cost per gram	$0.48	10% Increase or decrease	$3

8. Investment in associates

On August 9, 2021, the Company announced that they have entered into a definitive share exchange agreement for the Company acquisition of all of the issued and outstanding shares of Montréal Cannabis Medical Inc. ("**MTL**") (herein referred to as the "Transaction"). The Transaction is considered an arm's length transaction and will constitute a "reverse takeover" of the Company by MTL as it is anticipated that the Company's shareholders will account for approximately 20% of the combined company post merger.

On August 30, 2022, Canada House Cannabis Group closed the first tranche of its acquisition of MTL. With the closing of the first tranche of the Transaction (the "Initial Closing") the Company acquired 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, the Company issued 22,779,340 Common Shares to the shareholders of MTL on the Initial Closing. Subsequent to this transaction, 45,567,767 Common Share of the Company were issued and outstanding. Please see Company's news release on August 30, 2022.

The parties will proceed to satisfying the closing conditions to the second tranche of the Transaction, namely the preparation of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL in order for the Company to proceed to a shareholder meeting to approve the Transaction, as required by the rules and policies of the Canadian Securities Exchange. 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.

At current stage, the Company owns 24.99% of the issued and outstanding shares of MTL and has significant influence over MTL and that is neither a subsidiary nor an interest in a joint venture.

The Company had an enterprise value of $33,700 as of August 30, 2022, and the 22,779,340 Common Shares (49.99% of the issued and outstanding common shares of the Company issued to acquire the investment in MTL had an enterprise value of $16,846. Factoring in debt, the Company had an equity value of $11,693 as of August 30, 2022, and the 22,779,340 Common Shares issued to acquire the investment in MTL had an equity value of $5,847. $905 of transaction costs, including finders' fees and legal costs were incurred to facilitate the Initial Closing and is included within the carrying value of the investment, $330 of which has been paid by cash, and the remaining balances of $375 has been settled by the Company's 394,321 common shares and $200 has been settled by issuing the Company's 190,476 common shares.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

8. Investment in associates (continued)

The condensed interim consolidated financial statements include the Company's share of MTL's income, expenses and equity movements. Where the Company transacts with its associates, unrealized profits or losses are eliminated to the extent of the Company's interest in the associate. The carrying value of investment in MTL consists of [1]:

Balance as at July 31, 2022	**-**
Additions, August 30, 2022	5,847
Transaction costs capitalized	905
Share of net income [2]	227
Unrealized gross profit [3]	(839)
Balance as at April 30, 2023	**6,140**

[1] The Company received unaudited Financial Statements from MTL and has relied on this information provided by MTL management as input in the CHV financial statements as represented in Investment in Associates.

[2] Represents an estimate of the Company's share of net income based on the latest available information of the investee.

[3] Represents the Company's 24.99% of the unrealized gross profit of the unsold inventory MTL purchased from IsoCanMed as of April 30, 2023, based on the latest available information of the investee.

The following table summarizes the financial information of MTL [4]:

Highlight from the Statements of Financial Position	**As at April 30, 2023**
Current assets (including cash and cash equivalents)	19,300
Non-current assets	7,875
Current liabilities	(16,730)
Non-current liabilities	(5,656)
Net assets (liabilities) (100%)	4,789
Highlight from the Income Statement	**August 30, 2022 to April 30, 2023**
Revenue	11,337
Profit from operations	980
Net income and comprehensive income for the period	166
Share of net income (24.99%)	41

[4] The Company received unaudited Financial Statements from MTL Cannabis and has relied on this information provided by MTL Cannabis management as input in the CHV financial statements as represented in Investment in Associates.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

9. Property, plant and equipment

Cost	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2021	**7,315**	**3,770**	**304**	**7,886**	**930**	**20,205**
Additions	50	633	17	1,386	63	2,149
Disposals	(174)	(635)	(11)	(3)	(364)	(1,187)
Balance as at July 31, 2022	**7,191**	**3,768**	**310**	**9,269**	**629**	**21,167**
Additions	-	192	2	57	-	251
Disposals	(5)	(55)	(1)	-	-	(61)
Balance as at April 30, 2023	**7,186**	**3,905**	**311**	**9,326**	**629**	**21,357**

Accumulated depreciation	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2021	**3,882**	**1,268**	**159**	**309**	**-**	**5,618**
Depreciation	1,862	724	35	384	-	3,005
Disposals	(108)	(295)	(7)	-	-	(410)
Balance as at July 31, 2022	**5,636**	**1,697**	**187**	**693**	**-**	**8,213**
Depreciation	1,047	364	16	259	-	1,686
Disposals	-	(21)	(1)	-	-	(22)
Balance as at April 30, 2023	**6,683**	**2,040**	**202**	**952**	**-**	**9,877**

Net book value	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at July 31, 2022	1,555	2,071	123	8,576	629	12,954
Balance as at April 30, 2023	**503**	**1,865**	**109**	**8,374**	**629**	**11,480**

Of total depreciation for the nine months ended April 30, 2023 totaling $1,686 (April 30, 2022 - $1,788), $114 (April 30, 2022 - $491) was allocated to biological assets, $127 (April 30, 2022 - $572) was allocated to inventory, $89 (April 30, 2022 - Nil) was allocated to cost of sales, and $1,356 (April 30, 2022 - $725) was expensed as depreciation.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

10. Promissory notes

Current

On June 12, 2020, the Company acquired 100% of the outstanding shares of IsoCanMed. As part of the consideration, the Company assumed three promissory notes (the "**ISO Promissory Notes**") in the total amount of $12,500 payable on or before June 12, 2023 and bearing interest at 5% payable annually. The promissory notes are secured by a general security agreement registered against the asset of IsoCanMed. At the time of acquisition, the promissory notes were valued at $10,398. As of April 30, 2023, the amortized cost of the three promissory notes is $11,984.

In July 2022, the maturity date for one of the ISO Promissory Notes in the amount of $4,167 was extended to June 12, 2024 and two of the ISO Promissory Notes in the total amount of $8,333 were extended to December 12, 2024. The amendment was treated as a debt modification under IFRS 9 as the terms were not substantially different given the discounted present value of the cash flows under the amended terms is less than 10% different from the discounted present value of the remaining cash flows of the original financial liability. The modification has resulted in a gain of $1,019 recorded in the consolidated statements of loss and comprehensive loss for the 15-month period ended July 31, 2022.

In December 2022. the Company revised repayment date of one of the ISO Promissory Notes in the amount of $4,167 from December 12, 2024 to December 12, 2023. The modification resulted in a $249 loss in the consolidated statements of profit (loss) and comprehensive profit (loss) for the 6-month period ending January 31, 2023. The carrying value of the promissory note of $4,167 has been classified as current due to the change in the maturity date.

Non-current

The two the ISO Promissory Notes in the total amount of $8,333 the Company assumed as part of the consideration, one extended to June 12, 2024 and the other extended to December 12, 2024, remained as non-current Debentures. As of April 30, 2023, the amortized cost of the two ISO Promissory Notes is $7,817.

11. Related party transactions

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 three and nine months ended April 30, 2023 and 2022 is as follows:

	Three months ended		Nine months ended	
	April 30 2023	**April 30 2022**	**April 30 2023**	**April 30 2022**
Salaries and wages	**418**	393	**1,195**	1,206
Share-based compensation	**-**	30	**13**	142
General and administrative	**-**	18	**-**	51
	418	441	**1,208**	1,399

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

11. Related party transactions (continued)

During the nine months ending January 31, 2023, the Company paid $63 in consulting fees to Industries IsoCan Inc., a company controlled by three shareholders of Canada House, and $17 of rent to Immeubles IsoCan Inc., a company controlled by the same three shareholders. As of April 30, 2023, the Company owes promissory notes in the total amount of $12,500 payable (July 31, 2022 - $12,500) to the same three shareholders. (note 12).

On August 30, 2022, Canada House Cannabis Group closed the first tranche of its acquisition of MTL. With the closing of the first tranche of the Transaction (the "Initial Closing") the Company acquired 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. At current stage, the Company owns 24.99% of the issued and outstanding shares of MTL and has significant influence over MTL and that is neither a subsidiary nor an interest in a joint venture. The condensed interim consolidated financial statements include the Company's share of MTL's income, expenses and equity movements. Where the Company transacts with its associates, unrealized profits or losses are eliminated to the extent of the Company's interest in the associate. (note 8)

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

12. Borrowings

Borrowings consist of the following for the nine months ending April 30, 2023 and year ended July 31 2022:

	April 30, 2023	July 31, 2022
Current		
Loan from vendor [(1)]	**338**	334
Loan from other lender [(2)]	**899**	805
Retrofit loan from Montreal Cannabis Medical Inc. [(3)]	**1,336**	627
Total current borrowings	**2,573**	1,766
Non-current		
Retrofit loan from Montreal Cannabis Medical Inc. [(3)]	**686**	1,013
Loan from Montreal Cannabis Medical Inc. [(3)]	**1,151**	1,027
Loans from bank [(4)]	**80**	120
Total non-current borrowings	**1,917**	2,160
Total borrowings	**4,490**	3,926

12. Borrowings (continued)

(1) Loan from vendor
The loan from vendor is a three-year loan of $313 at 2% interest per annum. The interest is payable annually. The loan is unsecured and matured on October 31, 2021. As of April 30, 2023, the balance of $338 includes $313 of principal and $25 of accrued interest.

(2) Loan from other lender
In October 2021, the Company issued a $700 principal amount secured debenture (the "**Debenture**") to DMMB (Pty) Holdings Ltd. The Debenture has a two-year term and bears interest at 18% per annum. As of April 30, 2023, the balance of Debenture $899 includes $700 of principal and $199 of accrued interest.

(3) Loans from Montreal Cannabis Medical Inc.

Retrofit loan from Montreal Cannabis Medical Inc.

On December 15, 2021, MTL and IsoCanMed entered into a loan agreement for IsoCanMed to borrow up to $4,139 from MTL. The Loan amount is to be used by IsoCanMed for the completion of the Retrofit. IsoCanMed borrowed $1,886 for Phase 1 of the Retrofit as of April 30, 2023 and the total balance of the loan is $2,022 including $1,886 of principal and $136 of interest accrued at 8% per annum. $1,336 is classified as current and the $1,151 is classed as non-current to reflect the repayment terms.

The Loan Amount will be made available to IsoCanMed in two tranches as follows:

Tranche 1 (Phases 1 & 2 of the Retrofit)
Tranche 2 (Phases 3 to 7 of the Retrofit)

Each tranche of the Loan Amount will be paid repaid as follows:

Tranche 1:
Commencing on February 3, 2022 and continuing on each monthly anniversary thereafter to September 3, 2022, interest only payments on amounts advanced up to the Tranche 1 loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on December 3, 2022 and continuing on each three (3) month anniversary thereafter until the Tranche 1 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL eight (8) quarterly installments in the amount of $200,000, with the balance of principal and interest owing to be satisfied in full on the ninth (9th) quarterly anniversary thereafter.

Tranche 2:
Commencing on June 1, 2022 and continuing on each monthly anniversary thereafter to January 1, 2023, interest only payments on amounts advanced up to the Tranche 2 Loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on April 1, 2023 and continuing on each three (3) month anniversary thereafter until the Tranche 2 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL nine (9) quarterly installments in the amount of $300,000, with the balance of principal and interest owing to be satisfied in full on the tenth (10th) quarterly anniversary thereafter.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

12. Borrowings (continued)

CHV unconditionally and irrevocably guarantees the due and punctual performance and observance by IsoCanMed of its obligations under this Agreement.

Loan from Montreal Cannabis Medical Inc.

During the 15-month period ending July 31, 2022, the Company borrowed $1,000 from MTL in total at 3% interest per annum. The interest rate was increased to 15% on June 28, 2022. The loan is unsecured and has no specific terms of repayment. As of April 30, 2023, the balance of $1,150 includes $1,000 of principal and $150 of accrued interest.

(4) Loans from bank

The Company borrowed $120 loans from a Canadian financial institution under the Canada Emergency Business Account ("CEBA") program. The loans are due by December 31, 2024 at the interest rate of 5% per annum starting from January 1, 2024. Repaying the balance of the loans on or before December 31, 2023 will result in loan forgiveness of 25 percent. In anticipation of Knalysis's amalgamation into CHC on May 1, 2023, the Company repaid CEBA loan borrowed by Knalysis and resulted in a loan forgiveness of $10. As of April 30, 2023, the balance of loans from bank is $80.

13. Convertible debentures

During the nine months ended April 30, 2023, the changes of the carrying value of the convertible debentures are as follows:

	2020 Debentures	2017 Debentures	Total
Balance as at April 30, 2021	3,115	873	**3,988**
Principal amount repaid	-	(120)	**(120)**
Interest payments	-	(165)	**(165)**
Interest accretion expense	602	462	**1,064**
Balance as at July 31, 2022	**3,717**	**1,050**	**4,767**
Principal amount repaid	-	(423)	**(423)**
Interest accretion expense	729	-	**729**
Balance as at April 30, 2023, prior to modification	4,446	627	**5,073**
Modification of 2020 Debentures ((ii) and note 26)			
- Increase in carrying value of loan	60	-	60
- Decrease in interest accretion	(21)	-	(21)
Balance as at April 30, 2023, after modification	**4,485**	**627**	**5,112**
Current	**-**	**627**	**627**
Non-current	**4,485**	**-**	**4,485**

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

13. Convertible debentures (continued)

(i) 2017 debentures

On December 5, 2017, the Company issued 8,624 unsecured convertible debenture ("**2017 Debentures**") units for gross proceeds of $8,624. Of the gross proceeds received, $2,000 represented promissory notes that were settled through the issuance of these convertible debenture units, $75 represented convertible debentures issued to former key management as severance and $130 represented convertible debentures issued as settlement of $176 of trade payables. Each 2017 Debentures unit comprises: (i) $1,000 principal amount of 8.5% unsecured convertible debentures with a maturity date of December 5, 2021; and (ii) 175 detachable common share purchase warrants of the Company (each, a "2017 Warrant") exercisable into common shares of the Company over a 48 month period at fixed exercise prices. All of the 2017 Warrants have expired with none exercised.

Each 2017 Debenture shall be convertible at the holder's option into fully paid common shares of the Company at any time prior to the maturity date at a conversion price of $5.7 per share if converted within the first 12 months following issuance, and at a conversion price of $12 per share if converted at any time following the date that is 12 months and one day following issuance until maturity. If the volume weighted average closing price of the common shares is greater than or equal to $10.5 for a period of five consecutive days at any time within the first 12 months of the closing date, the Company has the option to force conversion at $5.7 per share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to $15 for a period of five consecutive days at any time after 12 months and before maturity, the Company has the option to force conversion at $12 per share.

The debentures may be redeemed at any time after issuance on the following basis:

Redemption price	Redemption date
115% of the principal amount plus any accrued and unpaid interest	0–12 months from closing
112% of the principal amount plus any accrued and unpaid interest	12–24 months from closing
109% of the principal amount plus any accrued and unpaid interest	24–36 months from closing
106% of the principal amount plus any accrued and unpaid interest	36–48 months from closing

The interest payable on the debenture is payable monthly in cash.

Transaction costs consisted of $307 in cash and $356 of broker warrants with identical terms as the 2017 Warrants.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

13. Convertible debentures (continued)

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

Convertible debentures, liability	1,934
Conversion feature (1)	1,955
Deferred tax liability on conversion feature	705
Warrants	3,368
	7,962

(1) Upon expiry, $1,955 related to the conversion feature was reclassified from contributed surplus to deficit.

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 20.37% over a term of 48 months. As of April 30, 2023, $627 of the principal amount of the 2017 Debentures remains outstanding and presented within current liabilities.

Prior to the maturity of 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 did not enter into Amending Agreements with all holders of the 2017 Debentures to extend the Maturity Date of the 2017 Debentures. As of June 29, 2023, all the principal and interest of the 2017 Debentures are due and the holders of the 2017 Debentures may exercise rights to enforce the payment thereof.

(ii) 2020 convertible debenture

On August 8, 2020, the Company closed the strategic investment transaction with Archerwill Investments Inc.("**Archerwill**"). Archerwill invested $6,500 in the form of a secured convertible debenture, repaying the 2019 convertible debentures in full. The debenture may be converted into common shares at a price of $1.5 per common share and bears interest at 8.0%, compound annually, convertible into shares or payable in cash at maturity, at the option of Archerwill. Unless converted earlier, the debentures mature in five years.

Prior to the transaction, Archerwill beneficially owned or had control or direction over 104,066 common shares in the capital of the Company and 165,787 securities of the Company convertible into or exercisable for 165,787 common shares.

Archerwill concurrently received 4.3 million common share purchase warrants (**"2020 Debenture Warrants"**), exercisable at $1.8 per share for a period of four years, which, if exercised in full, would subsequently increase Archerwill's ownership interest to 28.3% (assuming Archerwill's conversion and exercise in full of all securities it holds in the Company but no other conversions of outstanding securities of the Company). The transaction costs were allocated pro rata based on each individual component's fair value.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

13. Convertible debentures (continued)

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

Convertible debenture, liability	2,851
Conversion feature	1,755
Warrants	1,504
	6,110

As of April 30, 2023, $6,500 of the principal amount of the 2020 convertible debenture remains outstanding and the amortized cost is $4,485.

In August 2022, the conversion price of the Archerwill Debenture was amended from $1.50 (pre-consolidation $0.05) to the lower of $0.90 and the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the Canadian Securities Exchange ("**CSE**"), subject to a minimum price of $0.50. The excise price of the 4.3 million common share purchase warrants was amended from $1.80 per share (pre-consolidation $0.06) to the lower of $1.20 and 130% of the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the CSE.

The modification of the conversion price and the warrant exercise price from a fixed amount to a variable amount has resulted in the conversion feature and warrant no longer being classified as equity. Upon modification, the Company reassessed the fair value of each of the debt, conversation feature and warrant and also reclassified the conversion feature and warrant from equity to financial liabilities on the statement of consolidated financial position. The Company determined the allocation of the carrying value of the host debt instrument, the conversion option derivative, and warrant liability as $4,086, $3,463, and $640, respectively. The fair value of the conversion feature and warrants were assessed using a combination of a Monte Carlo analysis and Black-Scholes model. Key assumptions used in both models were a share price of $0.61, estimated volatility range of 65% - 70% and a risk-free rate of 3.4% to 3.6%. The fair value of the host debt instrument was fair valued based on a discount rate of 22%.

As at April 30, 2023, the fair values of the conversation option derivative and warrant liability were $3,142 and $493, respectively, resulting in a combined gain on change in fair value of $469.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

14. Mortgage payable

On December 24, 2020, the Company closed a $2,000 non-dilutive term loan financing at an annual interest rate of 10% (the "**Loan**"). The Loan is secured by the property and assets of the Company's wholly owned subsidiary, IsoCanMed, in Louiseville, Quebec and is subject to monthly interest-only installments of $17, with the principal amount repayable at the end of one year. The Loan may be extended for an additional year, at the discretion of the lender, upon 30 days written renewal notice by the Company. The renewal notice will indicate if the Company intends to repay any portion of the loan, up to a maximum of $1,000. A commitment fee, equal to 4% of the loan amount less the amount repaid, is payable at the each time of renewal. The Loan was extended to January 1, 2024 and interest rate increased to 12% per annum starting from January 1, 2023. The Company paid $60 of commitment fee at the renewal which is capitalized to the balance of mortgage payable. As of April 30, 2023, the amortized cost of the mortgage is $1,956.

15. Share capital

(a) Authorized

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

(b) Issued and outstanding

	Common Shares Number	Common Shares $	Equity component of convertible debentures $	Warrants Number	Contributed Surplus $
Balance as at April 30, 2021	**22,788,427**	**48,685**	**2,174**	**10,979,457**	**15,775**
Expiry of conversion feature	-	-	-	-	(1,955)
Warrants expired	-	-	-	(1,939,549)	-
Share-based compensation	-	-	-	-	467
Balance as at July 31, 2022 (b)	**22,788,427**	**48,685**	**2,174**	**9,039,908**	**14,287**
Common shares issuable in exchange for Investment	22,779,340	5,846	-	-	-
Warrants expired (a)	-	-	-	(1,461,813)	-
Charge related to modification of conversion feature and warrants (note 15(ii))	-	-	(1,504)	-	(1,755)
Shares issued for finder's fee and service(note 8)	584,797	575	-	-	-
Share-based compensation	-	-	-	-	23
Balance as at April 30, 2023	**46,152,564**	**55,106**	**670**	**7,578,095**	**12,555**

(a) During the nine months ending April 30, 2023, 539,063 warrants issued in September 2019 expired without being exercised and 922,750 warrants issued in March 2019 expired without being exercised

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

15. Share capital (continued)

(b) During the 15-month period ending July 31, 2022, the Company extended 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.

16. Share-based compensation

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

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

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the common shares that are outstanding unless the Board 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 changes in the number of stock options during the period were as follows:

	Number of Options	Weighted Average Exercise Price ($)
Balance as at April 30, 2021	**1,856,666**	**2.70**
Expired	(80,000)	7.50
Forfeited	(163,333)	3.60
Cancelled	(348,333)	5.70
Balance as at July 31, 2022 and April 30, 2023	**1,265,000**	**1.50**

The following table is a summary of the Company's share options outstanding as at April 30, 2023:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,261,667	1.87	1,261,667
4.80	3,333	0.98	3,333
1.50	1,265,000	1.87	1,265,000

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

16. Share-based compensation (continued)

The following table is a summary of the Company's share options outstanding as at July 31, 2022:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,261,667	2.62	1,078,958
4.80	3,333	1.73	3,333
1.50	1,265,000	2.62	1,082,291

The Company recognized Nil and $23 of share-based compensation expense during the three and nine months ended April 30, 2023 (April 30, 2022 – $53 and $255), with a corresponding amount recognized as a contributed surplus.

During the nine months ended April 30, 2023, the Company did not issue any stock options. 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.

17. Finance and transaction costs

The finance and transaction costs for the three and nine months ended April 30, 2023 and 2022 are comprised of the follows:

	Three months ended		Nine months ended	
	April 30 2023	**April 30 2022**	**April 30 2023**	**April 30 2022**
Interest and bank charges	**675**	470	**1,953**	1,322
Accretion	**796**	340	**1,784**	1,164
Transaction costs	**-**	-	**-**	241
Total	**1,471**	810	**3,737**	2,727

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

18. Profit (loss) per share

Net profit (loss) per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted profit (loss) per common share is calculated by dividing the applicable net profit (loss) by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For the three and nine months ended April 30, 2023, diluted profit (loss) per share equals basic profit (loss) per share due to the anti-dilutive effect of convertible debentures, warrants and stock options. The outstanding number and type of securities that could potentially dilute basic net profit (loss) per share in the future, but would have decreased the profit (loss) per share (anti-dilutive) for the periods presented, are as follows:

	April 30, 2023 Number of Shares	July 31, 2022 Number of Shares
Convertible debentures	**7,222,222**	4,333,333
Warrants	**7,578,095**	9,039,908
Share options	**1,265,000**	1,265,000
	16,065,317	14,638,241

19. Nature of expenses

General and administrative expenses for the three and nine months ended April 30, 2023 and 2022 are comprised of:

	Three months ended		Nine months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Salaries, wages and consulting fees	**1,589**	1,669	**4,635**	5,044
General operating	**641**	360	**1,561**	939
Occupancy costs	**177**	130	**445**	374
Professional fees	**258**	82	**632**	446
	2,665	2,241	**7,273**	6,803

Sales and marketing expenses for the three and nine months ended April 30, 2023 and 2022 are comprised of:

	Three months ended		Nine months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Sales and marketing	**353**	252	**1,002**	1,080
Travel	**36**	7	**112**	62
	389	259	**1,114**	1,142

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

20. Commitments and contingencies

Commitments

As at April 30, 2023, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

2022	307
2023	259
2024	221
Thereafter	202
	989

Contingencies

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

(b) On April 15, 2021, Canada House's wholly owned subsidiary, IsoCanMed, 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, IsoCanMed provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at IsoCanMed'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 IsoCanMed discussed IsoCanMed'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, IsoCanMed provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving IsoCanMed's requested comments, the Plaintiff halted all communication and proceeded with this application.

IsoCanMed retained external counsel to appear on IsoCanMed's behalf and respond to the application. IsoCanMed'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 IsoCanMed'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 IsoCanMed's Counterclaim have been delayed.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

20. Commitments and contingencies (continued)

(c) The Company was served with an application to initiate proceedings for damages for its alleged failure to pay indebtedness in the amount of $65. The Company has retained external counsel to appear on the Company's behalf and respond to the application. 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.

(d) The Company is in the process of corresponding with the remaining holders of the Company's outstanding Convertible Debentures dated December 5, 2017, some of which were amended by Convertible Debenture Amending Agreements dated as of December 5, 2021 (collectively, the "2017 Debentures"), to propose repayment terms. The Company has not entered into repayment agreements with all holders of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to repayment agreements 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.

21. 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.

	April 30, 2023	July 31, 2022
Share capital, including equity component of convertible debentures	**55,776**	50,859
Convertible debentures	**5,112**	4,767
Financial instruments liabilities	**3,635**	-
Promissory notes	**11,984**	10,866
Borrowings	**4,490**	3,926
Mortgage payable	**1,956**	2,000
	82,953	72,418

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

The Company is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break-even. As at April 30, 2023, the Company had raised, net of issuance costs, approximately $41,570 (July 31, 2022 - $41,312) 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.

22. Financial instruments and risk management

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at April 30, 2023 and July 31, 2022, three customers represented 76% and 42% of the outstanding trade and other receivable balance, respectively. For the nine months ended April 30, 2023, three customers accounted for 49% of revenue (April 30, 2022 – three customers accounted for 48% 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.

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.

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 April 30, 2023 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 risk as at April 30, 2023.

Fair values
The carrying values of cash, trade and other receivables, trade and other payables, promissory notes, 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.

22. Financial instruments and risk management (continued)

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 priortizes 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 three and nine months ended April 30, 2023, there were no transfers of amounts between levels.

23. Segmented information

The Company has two reportable and operating segments. The Company cultivates and distributes cannabis related products via federally approved cannabis programs by way of its Licensed Producer business. In addition, Company operates its clinic business through its CHC subsidiary. The Company derives substantially all of its revenue from these two segments. The Company reports segment information based on internal reports used by the Chief Operating Decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The Company primarily operates in one principal geographical area, Canada, accordingly all of the Company's long lived assets are located in Canada.

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

23. Segmented information (continued)

The following table presents details on the Company's segments for the nine months ended April 30, 2023:

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	4,008	-	-	**4,008**
Product revenue	-	17,330	-	**17,330**
License revenue and other	58	2,183	1,082	**3,323**
Less: excise tax	-	(1,516)	-	**(1,516)**
Net revenue	4,066	17,997	1,082	**23,145**
Cost of sales	-	8,107	-	**8,107**
Gross profit before fair value adjustments	4,066	9,890	1,082	**15,038**
Realized loss on sale of inventory	-	2,236	-	**2,236**
Realized loss (gain) on biological assets	-	(3,416)	-	**(3,416)**
Gross profit	4,066	11,070	1,082	**16,218**
Expenses	2,862	5,475	1,858	**10,195**
Profit (loss) from operations	1,204	5,595	(776)	**6,023**
Finance costs	35	711	2,991	**3,737**
Change in fair value of financial instruments	-	-	(469)	**(469)**
Share of loss from investment in associates	-	-	611	**611**
Loss on debt settlement and modifications	-	-	701	**701**
Loss on assets disposal	-	20	-	**20**
Profit (loss) before income taxes	1,169	4,864	(4,610)	**1,423**
Provision for income taxes	100	(129)	-	**(29)**
Net profit (loss) and comprehensive profit (loss)	1,069	4,993	(4,610)	**1,452**

(Unaudited - Expressed in thousands of Canadian dollars, except for shares and per share amounts)

23. Segmented information (continued)

The following table presents details on the Company's segments for the nine months ended April 30, 2022:

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	3,974	-	-	**3,974**
Product revenue	-	14,893	-	**14,893**
License revenue and other	20	413	-	**433**
Less: excise tax	-	(2,521)	-	**(2,521)**
Net revenue	3,994	12,785	-	**16,779**
Cost of sales	2	6,971	-	**6,973**
Inventory impairment	-	4,000	-	**4,000**
Gross profit before fair value adjustments	3,992	1,814	-	**5,806**
Realized loss on sale of inventory	-	898	-	**898**
Realized loss (gain) on biological assets	-	278	-	**278**
Gross profit	3,992	638	-	**4,630**
Expenses	3,906	5,825	(503)	**9,228**
Profit (loss) from operations	86	(5,187)	503	**(4,598)**
Finance and transaction costs	622	2,549	(444)	**2,727**
(Gain) loss on debt settlement	-	(75)	-	**(75)**
Other expenses	-	2	-	**2**
Profit (loss) before income taxes	(536)	(7,663)	947	**(7,252)**
Provision for income taxes	(30)	-	-	**(30)**
Net profit (loss) and comprehensive profit (loss)	(506)	(7,663)	947	**(7,222)**

24. Subsequent events

On May 1, 2023, Knalysis was amalgamated into CHC.

On June 28, 2023, the 2020 Convertible Debenture (note 13) terms were further amended as follows:

- Debt Repayment: The 2020 Convertible Debenture was amended to create a proportional payout schedule among any debt repayments to be made on the account of the ISO Promissory Notes (note 10) or shareholder loans advanced to MTL (the "MTL Shareholder Loans") such that the Company shall not be entitled to repay any principal under the ISO Promissory Notes or the MTL Shareholder Loans unless, contemporaneously with such repayment, the Company repays the obligations under the 2020 Convertible Debenture such that, on a proportionate basis as between payments made on the ISO Promissory Notes, the MTL Shareholders Loans and the 2020 Convertible Debenture, for each $1.00 paid toward principal: (i) 0.50 shall be paid towards principal obligations due under the ISO Promissory Notes; (ii) $0.25 shall be paid towards the 2020 Convertible Debenture; and (iii) $0.25 shall be paid towards principal obligations due under the MTL Shareholder Loans.

24. Subsequent events (continued)

- Mandatory Debt Prepayment: The 2020 Convertible Debenture was amended to require that the Company repay the obligations thereunder at any time prior to maturity thereof, the impact of which is that the issuance of the Archerwill Prepayment Warrants will be triggered.
- Extension of the Term of the Archerwill Prepayment Warrants: The 2020 Convertible Debenture was amended to extend the term of any Archerwill Prepayment Warrants by two years so that the expiry date shall be August 5, 2027 rather than August 5, 2025.
- Cancellation of the 2020 Debenture Warrants and the Issuance of the 2020 Debenture Consideration Warrants. The 2020 Debenture Warrants are to be cancelled and the 2020 Debenture Consideration Warrants will be issued. The two warrant instruments provide for the same number of Common Shares underlying the exercise thereof and the same Exercise Price. However, 60% of the 2020 Debenture Consideration Warrants (2,600,000 2020 Debenture Consideration Warrants) will not vest if the Amended Conversion price is equal to or less than $0.65 per Common Share and the term of the 2020 Debenture Consideration Warrants will expire on August 5, 2027 whereas the 2020 Debenture Warrants were to expire on August 5, 2025.

The above amendments will become effective on the Tranche Two Closing and are subject to various conditions and covenants. including the passing of the Archerwill Amendment Resolution and any necessary regulatory approval of the amendments.

On June 28, 2023, the Company, MTL and the shareholders of MTL entered into a second restated share exchange agreement with respect to the Transaction, which waived certain conditions to closing and provided certain interim period funding supports to the Company.

Canada House Cannabis Group Inc.

Formerly as Canada House Wellness Group Inc.

Consolidated Financial Statements

July 31, 2022

(Expressed in thousands of Canadian dollars)

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)

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Independent auditor's report

To the Shareholders of
Canada House Cannabis Group Inc.

Opinion

We have audited the consolidated financial statements of **Canada House Cannabis Group Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at July 31, 2022 and April 30, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the 15-months period ended July 31, 2022 and the year ended April 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2022 and April 30, 2021, and its consolidated financial performance and its consolidated cash flows for the 15-months period ended July 31, 2022 and the year ended April 30, 2021 in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of $11,093,000 during the 15-months period ended July 31, 2022 and, as of that date, the Group's cumulative deficit totaled $68,899,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kwan Song.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 28, 2022

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars, except for shares and per share amounts)

	Note	July 31, 2022	April 30, 2021
ASSETS			
Current assets:			
Cash		**450**	1,835
Trade and other receivables	5	**3,058**	1,945
Inventory	6	**3,601**	5,018
Biological assets	7	**84**	692
Prepaid expenses and deposits		**534**	383
		7,727	9,873
Property, plant and equipment, net	8	**12,954**	14,587
Right-of-use assets, net	10	**2,182**	2,413
Intangible assets, net	9	**7,640**	7,087
Goodwill	4,9	**3,546**	3,032
Total assets		**34,049**	36,992
LIABILITIES			
Current liabilities:			
Trade and other payables		**11,574**	8,345
Due to related parties	12	**3**	3
Current portion of lease liability	10	**378**	524
Current portion of debentures	14	**1,050**	873
Mortgage payable	15	**2,000**	-
Promissory notes	11,12	**76**	68
Borrowings	13	**1,766**	326
Consideration payable	4	**197**	-
		17,044	12,139
Non-current liabilities			
Lease liability	10	**1,910**	1,952
Borrowings	13	**2,160**	120
Promissory notes	4,11,12	**10,790**	10,938
Mortgage payable	15	**-**	2,000
Consideration payable	4	**195**	-
Debentures	14	**3,717**	3,115
Deferred tax liabilities	4,20	**1,986**	1,855
Total liabilities		**37,802**	30,119
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	16	**48,685**	48,685
Equity component of convertible debentures	14	**2,174**	2,174
Contributed surplus	16,17	**14,287**	15,775
Deficit		**(68,899)**	(59,761)
Equity (deficiency)		**(3,753)**	6,873
Total liabilities and shareholders' equity (deficiency)		**34,049**	36,992

Nature of operations and going concern (note 1)
Commitments and contingencies (note 22)
Subsequent events (note 26)

Approved by the Board:
"*Dennis Moir*" Chair of the Board "*Norman Betts*" Director

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

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the fifteen months ended July 31, 2022 and twelve months ended April 30, 2021

	Note	July 31 2022	April 30 2021
Revenue			
Referral revenue		**6,633**	5,141
Product revenue		**22,729**	6,309
License revenue and other		**813**	430
Less excise tax		**(3,509)**	(1,320)
Net revenue		**26,666**	10,560
Cost of sales	6	**13,606**	6,066
Inventory impairment	6	**4,228**	2,266
Gross profit before fair value adjustments		**8,832**	2,228
Realized loss on sale of inventory		**1,176**	1,136
Unrealized loss (gain) on biological assets	7	**488**	(1,866)
Gross profit		**7,168**	2,958
Expenses			
General and administrative	21	**10,119**	8,253
Sales and marketing	21	**1,925**	506
Share-based compensation	17	**467**	461
Right-of-use assets amortization	10	**491**	460
Depreciation and amortization	8,9	**1,590**	911
		14,592	10,591
Loss from operations		**(7,424)**	(7,633)
Finance and transaction costs	18	**4,502**	2,736
(Gain) loss on debt settlement and modifications	11	**(1,019)**	918
Gain on assets disposal		**(9)**	-
Remeasurement on contingent consideration		**161**	-
Other expenses		**2**	10
Loss before income taxes		**(11,061)**	(11,297)
Provision for income taxes		**32**	68
Net loss and comprehensive loss for the period		**(11,093)**	(11,365)
Weighted average number of shares outstanding - basic and diluted		**22,781,787**	21,707,920
Net loss per share - basic and diluted	19	**$ (0.49)**	$ (0.52)

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

Canada House Cannabis Group Inc.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(formerly Canada House Wellness Group Inc.)
(Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the fifteen months ended July 31, 2022 and twelve months ended April 30, 2021

	Note	Number of Shares	Share Capital	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
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	17	-	-	-	467	-	467
Net loss and comprehensive loss for the period		-	-	-	-	(11,093)	(11,093)
Expiry of conversion feature (note 14)		-	-	-	(1,955)	1,955	-
Balance as at July 31, 2022		**22,781,787**	**48,685**	**2,174**	**14,287**	**(68,899)**	**(3,753)**

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

Canada House Cannabis Group Inc.
(formerly Canada House Wellness Group Inc.)
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the fifteen months ended July 31, 2022 and twelve months ended April 30, 2021

	Note	July 31 2022	April 30 2021
Cash provided by (used in)			
Operating activities:			
Net loss and comprehensive loss for the period		**(11,093)**	(11,365)
Add (deduct) items not affecting cash			
Depreciation and amortization	8,9	**3,095**	911
Share-based compensation		**467**	461
Non-cash finance and transaction costs		**4,803**	1,436
Realized fair value loss on sale of inventory		**1,176**	1,136
Unrealized fair value (gain) loss in fair value of biological assets		**488**	(1,866)
Inventory impairment		**4,228**	2,266
(Gain) loss on debt settlement and modifications		**(1,019)**	918
Remeasurement on contingent consideration		**161**	-
Right-of-use assets amortization	10	**491**	460
		2,797	(5,643)
Changes in non-cash working capital balances related to operations			
Trade and other receivables		**(1,113)**	(931)
Inventory		**(3,945)**	(3,598)
Biological assets		**226**	(232)
Prepaid expenses and deposits		**(151)**	(158)
Trade and other payables		**661**	7,207
Net cash used in operating activities		**(1,525)**	(3,355)
Investing activities:			
Purchase of property, plant and equipment, net	10	**(2,431)**	(794)
Proceeds from government grant		**954**	-
Business acquisition	4	**(681)**	130
Net cash used in investing activities		**(2,158)**	(664)
Financing activities:			
Borrowings		**3,340**	120
Lease payments		**(757)**	(707)
Cash interest payments on debenture		**(165)**	(133)
Repayment of convertible debentures		**(120)**	(2,818)
Issuance of debenture, net of transaction costs		**-**	6,110
Mortgage payable		**-**	2,000
Repayment of promissory note		**-**	(485)
Net cash provided by financing activities		**2,298**	4,087
Increase (decrease) in cash during the period		**(1,385)**	68
Cash, beginning of period		**1,835**	1,767
Cash, end of period		**450**	1,835

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

1. Nature of operations and going concern uncertainty

Canada House Cannabis Group Inc. (the “**Company**”), formerly Canada House Wellness Group Inc., was incorporated on September 29, 1982 under the *Company Act* of the Province of British Columbia and is listed on the Canadian Securities Exchange (the "**Exchange**") under the symbol CHV (formerly ABA).

On May 30, 2022, the Company announced a change in its financial year end from April 30 to July 31. Accordingly for purpose of these annual financial statements of the Company, they represent a fiscal period of 15 months from the period May 1, 2021 to July 31, 2022. Comparative financial statements are for a 12-month period from May 1, 2020 to April 30, 2021.

These consolidated financial statements of the Company for the 15-month period ended July 31, 2022, comprise the results of the Company and its wholly owned subsidiaries Abba Medix Corp. ("**Abba**"), Canada House Clinics Inc. (“**CHC**”), The Longevity Project Corp. ("**TLP**"), 690050 NB Inc. doing business as Knalysis Technologies (“**Knalysis**”), 2104071 Alberta Inc., which holds the dispensary license in Edmonton, Alberta, IsoCanMed Inc. (“**IsoCanMed**”), a licensed producer in Louiseville, Quebec, that produces high quality medical grade cannabis, and Margaree Health Group Inc. (“**Margaree**”), a medical cannabis clinic dedicated to Veterans in Nova Scotia. 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.

Using its own proprietary patient management software developed by Knalysis, CHC provides education services concerning appropriate cannabinoid therapies to patients. Abba initially received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations, as well as its license to produce cannabis oil and subsequently received an amendment to its Producer’s Licence from Health Canada to include the sale and provision of marijuana seeds. In December 2018, Abba received a sales license to sell products from others, but not its own production. In August 2019, Abba was granted an amended license to sell its own production to provincially and territorially authorized provincial retailers and to holders of a license for medical purposes. The Company commenced sale of its Abba branded cannabis flower on October 1, 2019. On June 7, 2021, the Company announced that the registered office of the Company changed to 551 Rue SaintMarc, Louiseville, Quebec from 1773 Bayly Street, Pickering, Ontario.

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 15-month 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 15-month 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.

1. Nature of operations and going concern uncertainty (continued)

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 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 managements 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.

2. Basis of preparation

Statement of compliance

These consolidated financial statements (**"financial statements"**) have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on November 28, 2022.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for convertible notes and biological assets that are measured at fair value and fair value less costs to sell. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payments* (**"IFRS 2"**) and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36*, Impairment of Assets*.

As noted in note 26, following the shareholder meeting on August 23, 2022, the Company completed its previously announced consolidation of its common shares on the basis of thirty (30) preconsolidation shares for each one (1) postconsolidation share. Fractional shares resulting from the share consolidation were rounded up or down to the nearest whole Common Share. Accordingly, these financial statements have been prepared reflecting this share consolidation.

2. Basis of preparation (continued)

Functional currency and presentation currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments
The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Going concern
At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business (note 1).

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

Estimated useful life and amortization of intangible assets
The Company employs significant estimates to determine the estimated useful life of intangible assets, considering industry trends, contractual rights, past experience, expected use and review of asset useful lives. The Company reviews amortization methods and useful lives annually or when circumstances change and adjusts its amortization methods and assumptions prospectively.

Impairment of property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets impairment testing requires management to make estimates in the impairment testing model. Impairment of property, plant and equipment and intangible assets is influenced by judgment in defining a cash-generating unit ("CGU") and determining the indicators of impairment and estimates used to measure impairment losses. The recoverable value of property, plant and equipment and intangible assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

2. Basis of preparation (continued)

Valuation of share-based payments and warrants
Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

Business combinations
In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of consideration given. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Convertible debentures
Separating the liability and equity components requires the Company to estimate a market rate for an equivalent non-convertible instrument and in allocating the remainder to the conversion feature that is an equity instrument.

Valuation of the fair value less costs to sell of biological assets and agricultural produce
Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less costs to sell up to the point of harvest. The determination of the fair values of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value.

3. Significant accounting policies

Cash
Cash includes cash deposits in financial institutions.

Foreign currency translation
Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of loss and comprehensive loss.

3. Significant accounting policies (continued)

Revenue recognition

The Company recognizes revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company earns referral fee revenue by providing educational services to patients that may benefit from cannabis products. The Company educates consumers on different strains of cannabis plants and how to properly use the products of licensed producers based on the consumers' ailments and ultimately refers these clients to the cannabis producers.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company’s promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company also earns revenue from referrals, which are earned for arranging an appointment between the Company's clients and a physician to obtain a prescription for the medical cannabis. These fees are paid by the patient and billed at the time when the appointment is arranged. Revenue is recognized when the appointment is completed.

In addition, the Company earns revenue through licensing of its proprietary patient management software, recognizing revenue using a software as a service model, whereby it earns and collects revenue monthly based on patient count and/or number of clinics.

Biological assets

While the Company’s biological assets are within the scope of IAS 41, Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item “cost of sales” in the consolidated statements of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the consolidated statements of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statements of financial position.

3. Significant accounting policies (continued)

Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within “cost of sales” in the consolidated statements of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the face of the consolidated statements of loss and comprehensive loss. Inventory is measured at lower of cost or net realizable value on the consolidated statements of financial position.

Property, plant and equipment

The Company’s property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost includes the cost of materials and direct labour, site preparation costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes any applicable borrowing costs. Borrowing costs are capitalized to property, plant and equipment until such time that the constructed asset is substantially complete and ready for its intended use.

Depreciation is recorded over the estimated useful lives as outlined below:

Building	4% on a declining balance basis
Leasehold improvements	Lesser of 5 years or lease term on a straight-line basis
Computer equipment	30% on a declining balance basis
Security equipment	5 years on a straight-line basis
Furniture and fixtures	20% on a declining balance basis
Vehicles	30% on a declining balance basis

The Company assesses an asset’s residual value, useful life and depreciation method at each financial year-end or as required and makes adjustments if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statements of loss and comprehensive loss.

Right-of-use assets and lease liabilities

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee.

3. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Subsequently, the lease liability is measured by increasing its carrying amount to reflect accretion of the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The Company applies IAS 36 – Impairment of Assets, to determine whether the asset is impaired and account for any identified impairment loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as selling and administrative expenses in the consolidated statements of operations and comprehensive income.

The Company has also elected to not separate fixed non-lease components from lease components and instead account for each lease component and associated fixed non-lease components as a single lease component.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as selling and administrative expense in the consolidated statements of operations and comprehensive income (loss).

Finite life and indefinite life intangible assets
Intangible assets consist of acquired intellectual property with a finite life and indefinite life. Intangible assets are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. At each reporting period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support the useful life assessment for the asset. Costs for intangible assets acquired in a business combination represent the fair value of the asset at the time of the acquisition. Intellectual property intangibles are amortized over a three-year period and software intangible is amortized 30% on a declining balance basis.

Intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Indefinite-life intangible assets are reviewed for impairment annually or at any time if an indicator of impairment exists.

Impairment of non-financial assets
The carrying values of property and equipment and intangible assets, including goodwill are assessed at the end of each reporting period as to whether there is any indication that the assets may be impaired. Goodwill and indefinite life intangible assets are tested for impairment annually during the fourth quarter of the fiscal year or when there is an indication that the asset may be impaired.

3. Significant accounting policies (continued)

If any indication of impairment exists or when the annual impairment testing for an asset is required, the Company estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset relates to, including goodwill and intangible assets, to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use ("VIU") to the Company. In determining fair value less costs of disposal, the Company takes into consideration the market capitalization method. If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of operations and comprehensive income. For impaired assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of operations and comprehensive income. As disclosed in Note 24, the Company has two reportable and operating segments, and goodwill has been fully allocated to each appropriate segment as it represents the lowest level at which management monitors goodwill.

Income taxes
Income tax expense comprises current and deferred tax and represents the sum of the income tax currently payable and deferred tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before income taxes" as reported in the consolidated statements of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

3. Significant accounting policies (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payments

The Company measures equity-settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period) with a corresponding increase in equity (contributed surplus). Fair value is measured using the Black-Scholes option pricing model. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statements of loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the consolidated statements of loss and comprehensive loss.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise preferred shares, warrants, share options and convertible debentures issued.

3. Significant accounting policies (continued)

Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

(i) Financial assets
On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (‘‘FVOCI’’), or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3. Significant accounting policies (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

(ii) Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or at amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

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

(iii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

3. Significant accounting policies (continued)

(iv) Classification of financial instruments
The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial assets/liabilities	Classification
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Contingent consideration	Fair value through profit or loss
Due to related parties	Amortized cost
Promissory notes	Amortized cost
Borrowings	Amortized cost
Convertible debentures	Amortized cost

(v) Impairment of financial assets
An expected credit loss ("**ECL**") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables and loan receivable. The Company adopted the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition.

Convertible debentures
Convertible debentures are separated into liability and equity components based on the terms of the contract.

On issuance of the instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the equity component that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent periods.

Government Grant
Government assistance that requires repayment and that is non-interest bearing is accounted for at its fair value, based on management's best estimate. The difference between the assistance amount and its fair value is accounted for as a government grant and recognized in income over the period in which the related costs they are intended to compensate are recognized

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

3. Significant accounting policies (continued)

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 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.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

4. Business acquisitions

Margaree Health Group Inc. acquisition
On May 27, 2021 ("**Closing Date**"), the Company's wholly-owned subsidiary, CHC, acquired 100% of the issued and outstanding shares of Margaree Health Group Inc. ("**Margaree**"), a medical cannabis clinic dedicated to veterans in Nova Scotia, for total consideration of $911. The consideration consisted of $500 of cash and a three year earn-out measured against Margaree's revenue during the earn-out period, valued as $411.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed:

Purchase Consideration	
Cash	500
Earn-out	411
	911
Fair value of net identifiable assets acquired	
Intangible Assets	532
Deferred Tax Liability	(141)
	391
Goodwill	520
	911

The acquisition was accounted for as a business combination using the acquisition method, with the results of operations consolidated with the Company from the date of acquisition. Goodwill represents the excess of the purchase price of the acquisition over the fair value of the net identifiable assets acquired. The goodwill recognized is attributable mainly to expected future growth potential and expected synergies. Goodwill arising from the acquisition is deductible for tax purposes.

The earn-out considerable payable in cash or, at the joint election and agreement of CHC and vendor, shall be payable as follows:

- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023; and
- Payment of 40% of Margaree earn-out revenue for the period from May 1, 2023 to April 30, 2024 during the first week of July 2024.

4. Business acquisitions (continued)

In the event CHC achieves a Margaree earn-out revenue target of $350 for period from May 1, 2021 to April 30, 2022, the vendor may elect to amend the earn-out consideration such that is payable as follows:

- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2021 to April 30, 2022 during the first week of July 2022;
- Payment of 50% of Margaree earn-out revenue for the period from May 1, 2022 to April 30, 2023 during the first week of July 2023.

In the event CHC achieves a Margaree earn-out revenue target of $330 for period from May 1, 2021 to April 30, 2022, $365 for period from May 1, 2022 to April 30, 2023, or $400 for period from May 1, 2023 to April 30, 2024, the vendor may elect to amend the earn-out consideration such that the vendor will receive a payment of 45% of Margaree earn-out revenue for the period in which it achieves the earn-out revenue target. On June 30, 2022, the vendor elected 45% of the revenue for three years and CHC paid $181 of consideration based on 45% of the revenue $402 earned during the period from May 1, 2021 to April 30, 2022.

For accounting purposes, the consideration payable is valued at the net present value of the estimated earn-out payments using a discount of 10% on the Closing date. On July 31, 2022, the remaining balance of the contingent consideration was revalued to be $392 based on the increased sales since the acquisition resulting a $161 expense of remeasurement on contingent consideration in the 15-month period.

IsoCanMed Inc. acquisition
On June 12, 2020 (“Closing Date”), the Company acquired 100% of the outstanding shares of IsoCanMed Inc. (“IsoCanMed”), a fully operational cannabis producer located in Louisville, Quebec, for total consideration of $19,843. The consideration consisted of 273,461,452 consideration shares valued as $9,444, plus assumption of three promissory notes (“Notes”) for $12,500 payable, valued as $10,399, on or before June 12, 2023 and bearing interest at 5% payable annually. The Notes are secured by a general security agreement registered against the assets of IsoCanMed. The Company has the right at any time to prepay all or any portion of the principal amount of the Note without penalty or interest.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

4. Business acquisitions (continued)

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed:

Purchase Consideration	
Share consideration	9,444
Assumption of promissory note	10,399
	19,843
Fair value of net identifiable assets acquired	
Net Working Capital	3,836
Tangible Assets	9,869
Intangible Assets	7,000
Other Liabilities	(2,039)
Deferred Tax Liability	(1,855)
	16,811
Goodwill	3,032
	19,843

The acquisition was accounted for as a business combination using the acquisition method, with the results of operations consolidated with the Company from the date of acquisition. Goodwill represents the excess of the purchase price of the acquisition over the fair value of the net identifiable assets acquired. The goodwill recognized is attributable mainly to expected future growth potential and expected synergies. Goodwill arising from the acquisition is deductible for tax purposes.

The share consideration comprised of 273,461,452 common shares of the Company ("Share Consideration") and are subject a lockup agreement whereby the IsoCanMed shareholders covenant not to sell, transfer or otherwise dispose of:

- With respect to 25% of the Share Consideration, for a period ending on the 6 month anniversary of the Closing Date;
- With respect to an additional 25% of the Share Consideration, for a period ending on the 12 month anniversary of the Closing Date;
- With respect to an additional 25% of the Share Consideration, for a period ending on the 18 month anniversary of the Closing Date; and
- An additional 25% of the Share Consideration, for a period ending on the 24 month anniversary of the Closing Date.

For accounting purposes, the Share Consideration transferred for the acquired business includes a discount in the value of the share consideration to reflect the trading restriction placed on the shares.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

5. Trade and other receivables

The Company’s trade and other receivables include the following:

	July 31 2022	April 30, 2021
Trade and other receivables	**3,034**	1,926
Input taxes and other taxes receivables	**24**	19
	3,058	1,945

As at July 31, 2022, $14 (April 30, 2021 - $14) of allowance for doubtful accounts has been provided for and is not expected to be collected.

6. Inventory

The Company’s inventory is comprised of the following:

	July 31 2022	April 30, 2021
Dried cannabis		
- Work-in-process	**2,146**	3,887
- Finished goods	**1,424**	1,101
Packaging and consumables	**7**	6
Other	**24**	24
	3,601	5,018

As of July 31, 2022, the balance of inventory is comprised of a fair value gain of $164 (April 30, 2021 - $411) upon harvest, $432 (April 30, 2021 - $3,149) of cost capitalized to inventory and $2,356 (April 30, 2021 - $2,280) of purchased products.

Products purchased from other producers are carried at the lower of their carrying amount and net realizable value. Carrying amount approximates the price paid to acquire the products.

Cost of sales for the 15-month period ended July 31, 2022 is $13,606 (April 30, 2021 - $6,066). The Company impaired $4,228 (April 30, 2021 - $2,266) cannabis inventory during the 15-month period ended July 31, 2022, due to the costs capitalized exceeding the net realizable value of the inventory.

During the 15-month period ended July 31,2022 and for the year ended April 30, 2021, inventory expensed to cost of sales was $13,606 and $6,066, respectively.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

7. Biological assets

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	$'000
Balance as at April 30, 2020	**203**
Acquired on business combination	585
Production costs capitalized	3,580
Changes in fair value due to biological transformation	2,492
Transferred to inventory upon harvest	(6,168)
Balance as at April 30, 2021	**692**
Production costs capitalized	1,305
Changes in fair value due to biological transformation	(159)
Transferred to inventory upon harvest	(1,754)
Balance as at July 31, 2022	**84**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model that estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected wholesale selling price.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. Harvested cannabis is transferred from biological assets to inventory at their fair value less costs to sell at harvest.

The biological assets were measured at their fair value less costs to sell of $84 on July 31, 2022 (April 30, 2021 - $692).

As at July 31, 2022

Significant inputs and assumptions	Inputs	Sensitivity	Effect on biological asset balance
Weighted average selling price per gram	$1.75	10% Increase or decrease	$11
Average yield per plant	586 grams	10% Increase or decrease	$8
Post-harvest cost per gram	$0.48	10% Increase or decrease	$3

As at April 30, 2021

Significant inputs and assumptions	Inputs	Sensitivity	Effect on biological asset balance
Weighted average selling price per gram	$2	10% Increase or decrease	$92
Average yield per plant	14 grams	10% Increase or decrease	$75
Post-harvest cost per gram	$0.39	10% Increase or decrease	$18

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

8. Property, plant and equipment

Cost	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2020	**6,904**	**1,509**	**311**	**261**	**555**	**9,540**
Acquired on business combination	-	1,848	21	7,625	375	9,869
Additions	608	427	16	-	-	1,051
Disposals	(197)	(14)	(44)	-	-	(255)
Balance as at April 30, 2021	**7,315**	**3,770**	**304**	**7,886**	**930**	**20,205**
Additions	50	633	17	1,386	63	2,149
Disposals	(174)	(635)	(11)	(3)	(364)	(1,187)
Balance as at July 31, 2022	**7,191**	**3,768**	**310**	**9,269**	**629**	**21,167**

Accumulated depreciation	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2020	**2,501**	**705**	**155**	**39**	**-**	**3,400**
Depreciation	1,424	575	34	270	-	2,303
Disposals	(43)	(12)	(30)	-	-	(85)
Balance as at April 30, 2021	**3,882**	**1,268**	**159**	**309**	**-**	**5,618**
Depreciation	1,862	724	35	384	-	3,005
Disposals	(108)	(295)	(7)	-	-	(410)
Balance as at July 31, 2022	**5,636**	**1,697**	**187**	**693**	**-**	**8,213**

Net book value	Leasehold Improvements	Equipment	Furniture and Fixtures	Building	Land	Total
Balance as at April 30, 2021	3,433	2,502	145	7,577	930	14,587
Balance as at July 31, 2022	**1,555**	**2,071**	**123**	**8,576**	**629**	**12,954**

Of total depreciation for the 15-month period ended July 31, 2022 totaling $3,005 (April 30, 2021 - $2,293), $757 (April 30, 2021 - $1,126) was allocated to biological assets, $694 (April 30, 2021 - $293) was allocated to inventory, $54 (April 30, 2021 - Nil) was allocated to cost of sales, and $1,500 (April 30, 2021 - $874) was expensed as depreciation.

9. Intangible assets and goodwill

Cost	Computer Software	License	Client List	Total
Balance as at April 30, 2020	**398**	**-**	**-**	**398**
Acquired on business combination (note 4)	-	7,000	-	7,000
Balance as at April 30, 2021	**398**	**7,000**	**-**	**7,398**
Additions	118	-	-	118
Acquired on business combination (note 4)	-	-	532	532
Balance as at July 31, 2022	**516**	**7,000**	**532**	**8,048**

Accumulated Amortization	Computer Software	License	Client List	Total
Balance as at April 30, 2020	**274**	**-**	**-**	**274**
Amortization	37	-	-	37
Balance as at April 30, 2021	**311**	**-**	**-**	**311**
Amortization	51	-	46	97
Balance as at July 31, 2022	**362**	**-**	**46**	**408**

Net Book value	Computer Software	License	Intellectual Property	Total
Balance as at April 30, 2021	87	7,000	-	7,087
Balance as at July 31, 2022	**154**	**7,000**	**486**	**7,640**

In May 2021, the Company acquired 100% of issued and outstanding shares of Margaree, and as part of the transaction, a client list was acquired and valued at $532 (note 4).

A continuity of the Company's goodwill balance is as follow:

	$000's
As at April 30, 2020	**-**
Additions (note 4)	3,032
As at April 30, 2021	**3,032**
Additions (note 4)	520
Adjustment	(6)
As at July 31, 2022	**3,546**

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

9. Intangible assets and goodwill (continued)

The Company operates as two CGU and therefore goodwill and intangible assets have been allocated to their respective CGU and tested at the CGU level.

Licensed Producer
The Company's Licensed Producer CGU represents its operations dedicated to the cultivation and sale of cannabis products and has goodwill of $3,032. In assessing goodwill and indefinite-life intangible assets for impairment, the Company compared the aggregate recoverable amount of the assets included in the CGU to there respective carrying amounts. The recoverable amount of the CGU was based on value in use, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The carrying value of the Licensed Producer CGU goodwill as at July 31, 2022 was $3,032. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represents management's assessment of the future trends in the industry and have been based on historical data from both external and internal resources.

Pre-tax discount rate	23%
Terminal growth rate	2%
Budgeted earnings growth rate (average)	1%

The estimated recoverable amount of the CGU exceeded its carrying amount and as such, there was no impairment recorded as at July 31, 2022.

Sensitivity to changes in assumptions

Management has performed an assessment to determinate whether an impairment would have been recognized if there was a change in any of the key assumptions identified above. An increase of 50 basis points in the pre-tax discount rate, a decrease of 50 basis points in the terminal growth rate, or a decrease of 50 basis points in the earnings growth rate, each used in isolation to perform the goodwill impairment tests, would not have results in an impairment charge being recognized for the 15-month period ended July 31, 2022.

CHC
The Company's CHC business represents its clinical business focused on providing education services to assist their patients in selecting a licensed producer, identifying appropriate strains, and consult and support patients regarding the use of medical cannabis. CHC is not in the business of growing or distributing cannabis and has no plans to undertake these activities in the future. Management considered a revenue multiple to determine the recoverable amount of the CGU and determined the estimated recoverable amount to exceed its carrying amount and as such no impairment was recorded as at July 31, 2022. Management has performed an assessment to determinate whether an impairment would have been recognized if there was a change in any of the key assumptions, specifically the revenue multiple and determine that a decrease of 10% would not have resulted in an impairment charge.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

10. Right-of-use assets and lease liability

The change in carrying value of the Company’s right-of-use assets and lease liability was as follows:

	Right-of-use Assets	Lease Liability
Balance as at April 30, 2020	**3,182**	**3,208**
Additions	119	115
Disposal	(286)	(289)
Amortization expense	(602)	-
Interest expense	-	150
Payments	-	(708)
Balance as at April 30, 2021	**2,413**	**2,476**
Additions	454	454
Disposal	(47)	(45)
Amortization expense	(638)	-
Interest expense	-	160
Payments	-	(757)
Balance as at July 31, 2022	**2,182**	**2,288**
Current	**-**	**378**
Non-current	**2,182**	**1,910**

Of total amortization for the 15-month period ended July 31, 2022 totaling $639 (April 30, 2021 - $604), $106 (April 30, 2021 - $123) was allocated to biological assets, $42 (April 30, 2021 - $21) was allocated to inventory and $491 (April 30, 2021 - $460) was expensed as right-of-use assets amortization.

11. Promissory notes

Current

In January 2020, the Company issued 10,000,000 common shares at a deemed price per share of $1.5 to each of two former shareholders of MFT and TLP pursuant to separate debt settlement agreements entered into between the Company and each such individual for the satisfaction of $3,000 of remaining contingent consideration of $3,545 owing to the shareholders, which payments were originally due in November 2019. The remaining $545 remains owing under two promissory notes, $492 was repaid prior to the 15-month period ended April 30, 2022. As at July 31, 2022, the balance of promissory notes of $76 includes $53 of principal and $23 accrued interest payable at the rate of 8% per annum.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

11. Promissory notes (continued)

Non-current
On June 12, 2020, the Company acquired 100% of the outstanding shares of IsoCanMed. As part of the consideration, the Company assumed three promissory notes in the total amount of $12,500 payable on or before June 12, 2023 and bearing interest at 5% payable annually. The promissory notes are secured by a general security agreement registered against the asset of IsoCanMed. At the time of acquisition, the promissory notes were valued at $10,398. As of July 31, 2022, the amortized cost is $10,790 (note 12).

In July 2022, the maturity date for the one promissory note in the amount of $4,167 was extended to June 12, 2024 and two promissory notes in the total amount of $8,333 were extended to December 12, 2024. The amendment was treated as a debt modification under IFRS 9 as the terms were not substantially different given the discounted present value of the cash flows under the amended terms is less than 10% different from the discounted present value of the remaining cash flows of the original financial liability. The modification has resulted in a gain of $1,019 recorded in the consolidated statements of loss and comprehensive loss for the period.

12. Related party transactions

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 15-month 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 15-month period ending 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 (note 11).

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

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

13. Borrowings

Borrowings consist of the following for the 15 month period ended July 31, 2022 and year ended April 30, 2021:

	July 31, 2022	April 30, 2021
Current		
Loan from vendor (1)	**334**	326
Loan from other lender (2)	**805**	-
Retrofit loan from Montreal Cannabis Medical Inc. (3)	**627**	-
Total current borrowings	**1,766**	326
Non-current		
Retrofit loan from Montreal Cannabis Medical Inc. (3)	**1,013**	-
Loan from Montreal Cannabis Medical Inc. (3)	**1,027**	-
Loans from bank (4)	**120**	120
Total non-current borrowings	**2,160**	120
Total borrowings	**3,926**	446

(1) Loan from vendor
The loan from vendor is a three-year loan of $313 at 2% interest per annum. The interest is payable annually. The loan is unsecured and matures on October 31, 2021. As of July 31, 2022, the balance of $334 includes $313 of principal and $27 of accrued interest.

(2) Loan from other lender
In October 2021, the Company issued a $700 principal amount secured debenture (the "**Debenture**") to DMMB (Pty) Holdings Ltd. The Debenture has a two-year term and bears interest at 18% per annum. As of July 31, 2022, the balance of Debenture $805 includes $700 of principal and $105 of accrued interest.

(3) Loans from Montreal Cannabis Medical Inc.

Retrofit loan from Montreal Cannabis Medical Inc.

On December 15, 2021, Montreal Cannabis Medical Inc. ("**MTL**") and IsoCanMed entered into a loan agreement for IsoCanMed to borrow up to $4,139 from MTL. The Loan amount is to be used by IsoCanMed for the completion of the Retrofit. IsoCanMed borrowed $1,612 for Phase 1 of the Retrofit as of July 31, 2022 and the total balance of the loan is $1,640 including $1,612 of principal and $27 of interest accrued at 8% per annum. $627 is classified as current and the $1,027 is classed as non-current to reflect the repayment terms.

The Loan Amount will be made available to IsoCanMed in two tranches as follows:

Tranche 1 (Phases 1 & 2 of the Retrofit)
Tranche 2 (Phases 3 to 7 of the Retrofit)

13. Borrowings (continued)

Each tranche of the Loan Amount will be paid repaid as follows:

Tranche 1:
Commencing on February 3, 2022 and continuing on each monthly anniversary thereafter to September 3, 2022, interest only payments on amounts advanced up to the Tranche 1 loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on December 3, 2022 and continuing on each three (3) month anniversary thereafter until the Tranche 1 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL eight (8) quarterly installments in the amount of $200,000, with the balance of principal and interest owing to be satisfied in full on the ninth (9th) quarterly anniversary thereafter.

Tranche 2:
Commencing on June 1, 2022 and continuing on each monthly anniversary thereafter to January 1, 2023, interest only payments on amounts advanced up to the Tranche 2 Loan Amount, at the annual interest rate of 8% per annum, shall be payable by IsoCanMed to MTL.

Commencing on April 1, 2023 and continuing on each three (3) month anniversary thereafter until the Tranche 2 Loan Amount and accrued interest are satisfied in full, IsoCanMed agrees to pay to MTL nine (9) quarterly installments in the amount of $300,000, with the balance of principal and interest owing to be satisfied in full on the tenth (10th) quarterly anniversary thereafter.

CHV unconditionally and irrevocably guarantees the due and punctual performance and observance by IsoCanMed of its obligations under this Agreement.

Loan from Montreal Cannabis Medical Inc.

During the 15-month period ending July 31, 2022, the Company borrowed $1,000 from MTL in total at 3% interest per annum. The loan is unsecured and has no specific terms of repayment. As of July 31, 2022, the balance of $1,027 includes $1,000 of principal and $27 of accrued interest.

(4) Loans from bank
The loans from bank in the amount of $120 are loans from a Canadian financial institution under the Canada Emergency Business Account ("**CEBA**") program. The loans are due by December 31, 2024 at the interest rate of 5% per annum starting from January 1, 2024. Repaying the balance of the loans on or before December 31, 2023 will result in loan forgiveness of 25 percent ($30).

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

14. Convertible debentures

During the 15-month period ended July 31, 2022, the changes of the carrying value of the convertible debentures are as follows:

	2020 Debentures	2017 Debentures	2019 Debenture	Total
Balance as at April 30, 2020	-	560	2,551	**3,111**
Principal amount issued	6,500	-	(2,587)	**3,913**
Issuance costs	(390)	-	-	**(390)**
Conversion feature at inception	(1,755)	-	-	**(1,755)**
Warrants at inception	(1,504)	-	-	**(1,504)**
Interest payments	-	(99)	(518)	**(617)**
Loss on settlement	-	-	385	**385**
Interest accretion expense	264	412	169	**845**
Balance as at April 30, 2021	**3,115**	**873**	**-**	**3,988**
Principal amount repaid	-	(120)	-	**(120)**
Interest payments	-	(165)	-	**(165)**
Interest accretion expense	602	462	-	**1,064**
Balance as at July 31, 2022	3,717	1,050	**-**	**4,767**
Current	**-**	**1,050**	**-**	**1,050**
Non-current	**3,717**	**-**	**-**	**3,717**

2017 debentures
On December 5, 2017, the Company issued 8,624 unsecured convertible debenture ("**2017 Debentures**") units for gross proceeds of $8,624. Of the gross proceeds received, $2,000 represented promissory notes that were settled through the issuance of these convertible debenture units, $75 represented convertible debentures issued to former key management as severance and $130 represented convertible debentures issued as settlement of $176 of trade payables. Each 2017 Debentures unit comprises: (i) $1,000 principal amount of 8.5% unsecured convertible debentures with a maturity date of December 5, 2021; and (ii) 175 detachable common share purchase warrants of the Company (each, a "2017 Warrant") exercisable into common shares of the Company over a 48 month period at fixed exercise prices. All of the 2017 Warrants have expired with none exercised.

Each 2017 Debenture shall be convertible at the holder's option into fully paid common shares of the Company at any time prior to the maturity date at a conversion price of $5.7 per share if converted within the first 12 months following issuance, and at a conversion price of $12 per share if converted at any time following the date that is 12 months and one day following issuance until maturity. If the volume weighted average closing price of the common shares is greater than or equal to $10.5 for a period of five consecutive days at any time within the first 12 months of the closing date, the Company has the option to force conversion at $5.7 per share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to $15 for a period of five consecutive days at any time after 12 months and before maturity, the Company has the option to force conversion at $12 per share.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

14. Convertible debentures (continued)

The debentures may be redeemed at any time after issuance on the following basis:

Redemption price	Redemption date
115% of the principal amount plus any accrued and unpaid interest	0–12 months from closing
112% of the principal amount plus any accrued and unpaid interest	12–24 months from closing
109% of the principal amount plus any accrued and unpaid interest	24–36 months from closing
106% of the principal amount plus any accrued and unpaid interest	36–48 months from closing

The interest payable on the debenture is payable monthly in cash.

Transaction costs consisted of $307 in cash and $356 of broker warrants with identical terms as the 2017 Warrants.

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

Convertible debentures, liability	1,934
Conversion feature (1)	1,955
Deferred tax liability on conversion feature	705
Warrants	3,368
	7,962

(1) Upon expiry, $1,955 related to the conversion feature was reclassified from contributed surplus to deficit.

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 20.37% over a term of 48 months. As of July 31, 2022, $1,050 of the principal amount of the 2017 Debentures remains outstanding and presented within current liabilities.

Prior to the maturity of 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.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

14. Convertible debentures (continued)

2020 convertible debenture

On August 8, 2020, the Company closed the strategic investment transaction with Archerwill Investments Inc.("**Archerwill**"). Archerwill invested $6,500 in the form of a secured convertible debenture, repaying the 2019 convertible debentures in full. The debenture may be converted into common shares at a price of $1.5 per common share and bears interest at 8.0%, compound annually, convertible into shares or payable in cash at maturity, at the option of Archerwill. Unless converted earlier, the debentures mature in five years.

Prior to the transaction, Archerwill beneficially owned or had control or direction over 104,066 common shares in the capital of the Company and 165,787 securities of the Company convertible into or exercisable for 165,787 common shares.

Archerwill concurrently received 4.3 million common share purchase warrants, exercisable at $1.8 per share for a period of four years, which, if exercised in full, would subsequently increase Archerwill's ownership interest to 28.3% (assuming Archerwill's conversion and exercise in full of all securities it holds in the Company but no other conversions of outstanding securities of the Company). The transaction costs were allocated pro rata based on each individual component's fair value.

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

Convertible debenture, liability	2,851
Conversion feature	1,755
Warrants	1,504
	6,110

As of July 31, 2022, $6,500 of the principal amount of the 2020 convertible debenture remains outstanding and the amortized cost is $3,717.

In August 2022, the conversion price of the Archerwill Debenture was amended from $1.50 (pre-consolidation $0.05)(Note 26) to the lower of $0.90 and the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the CSE, subject to a minimum price of $0.50. The excise price of the 4.3 million common share purchase warrants was amended from $1.80 per share (pre-consolidation $0.06) to the lower of $1.20 and 130% of the volume weighted average trading price of the Common Shares of the Resulting Issuer over the first 20 trading days following the resumption of trading of the Common Shares on the CSE.

15. Mortgage payable

On December 24, 2020, the Company closed a $2,000 non-dilutive term loan financing at an annual interest rate of 10% (the "**Loan**"). The Loan is secured by the property and assets of the Company's wholly owned subsidiary, IsoCanMed, in Louiseville, Quebec and is subject to monthly interest-only installments of $17, with the principal amount repayable at the end of one year. The Loan may be extended for an additional year, at the discretion of the lender, upon 30 days written renewal notice by the Company. The renewal notice will indicate if the Company intends to repay any portion of the loan, up to a maximum of $1,000. A commitment fee, equal to 4% of the loan amount less the amount repaid, is payable at the each time of renewal. The Company is in negotiation on the renewal terms with the lender as the date of the financial statements issue date.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

16. Share capital

(a) Authorized

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

(b) Issued and outstanding

	Common Shares Number	$	Equity component of convertible debentures	Number of Warrants	Contributed Surplus
Balance as at April 30, 2020	**13,666,406**	**39,241**	**419**	**6,646,123**	**13,810**
Common shares issued pursuant to business combination [(b)]	9,115,381	9,444	-	-	-
Convertible debenture [(note 14)]	-	-	1,755	4,333,333	1,504
Share-based compensation	-	-	-	-	461
Warrants expired	-	-	-	(5,764,118)	-
Balance as at April 30, 2021	**22,781,787**	**48,685**	**2,174**	**5,215,338**	**15,775**
Expiry of conversion feature	-	-	-	-	(1,955)
Warrants expired	-	-	-	(1,939,549)	-
Share-based compensation	-	-	-	-	467
Balance as at July 31, 2022 [(a)]	22,781,787	48,685	2,174	3,275,789	14,287

During the 15-month period ending July 31, 2022:

(a) The Company extended 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.

During the year ending April 30, 2021:

(b) The Company issued 9,115,382 common shares pursuant to the acquisition of IsoCanMed Inc. valued at $9,444.

17. Share-based compensation

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

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

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

17. Share-based compensation (continued)

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 changes in the number of stock options during the period were as follows:

	Number of Options	Weighted Average Exercise Price ($)
Balance as at April 30, 2020	**1,240,000**	**3.60**
Granted	730,833	1.50
Exercised	(114,167)	4.50
Balance as at April 30, 2021	**1,856,666**	**2.70**
Expired	(80,000)	7.50
Forfeited	(163,333)	3.60
Cancelled	(348,333)	5.70
Balance as at July 31, 2022	**1,265,000**	**1.50**

The following table is a summary of the Company's share options outstanding as at July 31, 2022:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,261,667	2.62	1,078,958
4.80	3,333	1.73	3,333
1.50	1,265,000	2.62	1,082,291

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

17. Share-based compensation (continued)

The following table is a summary of the Company's share options outstanding as at April 30, 2021:

Exercising Price ($)	Number Outstanding	Weighted Average Exercising Contractual Life Years	Number Exercisable
1.50	1,346,667	4.40	656,076
4.65	33,333	2.96	33,334
4.80	3,333	2.98	3,333
5.10	118,333	2.56	88,750
5.70	41,667	2.50	41,667
6.00	233,333	2.21	233,333
7.50	80,000	0.53	80,000
2.70	1,856,666	3.77	1,136,493

The Company recognized $467 of share-based compensation expense during the 15-month period ended July 31, 2022 (April 30, 2021 – $461), with a corresponding amount recognized as a contributed surplus.

During the 15-month period ended July 31, 2022, the Company did not issue any stock options, 2,400,000 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.

18. Finance and transaction costs

The finance and transaction costs for the 15-month period ended July 31, 2022 and the year ended April 30, 2021 are comprised of the follows:

	July 31, 2022	April 30, 2021
Interest and bank charges	313	79
Interest on debentures	952	517
Accretion on debentures	899	746
Interest on promissory notes	781	547
Accretion on promissory notes	872	539
Interest on mortgage	250	77
Accretion on leases	160	151
Transaction costs	275	80
Total	**4,502**	**2,736**

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

19. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For the 15-month period ended July 31, 2022, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debentures, warrants and stock options. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future, but would have decreased the loss per share (anti-dilutive) for the periods presented, are as follows:

	July 31, 2022 Number of Shares	**April 30, 2021 Number of Shares**
Convertible debentures	**4,333,333**	4,430,833
Warrants	**109,193**	10,979,457
Share options	**1,265,000**	1,856,667
	5,707,526	17,266,957

20. Income taxes

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to loss before income taxes, shown as follows:

	July 31, 2022	**April 30, 2021**
Loss before income taxes	**(11,061)**	(11,297)
Statutory federal and provincial income tax rate in Canada	**26.5%**	26.5%
Income tax recovery at the statutory tax rate	**(2,931)**	(2,994)
Permanent differences	**58**	(54)
Change in deferred tax assets not recognized	**2,905**	3,116
Provision for (recovery of) income taxes	**32**	68

A valuation allowance has been applied against all of the Company's deferred income tax assets.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

20. Income taxes (continued)

The Company has a non-capital loss carried forward to reduce future years' taxable income, which will expire as follows:

2034	265
2035	2,971
2036	2,082
2037	1,698
2038	4,890
2039	8,198
2040	8,305
2041	11,757
2042	10,962
	51,128

21. Nature of expenses

General and administrative expenses for the 15-month period ended July 31, 2022 and the year ended April 30, 2021 are composed of:

	July 31 2022	**April 30 2021**
Salaries, wages and consulting fees	**6,960**	6,221
General operating	**1,860**	1,280
Occupancy costs	**478**	411
Professional fees	**821**	341
	10,119	8,253

Sales and marketing expenses for the 15-month period ended July 31, 2022 and the year ended April 30, 2021 are comprised of:

	July 31 2022	**April 30 2021**
Sales and marketing	**1,812**	480
Travel	**113**	26
	1,925	506

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

22. Commitments and contingencies

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

2022	541
2023	467
2024	425
Thereafter	1,228
	2,661

Contingencies

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

(b) On April 15, 2021, Canada House's wholly owned subsidiary, IsoCanMed, 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, IsoCanMed provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at IsoCanMed'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 IsoCanMed discussed IsoCanMed'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, IsoCanMed provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving IsoCanMed's requested comments, the Plaintiff halted all communication and proceeded with this application.

IsoCanMed retained external counsel to appear on IsoCanMed's behalf and respond to the application. IsoCanMed'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 IsoCanMed'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 IsoCanMed's Counterclaim have been delayed.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

22. Commitments and contingencies (continued)

(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.

23. 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.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

24. 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).

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.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

24. Financial instruments and risk management (continued)

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

	Carrying Amount	Total Contractual Cash Flow	Year 1	Year 2	Year 3	Year 4 and Beyond
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	2,346	-	-	-
	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 risk as at July 31, 2022.

Fair values
The carrying values of cash, trade and other receivables, trade and other payables, promissory notes, 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.

24. Financial instruments and risk management (continued)

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 prioritises 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 15-month period ended July 31, 2022, there were no transfers of amounts between levels.

25. Segmented information

The Company has two reportable and operating segments. The Company cultivates and distributes cannabis related products via federally approved cannabis programs by way of its Licensed Producer business. In addition, Company operates its clinic business through its CHC subsidiary. The Company derives substantially all of its revenue from these two segments. The Company reports segment information based on internal reports used by the Chief Operating Decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The Company primarily operates in one principal geographical area, Canada, accordingly all of the Company's long lived assets are located in Canada.

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

25. Segmented information (continued)

The following table presents details on the Company's segments for the 15 month period ended July 31, 2022

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	6,633	-	-	**6,633**
Product revenue	-	22,729	-	**22,729**
License revenue and other	31	782	-	**813**
Less: excise tax	-	(3,509)	-	**(3,509)**
Net revenue	6,664	20,002	-	**26,666**
Cost of sales	3	13,603	-	**13,606**
Inventory impairment	-	4,228	-	**4,228**
Gross profit before fair value adjustments	6,661	2,171	-	**8,832**
Realized loss on sale of inventory	-	1,176	-	**1,176**
Realized loss (gain) on biological assets	-	488	-	**488**
Gross profit	6,661	507	-	**7,168**
Expenses	5,742	8,353	497	**14,592**
Loss from operations	919	(7,846)	(497)	**(7,424)**
Finance and transaction costs	713	2,729	1,060	**4,502**
(Gain) loss on debt settlement and modifications	-	-	(1,019)	**(1,019)**
Gain on assets disposal	-	(9)	-	**(9)**
Remeasurement on contingent consideration	161	-	-	**161**
Other expenses	-	2	-	**2**
Loss before income	45	(10,568)	(538)	**(11,061)**
Provision for income tax	67	(35)	-	**32**
Net loss and comprehensive loss for the period	(22)	(10,533)	(538)	**(11,093)**

(Expressed in thousands of Canadian dollars, except for shares and per share amounts)

25. Segmented information (continued)

The following table presents details on the Company's segments for the year ended April 30, 2021

Operating segments	CHC	Licensed Producer	Corporate and other	Total
Revenue				
Referral revenue	5,141	-	-	**5,141**
Product revenue	-	6,309	-	**6,309**
License revenue and other	27	403	-	**430**
Less: excise tax	-	(1,320)	-	**(1,320)**
Net revenue	5,168	5,392	-	**10,560**
Cost of sales	3	6,063	-	**6,066**
Inventory impairment	-	2,266	-	**2,266**
Gross profit before fair value adjustments	5,165	(2,937)	-	**2,228**
Realized loss on sale of inventory	-	1,136	-	**1,136**
Realized loss (gain) on biological assets	-	(1,866)	-	**(1,866)**
Gross profit	5,165	(2,207)	-	**2,958**
Expenses	4,867	4,839	885	**10,591**
Loss from operations	298	(7,046)	(885)	**(7,633)**
Finance and transaction costs	280	2,534	(78)	**2,736**
(Gain) loss on debt settlement	19	641	258	**918**
Other expenses	-	(1)	11	**10**
Loss before income	(1)	(10,220)	(1,076)	**(11,297)**
Provision for income tax	65	3	-	**68**
Net loss	(66)	(10,223)	(1,076)	**(11,365)**

26. Subsequent events

On August 9, 2021, the Company announced that they have entered into a definitive share exchange agreement for the Company acquisition of all of the issued and outstanding shares of Montréal Cannabis Medical Inc. ("Montreal Cannabis") (herein referred to as the "Transaction"). The Transaction is considered an arm's length transaction and will constitute a "reverse takeover" of the Company by Montreal Cannabis as it is anticipated that the Company's shareholders will account for approximately 20% of the combined company post merger. Should the Transaction be completed, it is anticipated that the Company will operate under the Montreal Cannabis corporate name with shares continuing to trade on the Canadian Securities Exchange. For further information please see the Company's press release dated July 26, 2022.

Following the shareholder meeting on August 23, 2022, the Company completed its 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.

26. Subsequent events (continued)

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

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 Cannabis in exchange for 49.99% of the issued and outstanding common shares of the Company. Following the completion of the Company's share consolidation, the shareholders of MTL Cannabis were issued 22,779,340 Common Shares on the Initial Closing. There are now 45,567,767 Common Shares issued and outstanding.

Now that the Initial Closing has been completed, the parties will proceed to satisfying the closing conditions to the second tranche of the Transaction, namely the preparation of the required audited annual and unaudited interim financial statements and related management's discussion and analysis of MTL Cannabis in order for the Company to proceed to a shareholder meeting to approve the Transaction, as required by the rules and policies of the Canadian Securities Exchange. 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 Cannabis 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.

The percentages of Common Shares noted above will be subject to anti-dilution adjustments in favour of the vendors of the MTL Cannabis 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 Cannabis 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 Cannabis (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 the parties have progressed the financial statements of MTL Cannabis.

SCHEDULE C
MD&A OF CANADA HOUSE

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

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' 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' 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' 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' 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.

   <u>Transaction Highlights:</u>

   - 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' 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' 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' retail footprint by combining brand portfolios under both MTL and Canada House and through the development of new commercially viable genetics and brands.

<u>Terms of the Transaction</u>:

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.

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' 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’ presence across Canada. MTL’ 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’ 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’ 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.

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.

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-basedsoftware 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 thisneed. Its products were developed with a national network of clinicians in the medical marijuana domain and are built to deliver better monitoring of symptoms, moods, and treatments for both physician and patient.

The Company acquired ICM on June 12, 2020. ICM was incorporated under the *Canada Business Corporations Act* on March 4, 2016 and obtained a standard cultivation licenseunder the ACMPR on January 12, 2018 and a standard processing license under the Cannabis Act on August21st, 2020. ICM owns and operates an approximately 64,000 square foot state-of-the-art indoor growfacility 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 itsharpens the focus on the above critical success factors and facilitates sustainable growth and profitabilitythrough 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 to meaningfully improve the quality of lives for veterans, first responders and civilians alike.

CHC continues to execute several initiatives to provide better service and support for their patients. Recently added multidisciplinary capabilities provide wellness services through registered professionals in the fields of massage, naturopathy and Psychotherapy. CHC healthcare staff produce a blog each month,which focuses on the efficacy of cannabis treatment for various conditions supported by fact-based research, client trends and feedback. CHC continues to make improvements to its Cannabis Patient Management ("**CPM**") software, including new physician services capabilities, embedded secure telemedicine, prescriber and client portals, digital treatment plans and reconciliation of licensed producerpayments. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. To this end, specific API integrations with partnered licensed producers have been created to allow for the registration of patients more securely, instantly and accurately. Incorporated treatment reporting has been added to the patient portal that will allow a better understanding of what treatments and products work best for a specific diagnosis. The data gathering can further be usedin the creation of an Artificial Intelligent function that will suggest a recommended treatment plan based on an individual's diagnosis. There are two clinics in Alberta, one in each of Prince Edward Island and Newfoundland, three clinics in New Brunswick, two clinics in Nova Scotia and five clinics in Ontario. Recently, new clinics have been embedded clinics where CHC places an educator into an existingmedical 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 Educatorsmay 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-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 otherpatients, 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 LicenseSales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
September 29, 2017 License No 10-MM0264/2017	Destruction room -included as Sub div C room Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
April 20, 2018 License No 10-MM0264/2018	Production of 1. Bottled cannabis oil production

	2. Cannabis in in its natural form/cannabisresin added additional subdivision C grow room and oil extraction room included in the license Sale is Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
July 20, 2018 License No 10-MM0264/2018	Selling seeds to Licensed Producers Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
July 31, 2018 License No 10-MM0264/2018	Production of Fresh CannabisSale Still governed by the section 22 (2) limited version
November 10, 2018 License No. LIC-MZPK573ALN-2018-1	Updated License under Cannabis regulations Standard cultivation license Standard Processing license (including sales of seeds and planting materials)
December 21, 2018 License No. LIC-MZPK573ALN-2018-1	Sales (Medical) -Dried cannabis License with condition.
August 30, 2019 License No. LIC-MZPK573ALN-2018-2	Amended Sales License - Abba can start legally selling its own branded dry flower and fresh cannabis.
August 21, 2020 License No. LIC-MZPK573ALN-2020	Amended sales license – Abba can start selling cannabis oil, concentrate, topical and edible products.

IsoCanMed Inc.

ICM has invested approximately $15 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’ 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 Companyto 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 withAGLC, BC Liquor Distribution Branch, SQDC, NCD, and CNB.

ICM holds the following licenses:

Date	Description
January 12, 2018 License No 10-MM0766/2018	Cannabis Cultivation LicenseSales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
May 11, 2018 License No 10-MM0766/2018	Destruction room (ID), Trimming room (122) and Drying room (123) - included as Sub div C room. Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
November 8, 2018 License No. LIC-5EFG9AFN3H-2018	Updated License under Cannabis regulations Standard cultivation license
May 10, 2019 License No. LIC-5EFG9AFN3H-2018-1	Amended Standard cultivation license – Addition of mother rooms M2A/M2B
September 6, 2019 License No. LIC-5EFG9AFN3H-2018-2	Amended Standard cultivation license – Addition of clone room C2 ; addition of flowering rooms F4, F5, F6 ; Addition of room 125.
January 10, 2020 License No. LIC-5EFG9AFN3H-2018-3	Amended Standard cultivation license – Addition of room SC (trimming).
August 21, 2020 License No. LIC-5EFG9AFN3H-2018-4	Addition of Standard Processing Licence – ICM can start legally selling its ownbranded dry flower and fresh cannabis.

Corporate activities

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 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

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 (Unaudited)	**$000's** (Unaudited)	**$** (Unaudited)
15-months ended July 31, 2022			
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)
Year ended April 30, 2021			
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.

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, 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

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.

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 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

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

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).

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 liabilitiesin markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the useof unobservable inputs when measuring fair value.

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

During the 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 andadversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the ICM acquisition. All of these factors could cause a delay the anticipated accretive effect of the ICM acquisition and cause a decrease in the market price of the common shares.

Failure to Realize Benefits of Acquisitions

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

Dilution

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

b) Risks Related to the Operations of Abba, ICM, and to the Medical Cannabis Industry

Contagious Disease and Covid-19 (Coronavirus)

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

Cannabis Activities in the United States

The changing, uncertain, regulatory environment in the United States is a significant risk. The Company operates in the medical marijuana sectors in Canada and the United States only in jurisdictions where such activity is permitted and regulated by applicable laws, but there is a risk that third party service providers could suspend or withdraw services and regulators could impose certain restrictions on the issuer's ability to operate in the U.S. In June 2020, the Company terminated the contract with its only US customer, 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 owns cannabis directly to patients and consumers.

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

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

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

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

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

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

c) Regulatory Risks

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

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

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

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

Change in Laws, Regulations, and Guidelines.

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

The risks to the business of the Group represented by regulatory issues are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for the Group's proposed products andcould 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 thatany 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 numerousfactors 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 diseasesand similar agricultural risks. Although all such growing is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Energy Costs

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

Reliance on Management

Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Group is currently in good standing with all high level employees and believes that with well managed practices will remain in good standing. The success of the Group will be dependent upon theability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Group's business, operating 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 risksin such amounts as it considers to be reasonable, the insurance markets are not favorable to the cannabis industry, including Directors and Officers insurance. In addition, insurance may not cover all the potential risks associated with its operations, including product liability claims. The Group may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Group is not generally available on acceptable terms. The Group might also become subject to liability for pollution or other hazards which may not be insured against or which the Group may elect not to insure against becauseof premium costs or other reasons. Losses from these events may cause the Group to incur significant 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'sbusiness, 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 ofsafeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Group under Canadian securities law, the Group cannot be certain that such measures will ensure that the Group will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could ha rm the Group's results of operations or cause it to fail to meet its reporting obligations. If the Group or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could 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 thatare 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 attentionregarding the safety, efficacy and quality of medical cannabis in general, or the Group's proposed productsspecifically, 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 inhibitthe 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. Ifany of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may 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 theCompany. 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 feesand other expenses.

Competition

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

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

Risk Factors Related to the United States

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

Company's knowledge, there are to date a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including Florida, Massachusetts and Ohio. 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 theUnited 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 withstate 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 Congressrestores 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 comprisea 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 unauthorizedacquisition, use or disposition of the Company's assets that could have a material effect on the Company'sFinancial Statements. Due to its inherent limitations, internal control over financial reporting and disclosuremay 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 achievementsexpressed 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 thecurrency markets (such as the Canadian Dollar and the United States Dollar); changes in national and localgovernment, legislation, taxation, controls, regulations and political or economic developments in Canadaor other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with exploration and development activities; risks and hazards associated with the business of the production and distribution of medical cannabis (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on the production and distribution of medical cannabis, including those currently enacted in Canada; employee relations; relationships with and claims by local communities; availability and increasing costs associated with operational inputs and labor; business opportunities that may be presented to, or pursued by, the Company; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A available under the Company's profile at www.sedar.com.

The forward looking information contained in this MD&A are based upon assumptions management believes to be reasonable including, without limitation: financing will be available for future working capital purposes and the completion of the construction of the Company's future production space; operating, and construction costs will not exceed management's expectations; all requisite regulatory andgovernmental 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 applicableeconomic 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 uponthe 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

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

Management's Discussion and Analysis

For the three and nine months ending April 30, 2023 and 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 unaudited condensed interim consolidated financial statements and related notes thereto of the Company for the three and nine months ending April 30, 2023 and 2022 (the "**Financial Statements**") and the audited consolidated financial statements and related notes thereto of the Company for 15-month period ended July 31, 2022. 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 unaudited condensed interim consolidated financial statements and MD&A of the Company in respect of the three and nine months ending April 30, 2023, and 2022 were approved and authorized for issuance by the Board of Directors of the Company on June 29, 2023. The effective date of this MD&A is June 29, 2023.

BUSINESS HIGHLIGHTS

Subsequent to nine months period ending April 30, 2023, the Company announced:

1. On May 9, 2023, the Company announced the departure of its Chief Executive Officer, Mr. Chris Churchill-Smith and the appointment of Mr. Alex Kroon as Interim Chief Executive Officer.

2. On June 21, 2023, the Company announced the filing of restatement of the unaudited condensed consolidated financial statements of the Company for the nine months ended April 30, 2023 and 2022, to amend the Company's original unaudited condensed consolidated financial statements for the same period as filed on March 23, 2023.

Subsequent to the issuance of the Original Financial Statements, the Company identified the following accounting errors that required the restatement of amounts within the statements of financial position, statements of income and comprehensive income, statement of changes in shareholders' equity, and the statements of cash flows related to the comparable nine-month period ended January 31, 2022 (amounts expressed in thousands of Canadian dollars):

Investment in associate – The Company used the enterprise value method to measure the value of the

Company's shares used as an investment in Montréal Cannabis Médical Inc. ("MTL") made on August 9, 2022, whereby the Company acquired 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. In determining the value of investment, the Company should have used an equity value method which required the deduction of debt from the enterprise value and resulted in an overstatement by approximately $11,000 of the value of Company's investment in MTL. In addition, transaction costs associated with this investment of $905 should not have been expensed. The effect of this correction is to reduce the investment in associate's carrying value by $10,095.

Mortgage payable – Mortgage renewal costs of $60 should not have been expensed.

Promissory notes – The maturity date on one of the Company's promissory notes with a carrying value of $4,167 was amended from December 12, 2024 to December 12, 2023 and, accordingly the promissory note should have been classified as current.

2020 convertible debenture – In August 2022, the conversion price of the secured convertible debenture with Archerwill Investments Inc. (the "Archerwill Debenture") and related warrants were amended and, as a result, they no longer met the fixed-for-fixed criteria to qualify as an equity instrument. Accordingly, the Company was required to reassess the fair value of each component of the Archerwill Debenture. The net impact of this reassessment is to increase the carrying value of the host debt instrument by $60 and reclassify the conversion option and equity from equity to liability with an estimated fair value of $3,463, and $640, respectively, upon correction.

The restatement does not have an impact on the Adjusted EBITDA (non-IFRS measure) disclosed in the news release of March 23, 2023.

Nine months ending April 30, 2023

During the nine months ending April 30, 2023, the Company announced:

1. On November 28, 2022, the company announced its financial results for the 15-months ending July 31, 2022. As announced on May 30, 2022, the Company filed a Notice of Change in Financial Year End on SEDAR to change its financial year end from April 30 to July 31 and the annual audited financial statements for this transition year are for a 15- month period which includes the 3-month period starting May 1, 2022, to July 31, 2022.

2. 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 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 Company'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.

3. On March 6, 2023, the Company announced it formed Strategic Alliance with Artisanal Cannabis Company Inc. ("**Artisanal**"). Artisanal launched its first products on the Ontario Cannabis Store and the Abba Medix medical cannabis platform.

   Canada House is currently in the process of closing a transaction (*see the press releases of the Company dated August 9, 2021, July 26, 2022, and August 30, 2022*) with Montréal Cannabis Médical Inc. ("**MTL**"), a Montreal based "flower-first" Licensed Producer and has now successfully migrated cultivation in its wholly owned subsidiary, IsoCanMed Inc., to MTL's cultivation methodologies.

   Canada House, through its other wholly owned subsidiaries Abba Medix Corp. ("**Abba**") and Canada House Clinics Inc. ("**CHC**"), has established itself as a leading provider of products and services in the Canadian medical cannabis market, leveraging its heritage and focus on Veterans to grow Abba's active medical patient registrations to over 3,000.

   With Abba now focusing on its medical marketplace, Canada House and MTL decided to cease cultivation activities in Abba's cultivation facility in Pickering, Ontario and instead lease the space to Artisanal, a craft cannabis producer exclusively focused on the cultivation of premium products. The Company has significantly reduced its overhead at Abba by leasing the cultivation space to Artisanal. Abba also participates in Artisanal's sales through a royalty mechanism, and the cultivation space now contributes to our top-line revenues. Artisanal's first product, Valencia, a unique Sour Tangie phenotype, is now available to approximately 1500 retailers through the Ontario Cannabis Store, under the company's new Artisanal Cannabis brand.

4. On March 23, 2023, the Company reported its financial results for the three months ending Jan 31, 2023 including a quarterly net profit with record revenue, positive cash flow and a continuation of improved quarterly results. Subsequent to the end of this quarter, the Company filed a restatement of those quarterly financials on June 21, 2023 as described above in the subsequent events section.

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.

The Company is a 24.99% shareholder of MTL and is the parent company of wholly-owned subsidiaries: Abba, a licensed producer in Pickering,Ontario, that primarily operates a medical cannabis marketplace while leveraging its cultivation and license assets for third parties; 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 to CHC 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. In addition, CHC is the sole shareholder of Margaree Health Group Incorporated ("**Margaree**"), a medical cannabis clinic dedicated to Veterans in Nova Scotia.

Canada House's goal is to become a leading cultivator of premium craft cannabis, monetize its adult use market license and facility assets and be a leading provider of medical cannabis from education to marketplace. The Company is targeting the national medical cannabis markets, the recreational adult-use market in Quebec and working with MTL to sell across Canada.

Corporate Structure:

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

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

CHC was incorporated under the *Business Corporation Act* (New Brunswick) on October 7, 2013, as 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 thisneed. 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. Subsequent to end of the quarter, effective May 1, 2023 Knalysis was amalgamated into CHC.

The Company acquired ICM on June 12, 2020. ICM was incorporated under the *Canada Business Corporations Act* on March 4, 2016 and obtained a standard cultivation licenseunder the ACMPR on January 12, 2018 and a standard processing license under the Cannabis Act on August21st, 2020. ICM owns and operates an approximately 64,000 square foot state-of-the-art indoor growfacility in Louiseville, Quebec, employing vertical, aeroponic production methodologies.

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.

After the completion of the Initial Closing, 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 Company's common shares 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.

Business Strategy and Development

Canada House believes a vertical integration strategy within the medical cannabis sector is well suited to the Canadian Cannabis Market, as itsharpens the focus on the above critical success factors and facilitates sustainable growth and profitabilitythrough 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.

Canada House leverages the patient insights from its veteran oriented medical cannabis clinics to curate a leading medical cannabis menu at Abba resulting in rapid adoption of Abba by CHC's patient base. Abba is a marketplace selling products from over 20 licensed producers but remains an additional dried flower distribution channel for products grown by ICM and MTL.

On the Adult Use market Canada House now has a leading cultivation facility at ICM that grows identically to MTL to achieve high quality and yields. Canada House earns fees to assist MTL in distribution in some key provinces, sells bulk cannabis to MTL and monetizes its Abba cultivation space via partnership.

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 its registered patients a multitude of products including dried flower, vape pens, oils, edibles and topicals and plans to continue to add new, exciting, Cannabis 2.0 and other products. 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 Veterans Kush ™ strains which are only available to registered patients of Abba.

   Abba and CHC focus on medical cannabis patients with coverage, starting with veterans, and will pursue other segments with coverage. Both medical divisions continue to focus on growth.

2. *Leverage ICM growing with MTL methodology to capitalize on Adult Use markets in Quebec, Ontario and rest of Canada leveraging MTL sales into those markets.*

   As a result of the strategic acquisition of ICM, the Company has accessed the vast Quebec cannabis market through ICM's distribution agreement with 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 implemented MTL grow methodology in 2022 in half of its facility and is planning on converting the entire facility. MTL is purchasing all of the ICM production to supplement MTL's internal production. ICM has adjacent land of 450,000 square feet that can accommodate the construction of facilities which, when built, can provide an additional production capacity of up to 50,000 kg. This additional grow capacity will only be built out if and when the market demands further production and will allow Canada House to meet a substantial increase in demand across all its distribution channels.

3. *Continue to support MTL expansion in recreational markets and source new genetics.*

   Canada House, through its two Licensed Producers, continues to pursue additional advantages, particularly as it relates to exciting new genetics that Abba has secured through a partnership which are testing in excess of

26% THC potency. These new genetics are currently being cultivated at ICM for eventual bulk sale to MTL and lent (or licensed for a fee) 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 significant value and an asset and contributor to the continued success of the Company and its investment in MTL.

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. Services are inclusive of issuing a Medical Document (authorization to purchase medical cannabis) using licensed health care providers. Since its inception, CHC has directly supported thousands of veterans and civilians across Canada with comprehensive service and care. CHC currently has twelve clinic locations,including both standalone and embedded locations inside third-party medical clinics. There is one clinic in Alberta, one in each of Prince Edward Island and Newfoundland, two clinics in New Brunswick, two clinics in Nova Scotia and five clinics in Ontario. CHC continues to provide a community environment for those engaged in the process of healing with a focus on support during the various steps of the program. Clients of CHC clinics are educated to understand the possible benefits of cannabinoid therapy, and, if appropriate, introduced to a professional who can write a cannabis prescription in order to meaningfully improve the quality of lives for veterans, first responders and civilians alike.

CHC continues to execute several initiatives to provide better service and support for their patients. Recently added multidisciplinary capabilities provide wellness services through registered professionals in the fields of massage, naturopathy and Psychotherapy. CHC healthcare staff produce a blog each month,which focuses on the efficacy of cannabis treatment for various conditions supported by fact-based research, client trends and feedback. CHC continues to make improvements to its Cannabis Patient Management ("**CPM**") software, including new physician services capabilities, embedded secure telemedicine, prescriber and client portals, digital treatment plans and reconciliation of licensed producerpayments. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. To this end, specific API integrations with partnered licensed producers have been created to allow for the registration of patients more securely, instantly and accurately. Incorporated treatment reporting has been added to the patient portal that will allow a better understanding of what treatments and products work best for a specific diagnosis.

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

CHC facilitates Abba client growth by providing insights to Abba on which types of cannabis products would be effective and popular with patients and including Abba in recommended treatment options when appropriate for a particular patient. CHC remains committed to educating on and working with many external Licensed Producers to provide greater capacity and treatment alternatives based on patient needs. In addition to Abba , CHC has over nineteen 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 otherpatients, as well as consumers.

Licensed Producers

Abba Medix Corp.

Abba became focused during 2022 on being a leading medical marketplace for veterans with coverage and transitioned recreational market production and sales to ICM and MTL. As a medical marketplace, Abba sources over 180 sku's from over 40 brands from more than 20 licensed producers to curate a menu for veterans and other medical patients. Abba medical marketplace sales have growth from $50,000 monthly to well over $1M monthly from summer 2020 to 2023.

At full capacity, the facility leased and outfitted by Abba has capacity to 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. As Abba is focused on medical distribution and client registration, it has no short-term plans to use this licensed facility for cultivation and, as such has entered into a business agreement with Artisanal to use the licensed rooms for cultivation for a fee and a royalty, which represents meaningful cost savings and an additional revenue stream. (Please see the Company's Press Release dated March 6, 2023 for more details.)

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

Date	Description
September 01, 2017 License No 10-MM0264/2017	Cannabis Cultivation LicenseSales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
September 29, 2017 License No 10-MM0264/2017	Destruction room -included as Sub div C room Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
April 20, 2018 License No 10-MM0264/2018	Production of 1. Bottled cannabis oil production 2. Cannabis in in its natural form/cannabisresin added additional subdivision C grow room and oil extraction room included in the license Sale is Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
July 20, 2018 License No 10-MM0264/2018	Selling seeds to Licensed Producers Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
July 31, 2018 License No 10-MM0264/2018	Production of Fresh CannabisSale Still governed by the section 22 (2) limited version
November 10, 2018 License No. LIC-MZPK573ALN-2018-1	Updated License under Cannabis regulations Standard cultivation license Standard Processing license (including sales of seeds and planting materials)

December 21, 2018 License No. LIC-MZPK573ALN-2018-1	Sales (Medical) -Dried cannabis License with condition.
August 30, 2019 License No. LIC-MZPK573ALN-2018-2	Amended Sales License – Abba can start legally selling its own branded dry flower and fresh cannabis.
August 21, 2020 License No. LIC-MZPK573ALN-2020	Amended sales license – Abba can start selling cannabis oil, concentrate, topical and edible products.
August 21, 2023 (sales license renewal approved May 26, 2023) License No. LIC-MZPK573ALN-2023	Renewal of Amended sales license (prior was LIC-MZPK573ALN-2020). Two year renewal.
August 21, 2023 (medical sales license renewal approved May 26, 2023) License No. LIC-MZPK573ALN-2023	Renewal of medical sales license (prior was LIC-MZPK573ALN-2018-1). Two year renewal.
August 21, 2023 (cultivation and processing renewal approved May 26, 2023) License No. LIC-MZPK573ALN-2023	Renewal of standard cultivation and processing license (prior was LIC-MZPK573ALN-2018-1). Two year renewal.

IsoCanMed Inc.

ICM has invested approximately $15 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' 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. The annual cultivation weight at ICM is largely dependent on which genetics are used and the yield per plant from the genetics selected. 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.

ICM holds the following licenses:

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

May 11, 2018 License No 10-MM0766/2018	Destruction room (ID), Trimming room (122) and Drying room (123) - included as Sub div C room. Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized forsales or provision on this licensed to license dealersolely for the purpose of conducting analytical testing.
November 8, 2018 License No. LIC-5EFG9AFN3H-2018	Updated License under Cannabis regulations Standard cultivation license
May 10, 2019 License No. LIC-5EFG9AFN3H-2018-1	Amended Standard cultivation license – Addition of mother rooms M2A/M2B
September 6, 2019 License No. LIC-5EFG9AFN3H-2018-2	Amended Standard cultivation license – Addition of clone room C2 ; addition of flowering rooms F4, F5, F6 ; Addition of room 125.
January 10, 2020 License No. LIC-5EFG9AFN3H-2018-3	Amended Standard cultivation license – Addition of room SC (trimming).
August 21, 2020 License No. LIC-5EFG9AFN3H-2018-4	Addition of Standard Processing Licence – ICM can start legally selling its ownbranded dry flower and fresh cannabis.

Corporate activities

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 and the interest rate increased to 15% since June 28, 2022. 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 up to $4,139 from MTL. The loan was used for capital expenditures related to the retrofit of ICM's facility.

Going Concern Uncertainty

The unaudited condensed interim 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 unaudited condensed interim 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 three and nine months ended April 30, 2023, the Company earned a net profit of $756 and $1,452, respectively, and as at April 30, 2023, had an accumulated deficit of $67,900 and a working capital deficit of $8,753.

Cash flow from operations for the nine months ended April 30, 2023 was $1,461. Whether, and when, the Company can attain sustained profitability and sustained positive cash flows from operations that is material 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 sustained profitability and sustained positive cash flows from operations that is material, there can be no assurance that the Company will achieve and sustain profitability and be able to do so in the future that is material 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	**As at and for the Year Ended April 30, 2021**	**As at and for the Year Ended April 30, 2020**
	$000's	**$000's**	**$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
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	Net Revenues	Net profit (loss)	Net profit (loss) per share basic and diluted
	$000's	$000's	$
	(Unaudited)	(Unaudited)	(Unaudited)
Year ended July 31, 2023			
Quarter ended April 30, 2023	9,345	756	0.02
Quarter ended January 31, 2023	7,819	87	0.00
Quarter ended October 31, 2022	5,981	609	0.02
15-months ended July 31, 2022			
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)
Year ended April 30, 2021			
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

Net Revenues

The Company has two reportable and operating segments. The Company cultivates and distributes cannabis related products via federally approved cannabis programs by way of its Licensed Producer business. In addition, Company operates its clinic business through its CHC subsidiary. The Company derives substantially all of its revenue from these two segments. The table below outlines the revenue attributed to medical, consumer and bulk sales channels for the three and nine months ended April 30, 2023 and the comparative periods.

	Three months ended		Nine months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
CHC				
Referral revenue	1,314	1,316	4,008	3,973
License revenue and other	25	7	58	21
	1,339	1,323	4,066	3,994
Licensed Producers (Abba and ICM)				
Product revenue	6,279	4,387	17,330	14,892
License revenue and other	2,124	223	3,265	414
Less excise tax	(397)	(436)	(1,516)	(2,521)
	8,006	4,174	19,079	12,785
Total net revenue	**9,345**	**5,497**	**23,145**	**16,779**

CHC

During the quarter ending April 30, 2023, CHC's referral revenue decreased by $2 or 0%, from $1,316 during the quarter ending April 30, 2022, to $1,314. The decrease for the quarter ending April 30, 2023, compared to April 30, 2022, is due to the elimination of a larger amount of the intercompany referral revenue CHC charges Abba since CHC has referred more patients to Abba during the quarter. The overall volume of patient purchases managed by CHC, including purchases by CHC patients of Abba products, increased 9% comparing Q3 2023 to Q2 2022

Licensed Producers (Abba and ICM)

During the quarter ending April 30, 2023, Licensed Producers' net revenue increased by $4,174 or 92%, from $4,193 during the quarter ending April 30, 2022, to $8,006. The increase for the quarter ending April 30, 2023, compared to April 30, 2022, is due to a $1,901 or 853% increase in Abba and ICM license revenue, a $1,892 or 43% increase in Abba and ICM product revenues from the adult-use recreational market and medical sales market, and a $39 or 9% of the decrease in the excise tax. The increase of $1,901 in Abba and ICM license revenue is due to MTL's increase in sales to the provincial distributors using Abba and ICM's sales license. The $1,892 increase in Abba and ICM product revenues is mainly due to the increased sales in the medical sales market, which reflects the increase in the number of cannabis patients Abba serves.

Cost of Sales and Gross Margin

Licensed Producers (Abba and ICM)

	Three months ended		Nine months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Licensed Producers (Abba and ICM)				
Product revenue	6,279	4,387	17,330	14,892
License revenue and other	2,124	223	3,265	414
Less excise tax	(397)	(436)	(1,516)	(2,521)
Total net revenue for the segment	**8,006**	**4,174**	**19,079**	**12,785**
Cost of sales	(3,260)	(2,750)	(8,107)	(9,538)
Inventory impairment	-	(1,259)	-	(4,000)
	-	-	-	-
Gross profit before fair value adjustment	**4,746**	**164**	**10,972**	**(753)**
Gross margin before FV adjustments	**59%**	**4%**	**58%**	**-6%**
Fair value adjustment on sale of inventory	(1,137)	6	(2,236)	(1,173)
Fair value adjustment on biological assets	1,217	(88)	3,416	(337)
Gross profit	**4,827**	**82**	**12,153**	**(2,263)**
Gross margin	**60%**	**2%**	**64%**	**-18%**

Gross margin before fair value adjustments was 59% in the quarter ended April 30, 2023 as compared to 4% in the quarter ended April 30, 2022. Gross margin was 58% in the quarter ended April 30, 2023 compared to -6% for the quarter ended April 30, 2022.

The increase of 55% in gross margin from 4% for the quarter ended April 30, 2022 to 59% for the quarter ended April 30, 2023 is primarily driven by the fact that there was no impairment in the quarter ended April 30, 2023 and $1,259 of impairment to the inventory for the quarter ended April 30, 2022 .

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 months ended April 30, 2023, were $3,632, compared to $2,906 for the three months ended April 30, 2022, an increase of $726 or 25% for the three months period compared with April 30, 2022. The increase is due to a $424 increase in general and administrative, a $199 increase in depreciation and amortization expense from $263 for the three months ending April 30, 2022, to $462 for the three months ending April 30, 2023, $26 increase in right-of-use assets amortization, and a $130 increase in sales and marketing.

General and administrative for the three months ending April 30, 2023, were $2,665, compared to $2,241 for the three ending April 30, 2022. It was a $424 or 19% increase mainly due to the increase in general operating expenses. General operating increased from $360 to $641 an increase of $281 or 78% from three months ending April 30, 2023, compared with the three months ending April 30, 2022. The increase is mainly due to sales ramp-up and business growth.

Finance, Transaction Costs and Other Expenses

During the three months ended April 30, 2023, finance costs increased by $661 or 82% to $1,471 from $810 compared with the three months ending April 30, 2022. The increase is mainly due to non-cash accretion expense on promissory notes being recognized.

During the three months ending April 30, 2023, the Company recognized its share (24.99%) of the post-acquisition profit of the investee in the amount of $41, offset by $581 unrealized profit eliminated to the extent of the Company's interest in the associate. (Please see note 8 to the unaudited condensed interim consolidated financial statements for the three and nine months ending April 30, 2023 and 2022.)

CHANGE IN FINANCIAL POSITION

Consolidated cash flows for the nine months ending April 30, 2023 and 2022 were as follows:

	April 30, 2023	April 30, 2022
Cash flow provided by (used in) operating activities	1,461	(1,644)
Cash flow used in investing activities	(626)	25
Cash flow provided by (used in) financing activities	(774)	1,636
Net change in cash	61	758

Operating Activities

For the nine months period ended April 30, 2023, cash provided by operating activities was $1,461, compared to $1,644 of cash used in operating activities for the same period ended April 30, 2022. The positive cash flow from operating activities is due to the combination of ramp-up of sales and cost control.

Investing Activities

Cash used in investing activities in the nine months period ended April 30, 2023, includes $330 of finder's fees paid by cash for the investment in an associate and $296 of cash used in the purchase of property, plant and equipment. Cash used in investing activities in the nine months period ended April 30, 2022, includes $25 of cash used in the purchase of property, plant and equipment.

Financing Activities

For the nine months period ended April 30, 2023, net cash used in the financing activities was $774. During the nine months period, the Company borrowed $244 from MTL, made $456 lease payments, and repaid $423 to convertible debenture holders. For the nine months period ended April 30, 2022, net cash provided by the financing activities was $1,636. It included $2,267 in borrowings partially offset by $454 of lease payments and $80 of repayments to the convertible debenture holders.

Consolidated Statement of Financial Position

As of April 30, 2023, the total assets were $43,978 compared to $34,049 as of July 31, 2022. The $9,929 increase is primarily due to a $6,140 increase in investment in an associate, a $4,704 increase in trade and other receivables, a $982 increase in biological assets, and a $120 increase in right-of-use assets. The increase is partially offset by a $1,474 decrease in property, plant and equipment, and $691 decrease in inventory.

The Company's current liabilities as of April 30, 2023, were $21,617 compared to $17,044 as of July 31, 2022. The $4,573 increase in current liabilities is primarily due to a $4,091 increase in current portion of the promissory notes due to a reclassification of part of the $12,500 promissory notes due in December 2023, a $823 increase in current portion of the borrowings as a result of the reallocation to current liability from non-current, partially offset by a $24 decrease in trade and other payables, $423 decrease in current portion of convertible debentures due to repayments. As of April 30, 2023, working capital is a deficit of $8,753 compared to a working capital deficit of $9,317 as of July 31, 2022.

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	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Total Shareholders' (Equity) Deficiency
Balance as at July 31, 2021		**22,788,427**	**48,685**	**2,174**	**15,961**	**(62,336)**	**4,484**
Share-based compensation		-	-	-	255	-	255
Net loss and comprehensive loss for the period		-	-	-	-	(7,222)	(7,222)
Balance as at April 30, 2022		**22,788,427**	**48,685**	**2,174**	**16,216**	**(69,558)**	**(2,483)**
Balance as at July 31, 2022		22,788,427	48,685	2,174	14,287	(68,899)	(3,753)
Common shares issued pursuant to investment in associates	8	22,779,340	5,846	-	-	-	5,846
Shares issued for finder's fee and service	8	584,797	575	-	-	-	575
Charge related to modification of conversion feature and warrants	13	-	-	-	-	(453)	(453)
Convertible debenture	13	-	-	(1,504)	(1,755)	-	(3,259)
Share-based compensation	16	-	-	-	23	-	23
Net loss and comprehensive loss for the period		-	-	-	-	1,452	1,452
Balance as at April 30, 2023		**46,152,564**	**55,106**	**670**	**12,555**	**(67,900)**	**431**

Share Based Compensation

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

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

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the common shares that are outstanding unless the Board 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 Nil and $23 of share-based compensation expense during the three and nine months ended April 30, 2023 (April 30, 2022 – $53 and $255), with a corresponding amount recognized as a contributed surplus.

During the nine months ended April 30, 2023, the Company did not issue any stock options. 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.

Liquidity and Capital Resources

	April 30, 2023	July 31, 2022
Cash	**511**	450
Working capital	**(8,753)**	(9,317)
Total assets	**43,978**	34,049
Total non-current liabilities	**21,930**	20,758

The Company had a working capital deficiency of $8,753 as at April 30, 2023 as compared to a working capital deficiency of $9,317 as at July 31, 2022. As at April 30, 2023, the Company had cash and cash equivalents in the amount of $511 as compared to $450 at July 31, 2022.

The Company started generating positive cash flow from its operation starting from the quarter ended October 31, 2022 and primarily financed its operations, capital expenditures and growth initiatives through the generation of net revenue, working capital, and cash on hand during the three and nine months ended April 30, 2023.

The Company’s objective when managing its liquidity and capital resources is to maintain sufficient liquidity to support financial obligations when they come due, while executing operating and strategic plans. The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. Our ability to fund our operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive, business and regulatory conditions, and other factors, some of which are beyond our control. Our primary short-term liquidity needs are to use the net operating profit to fund debt repayments when they become due, capital expenditures, and lease payments. Our medium-term liquidity needs primarily relate to debt repayments and lease payments. Our long-term liquidity needs primarily relate to potential strategic plans.

As of April 30, 2023, the Company has access to the following capital resources available to fund operations and obligations:
• $511 cash and cash equivalents; and
• access to the retrofit loan from Montreal Cannabis Medical Inc. On December 15, 2021, MTL and ICM entered into a loan agreement for ICM to borrow up to $4,139 from MTL. The Loan amount is to be used by IsoCanMed for the completion of the Retrofit.

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 three and nine months ended April 30, 2023 and 2022 is as follows:

	Three months ended		Nine months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Salaries and wages	**418**	393	**1,195**	1,206
Share-based compensation	**-**	30	**13**	142
General and administrative	**-**	18	**-**	51
	418	441	**1,208**	1,399

During the nine months ending January 31, 2023, the Company paid $63 in consulting fees to Industries IsoCan Inc., a company controlled by three shareholders of Canada House, and $17 of rent to Immeubles IsoCan Inc., a company controlled by the same three shareholders. As of April 30, 2023, the Company owes promissory notes in the total amount of $12,500 payable (July 31, 2022 - $12,500) to the same three shareholders. (note 12).

On August 30, 2022, Canada House Cannabis Group closed the first tranche of its acquisition of MTL. With the closing of the first tranche of the Transaction (the "Initial Closing") the Company acquired 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. At current stage, the Company owns 24.99% of the issued and outstanding shares of MTL and has significant influence over MTL and that is neither a subsidiary nor an interest in a joint venture. The condensed interim consolidated financial statements include the Company's share of MTL's income, expenses and equity movements. Where the Company transacts with its associates, unrealized profits or losses are eliminated to the extent of the Company's interest in the associate.

Contingencies

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

(b) On April 15, 2021, Canada House's wholly owned subsidiary, IsoCanMed, 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, IsoCanMed provided the Plaintiff with a list of deficiencies related to the Plaintiff's work installing the HVAC system at IsoCanMed'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 IsoCanMed discussed IsoCanMed'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, IsoCanMed provided the Plaintiff with comments on the items it disputed in the Plaintiff's outstanding invoices. After receiving IsoCanMed's requested comments, the Plaintiff halted all communication and proceeded with this application.

IsoCanMed retained external counsel to appear on IsoCanMed's behalf and respond to the application. IsoCanMed'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 IsoCanMed'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 IsoCanMed's Counterclaim have been delayed.

(c) The Company was served with an application to initiate proceedings for damages for its alleged failure to pay indebtedness in the amount of $65. The Company has retained external counsel to appear on the Company's behalf and respond to the application. 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.

(d) The Company is in the process of corresponding with the remaining holders of the Company's outstanding Convertible Debentures dated December 5, 2017, some of which were amended by Convertible Debenture Amending Agreements dated as of December 5, 2021 (collectively, the "2017 Debentures"), to propose repayment terms. The Company has not entered into repayment agreements with all holders of the 2017 Debentures. The principal and interest of the 2017 Debentures not subject to repayment agreements 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 April 30, 2023, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

2022	307
2023	259
2024	221
Thereafter	202
	989

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.

	April 30, 2023	July 31, 2022
Share capital, including equity component of convertible debentures	55,776	50,859
Convertible debentures	5,112	4,767
Financial instruments liabilities	3,635	-
Promissory notes	11,984	10,866
Borrowings	4,490	3,926
Mortgage payable	1,956	2,000
	82,953	72,418

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

The Company is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break-even. As at April 30, 2023, the Company had raised, net of issuance costs, approximately $41,570 (July 31, 2022 - $41,312) 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"), as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on June 29, 2023.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the 15-month period ended July 31, 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 unaudited interim consolidated statements of the Company for April 30, 2023 comprise the results of the Company and its wholly-owned subsidiaries Abba, CHC, Knalysis, ICM, TLP, and Margaree,

Significant accounting policies

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the 15-month period ended July 31, 2022, no new standards were adopted other than the Company adopted IAS 28 Investments in Associates to account its new investment in an associate (note 8).

Investment in associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see "Equity Method" below), after initially being recognized at cost. The Company has received unaudited Financial Statements from MTL and has relied on this information provided by MTL management as input in the preparation of its unaudited condensed interim consolidated financial statements for the three and nine months ended April 30, 2023 and 2022) (Please see note 8 to the unaudited condensed interim consolidated financial statements for the three and nine months ended April 30, 2023 and 2022).

Equity method

Under the equity method of accounting, investments in associates and joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company. The carrying amount of equity-accounted investments is tested for impairment.

New and Amended Standards

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 is 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 adopted the Amendments to IAS 1 effective August 1, 2022 with no impact to the Company's 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 Assets be used to identify liabilities and contingent assets arising from business combination. The Company adopted the Amendments to IFRS 3 effective August 1, 2022 with no impact to the Company's consolidated financial statements.

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.

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 April 30, 2023 and July 31, 2022, three customers represented 76% and 42% of the outstanding trade and other receivable balance, respectively. For the nine months ended April 30, 2023, three customers accounted for 49 of revenue (April 30, 2022 – three customers accounted for 48% 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:

	April 30, 2023	July 31, 2022
Not past due	**6,472**	1,726
1 to 30 days past due	**845**	724
31 to 60 days past due	**172**	358
Over 61 days past due	**254**	226
	7,743	3,034

As at April 30, 2023, the expected credit loss recognized was $104 (July 31, 2022 - $14).

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	Total Contractual Cash Flow	Year 1	Year 2	Year 3	Year 4 and Beyond
Lease liability	2,431	989	307	259	221	202
Promissory notes	4,167	4,167	4,167	-	-	-
Promissory note - non-current	7,817	8,333	-	8,333	-	-
Trade and other payables	11,550	12,597	11,304	-	1,293	-
Convertible debentures	8,747	9,810	627	-	9,183	-
Borrowings	4,490	4,490	2,573	1,917	-	-
Mortgage payable	1,956	2,220	2,220	-	-	-
	41,158	**42,606**	**21,198**	**10,509**	**10,697**	**202**

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 April 30, 2023 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 risk as at April 30, 2023.

Fair values

The carrying values of cash, trade and other receivables, trade and other payables, promissory notes, 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 prioritises 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.

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 and MTL Transaction

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 and MTL for which the Company is not sufficiently indemnified pursuant to the provisions of the corresponding SEA. Any such unknown or undisclosed risks or liabilities could materially andadversely 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 and MTL transaction. All of these factors could cause a delay the anticipated accretive effect of the ICM acquisition and MTL transaction and cause a decrease in the market price of the common shares.

Failure to Realize Benefits of Acquisitions

The Company may not realize the anticipated benefits of the transaction or may not realize them in the time frame expected. The Company cannot provide assurance that it will be able to grow or even sustain the cash flow generated by acquisitions, including the historic acquisition of ICM and the transaction with MTL which remains in progress with only Tranche One closed to date. Difficulties encountered as a result of these transactions 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 MTL transaction or future transactions, 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) Operational and Industry Risks

Contagious Disease and Covid-19 (Coronavirus) or similar future outbreaks

The Company's business could be adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of Covid-19 (Coronavirus), which has caused a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downtown. Similar to the Covid-19 outbreak, future similar outbreaks 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 risk to the sector in Canada. The Company operates in the medical cannabis sector only in Canada. In June 2020, the Company terminated the software contract Knalysis had with its only US customer, located in Pennsylvania and does not conduct business in the United States at the present time. Changes in the cannabis industry and regulations in the United States could impact investment attitudes, capital markets and opportunities in the Canadian market.

Cannabis Not an Approved Drug or Medicine

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 owns cannabis directly to patients and consumers.

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

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

Factors related to Facility Projects or Expansions which may Prevent Realization of Business Objectives

Any adverse changes or developments related to changing or expanding any 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 circumstancethe Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

c) Regulatory Risks

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

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

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

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

Change in Laws, Regulations, and Guidelines.

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

Health Canada could also make changes related to medical cannabis production and sales which could alter how medical cannabis is sold and distributed in Canada including factors such as pharmacy distribution, direct to patient sales, and excise tax levels. While Health Canada does not regulate medical cannabis clinics to the same level as Licensed Producers, future regulatory and legislative changes could modify the operating and regulatory environment for medical cannabis clinics.

A significant portion of the the Group's revenues derive from medical cannabis benefits afforded to veterans by Veterans Affairs Canada (VAC) and administered by Medavie Blue Cross on behalf of VAC. Material negative changes to medical cannabis benefits or administration of those benefits for veterans would have a material negative impact on revenues and profits for Abba and CHC.

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 andcould 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 thatany 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 numerousfactors 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.

d) Other Risks

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.

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 involves the growing of cannabis, an agricultural product.
Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseasesand 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 and applicable cultivation risks will not have a material adverse effect on any such future production. . In addition, other items can affect the marketability of cannabis grown indoors, including, among other things, the presence of non-cannabis related material, genetically modified organisms and excess heavy metals and residues of pesticides, fungicides and herbicides.

Energy Costs

The Group's 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. This risk also impacts suppliers and partners, including Artisanal, in the industry which in turn will impact pricing of input products on the medical marketplace.

Reliance on Management

Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Group is currently in good standing with all high level employees and believes that with well managed practices will remain in good standing. The success of the Group will be dependent upon theability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Group's business, operating 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 risksin such amounts as it considers to be reasonable, the insurance markets are not favorable to the cannabis industry, including Directors and Officers insurance. In addition, insurance may not cover all the potential risks associated with its operations, including product liability claims. The Group may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Group is not generally available on acceptable terms. The Group might also become subject to liability for pollution or other hazards which may not be insured against or which the Group may elect not to insure against becauseof premium costs or other reasons. Losses from these events may cause the Group to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on Facilities

The Facilities are integral to the Company's business and adverse changes or developments affecting any of the Facilities may impact the Company's business, financial condition and results of operations. Adverse changes or developments affecting the Company's leased or owned facilities, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other Facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under its existing licence or the prospect of renewing the licence or could result in a revocation of the licence.

Difficulty to Forecast

The Group 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'sbusiness, 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 ofsafeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Group under Canadian securities law, the Group cannot be certain that such measures will ensure that the Group will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could ha rm the Group's results of operations or cause it to fail to meet its reporting obligations. If the Group or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could 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 thatare 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 attentionregarding the safety, efficacy and quality of medical cannabis in general, or the Group's proposed productsspecifically, 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 inhibitthe 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. Ifany of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may 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 theCompany. 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 feesand other expenses.

Competition

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

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

Supply Shortages and Overages

The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply. In the future, Licensed Producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian adult-use and medical markets, and they may be unable to export the oversupply into other markets where cannabis use is also legal. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected. In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or future production levels.

Compliance with Listing Requirements

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including, but not limited to, the Canadian Securities Administrators, the CSE, and the Ontario Securities Commission. These rules and regulations continue to evolve in scope and complexity, creating many new requirements.

No Assurance That Listing Standards Will Continue to be Met

The Company must meet continuing listing standards to maintain the listing of the Common Shares on the CSE. If the Company fails to comply with listing standards and the CSE delists the Common Shares, the Company and its shareholders could face significant material adverse consequences, including but not limited to:

- a limited availability of market quotations for the Common Shares;
- reduced liquidity for the Common Shares;
- a limited amount of news about the Company and analyst coverage; and
- a decreased ability for the Company to issue additional equity securities or obtain additional equity or debt financing in the future.

Obligations as a Public Company

As a public company, the Company is subject to corporate governance and public disclosure requirements that increase costs and add risks of non-compliance, which could adversely impact the price of the Common Shares.

Risk Factors Related to the United States

Investors are cautioned that in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, including Florida, Massachusetts and Ohio. 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 theUnited 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 withstate 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 Congressrestores 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 no longer engages in activities that may be the subject of any such proceedings, its Knalysis division in the past had a client that operated in Pennsylvania. The Company notes that revenue from such clientele did not comprise a material portion of the Company's consolidated revenues at the time and no revenues from US clients remain.

e) Going concern uncertainty risk

The unaudited condensed interim 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 unaudited condensed interim 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 three and nine months ended April 30, 2023, the Company incurred a net profit of $756 and $1,452, and as at April 30, 2023, had an accumulated deficit of $67,900 and a working capital deficit of $8,753. Cash flow provided by the operations for the nine months ended April 30, 2023 was $1,461. 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 unauthorizedacquisition, use or disposition of the Company's assets that could have a material effect on the Company'sFinancial Statements. Due to its inherent limitations, internal control over financial reporting and disclosuremay not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to the ICFR during the nine months ended April 30, 2023 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 achievementsexpressed 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 thecurrency markets (such as the Canadian Dollar and the United States Dollar); changes in national and localgovernment, legislation, taxation, controls, regulations and political or economic developments in Canadaor other countries in which the Company may carry on business in the future; operating or technical difficulties in connection with exploration and development activities; risks and hazards associated with the business of the production and distribution of medical cannabis (including environmental hazards or industrial accidents); risks relating to the credit worthiness or financial condition of suppliers and other parties with whom the Company does business; the presence of laws and regulations that may impose restrictions on the production and distribution of medical cannabis, including those currently enacted in Canada; employee relations; relationships with and claims by local communities; availability and increasing costs associated with operational inputs and labor; business opportunities that may be presented to, or pursued by, the Company; risks relating to the Company's ability to raise funds; and the factors identified under "Risk Factors" in this MD&A available under the Company's profile at www.sedar.com.

The forward looking information contained in this MD&A are based upon assumptions management believes to be reasonable including, without limitation: financing will be available for future working capital purposes and the completion of the construction of the Company's future production space; operating, and construction costs will not exceed management's expectations; all requisite regulatory andgovernmental 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 applicableeconomic 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 uponthe 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 and approved as at June 29, 2023. Additional information about the Company is available under the Company's profile on the SEDAR website.

(signed) Alex Kroon	*(signed) Peili Miao* CPA, CGA
Interim Chief Executive Officer	Chief Financial Officer

SCHEDULE D
FINANCIAL STATEMENTS OF MTL CANNABIS

Montreal Cannabis Médical Inc.

Financial statements

For the years ended March 31, 2023 and 2022

[Expressed in Canadian dollars]

Independent Auditor's Report

To the Shareholders of Montreal Cannabis Medical Inc.:

Opinion

We have audited the financial statements of Montreal Cannabis Medical Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2023 and March 31, 2022, and the statements of (loss) income and comprehensive (loss) income, changes in shareholders equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and March 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

MNP S.E.N.C.R.L., s.r.l./LLP
1155, boulevard René-Lévesque Ouest, 23e étage, Montréal (Québec) H3B 2K2   1.888.861.9724 Tél. : 514.861.9724 Téléc. : 514.861.9446

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Montréal, Québec

MNP LLP [1]

August 11, 2023

[1] FCPA auditor, public accountancy permit no. A122514

Montreal Cannabis Médical Inc.

Statements of financial position
[expressed in Canadian dollars]

As at	Notes	**March 31, 2023**	March 31, 2022
		$	$
ASSETS			
Current assets			
Cash		**437,551**	470,559
Trade and other receivables	4	**6,328,531**	6,918,695
Inventory	5	**9,169,875**	5,580,596
Biological assets	6	**1,260,189**	1,506,250
Prepaid expenses and deposits		**351,038**	165,928
		17,547,184	14,642,028
Non-current assets			
Right-of-use assets, net	7	**10,643,541**	5,078,755
Equipment, net	8	**3,554,376**	4,048,111
TOTAL ASSETS		**31,745,101**	23,768,894
LIABILITIES			
Current liabilities			
Trade and other payables		**9,023,669**	8,162,134
Income taxes payable		**987,578**	101,766
Lease obligations	7	**185,804**	649,724
Notes payable	9	**6,157,979**	2,041,820
Borrowings	10	**1,460,000**	1,500,000
		17,815,030	12,455,444
Non-current liabilities			
Lease obligations	7	**11,576,866**	5,226,263
Borrowings	10	**—**	52,652
Deferred tax liability	14	**812,363**	2,281,178
		30,204,259	20,015,537
SHAREHOLDERS' EQUITY			
Share capital	11	**100**	100
Contributed surplus		**111,430**	111,430
Retained earnings		**1,429,312**	3,641,827
		1,540,842	3,753,357
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,745,101**	23,768,894

Commitments and contingencies	15
Subsequent events	19

The accompanying notes are an integral part of these financial statements.

Montreal Cannabis Médical Inc.

Statements of (loss) income and comprehensive (loss) income
[expressed in Canadian dollars, except number of shares]

For the years ended March 31,	Notes	2023 $	2022 $
Revenue			
Product revenue		**31,259,648**	26,073,865
Less excise tax		**(6,689,610)**	(3,922,575)
		24,570,038	22,151,290
Cost of sales		**15,810,128**	11,180,573
Gross profit before fair value adjustments		**8,759,910**	10,970,717
Fair value adjustments on biological assets	6	**6,126,189**	12,199,876
Fair value adjustments on sale of inventory		**(6,986,307)**	(8,621,680)
Gross profit		**7,899,792**	14,548,913
Operating expenses			
General and administrative	13	**7,455,299**	5,839,052
Sales and marketing		**961,392**	2,509,869
Depreciation	7,8	**676,016**	666,490
		9,092,707	9,015,411
Operating (loss) income		**(1,192,915)**	5,533,502
Finance expense, net	9,10	**1,915,982**	1,286,899
Other (income) loss		**(313,379)**	161,160
(Loss) income before income taxes		**(2,795,518)**	4,085,443
Income tax (recovery) expense	14	**(583,003)**	1,883,798
Net (loss) income and comprehensive (loss) income for the year		**(2,212,515)**	2,201,645
(Loss) income per share - basic and diluted	12	**$ (221.25)**	$ 220.16
Weighted average number of common shares outstanding - basic and diluted		**10,000**	10,000

The accompanying notes are an integral part of these financial statements.

Montreal Cannabis Médical Inc.

Statements of changes in shareholders' equity

For the years ended March 31, 2023 and 2022

[expressed in Canadian dollars, except number of shares]

	Common shares		**Contributed surplus**	**Retained earnings**	**Total**
	#	$	$	$	$
Balance as at March 31, 2021	10,000	100	111,430	1,440,182	1,551,712
Net income	—	—	—	2,201,645	2,201,645
Balance as at March 31, 2022	10,000	100	111,430	3,641,827	3,753,357
Net loss	—	—	—	(2,212,515)	(2,212,515)
Balance as at March 31, 2023	**10,000**	**100**	**111,430**	**1,429,312**	**1,540,842**

The accompanying notes are an integral part of these financial statements.

Montreal Cannabis Médical Inc.

Statements of cash flows
[expressed in Canadian dollars]

For the year ended March 31,	2023 $	2022 $
Operating activities:		
Net (loss) income for the period	**(2,212,515)**	2,201,645
Add (deduct) items not affecting cash		
Deferred tax (recovery) expense	**(1,468,815)**	1,782,032
Depreciation	**1,871,508**	1,847,533
Inventory impairment provision	**1,350,064**	2,579,889
Change in fair value adjustments on inventory sold	**6,986,307**	8,621,680
Change in fair value of biological assets	**(6,126,189)**	(12,199,876)
Expected credit losses	**1,721,213**	1,896,618
Other income	**66,790**	197,366
Finance expense	**1,750,503**	1,131,773
	3,938,866	7,562,042
Changes in non-cash working capital items:		
Trade and other receivables	**(658,890)**	(5,172,291)
Inventory	**(11,927,035)**	(14,380,682)
Biological assets	**6,372,250**	12,698,577
Prepaid expenses and deposits	**(185,110)**	(122,080)
Trade and other payables	**859,665**	4,450,542
Income taxes payable	**885,812**	101,766
Cash flows (used in) provided by operating activities	**(714,442)**	5,634,492
Investing activities:		
Proceeds on sale of equipment	**96,000**	35,000
Purchase of equipment	**(570,930)**	(2,293,977)
Issuance of loans receivable	**(472,159)**	(1,400,000)
Cash flows used in investing activities	**(947,089)**	(3,658,977)
Financing activities:		
Proceeds from notes payable	**5,995,000**	2,127,803
Proceeds from borrowings	**200,000**	—
Repayment of notes payable	**(2,677,097)**	(2,196,286)
Repayment of borrowings	**(300,000)**	—
Repayment of lease obligations	**(1,589,380)**	(1,581,526)
Cash flows provided by (used in) financing activities	**1,628,523**	(1,650,009)
Net change in cash during the year	**(33,008)**	325,506
Cash, beginning of the year	**470,559**	145,053
Cash, end of the year	**437,551**	470,559

The accompanying notes are an integral part of these financial statements.

1 Nature of business

Montreal Cannabis Médical Inc. (the "Company" or “MTL Cannabis”) was incorporated on April 27, 2017, under the Canada Business Corporations Act. The Company is a Health Canada licensed cultivator and processor. The Company received its license to cultivate and process cannabis on February 7, 2020. The Company also received its license to sell dried cannabis on February 22, 2022, and its license to sell cannabis topicals, extracts, and edibles on October 3, 2022.

The Company’s head office and principal place of business is located at 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, Canada, H9R 1B4.

2 Basis of preparation

Statement of compliance

These financial statements have been prepared by management in accordance with 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 financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 11, 2023.

Basis of measurement

These financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments measured at fair value on initial recognition and biological assets which are measured at fair value less cost to sell. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value, but are not fair value, such as value in use in *IAS 36 Impairment of Assets*.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- Leases

  Measurement of right-of-use assets and lease liabilities require judgment in determining lease terms, such as assessing the likelihood of exercising extension options and determination of the appropriate discount rate. In the case where an incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- Inventories

  Inventories are valued at the lower of cost and net realizable value. The costs of inventory involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated. In assessing the recoverability of final inventory values, management compares the inventory cost to estimated net realizable value. Management records a provision to inventory to the extent the cost of inventory exceeds the estimated net realizable value.

- Valuation of the fair value less costs to sell of biological assets

  In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices and expected yields for the cannabis plants.

- Depreciation and impairment of equipment

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

- Loan receivables and trade and other receivables

  The recognition of loans receivable and trade and other receivables requires the Company to assess credit risk and collectability when assessing allowances for expected credit loss. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company's provision is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment.

- Financial guarantee

  Financial guarantee contracts issued by the Company represent a financial liability initially recognized at fair value, which is determined using a valuation method that quantifies the economic benefit of the financial guarantee to the holder. Subsequently, the Company is required to determine the fair value in accordance with an expected credit loss model. Management judgment is required in determining the appropriate discount rates to present value the cash flows, which takes into consideration the credit risk of the guarantee holder and the expected value of any collateral attached with the loan arrangement.

3 Summary of significant accounting policies

[a] Revenue Recognition

The Company's accounting policy for revenue recognition under IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), is to follow a five-step model to determine the amount and timing of revenue to be recognized by applying the following steps:

i) identify the contract with a customer;
ii) identify the performance obligations in the contract;
iii) determine the transaction price;
iv) allocate the transaction price to the performance obligations in the contract; and
v) recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue from the sale of cannabis is recognized when the Company transfers control of the good to the customer. This is generally considered to have occurred when products have been delivered to the location specified in the sales contract and accepted by the customer. The Company recognizes deferred revenue when proceeds are received but not earned. Revenue is recognized when the products are transferred to the customer and the Company's performance obligations have been fulfilled.

The Company recognizes revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return and discounts.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with resellers and involves judgment based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls and are responsible for the condition of the goods until they are ultimately sold to the end customer.

Areas of judgment include identifying the customer per the definition within IFRS 15 and determining whether control has passed to the customer, and estimating expected returns and variable considerations for discounts.

[b] Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

  - It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

  The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Financial liabilities

  The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

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

- Financial liabilities and equity instruments

  - Classification as debt or equity

    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Company does not reclassify financial liabilities or equity after initial recognition due to a change in circumstance.

  - Equity instruments

    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

    Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- Classification of financial instruments

  The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Notes payable	Amortized cost
Borrowings	Amortized cost
Financial guarantee	FVTPL

- Impairment of financial assets

  An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing a loss allowance based on lifetime expected losses at each reporting date taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its trade and other receivables using the expected credit loss model, and no material difference was noted. The Company applies the general approach when assessing impairment for loans receivable based on the lifetime expected credit losses.

- Financial guarantee

  Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9, Financial Instruments ("IFRS 9") and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

[c] Cash

Cash includes deposits held with major financial institutions.

[d] Biological assets

While the Company's biological assets are within the scope of *IAS 41 Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in *IAS 2 Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies consumed throughout the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within "cost of sales" in the statements of income and comprehensive income in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the statements of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statements of financial position.

[e] Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. Cost is determined using the weighted average method. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of sales" in the statements of income and comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the face of the statements of income and comprehensive income. Inventory is measured at the lower of cost or net realizable value on the statements of financial position.

[f] Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in statements of income and comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs incurred are charged to the statements of income and comprehensive income.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in the statements of income and comprehensive income.
Depreciation is based on the estimated useful lives of the assets provided as follows:

Computer equipment	30% declining balance
Equipment and supplies	20% declining balance
Leasehold improvements	20% declining balance

An item of equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. The assets' residual values, useful lives and methods of depreciation and the depreciation charge are adjusted prospectively, if appropriate.

[g] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated to the earlier of the end of useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will remeasure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

[h] Impairment of long-lived assets

Long-lived assets, including equipment, are tested for impairment when there are indicators of impairment which are reviewed at each reporting date or earlier whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in net loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[i] Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

[j] Net Income per Share

Net income per share is calculated based on the income for the financial year and the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the income for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

[k] Government Assistance

Government assistance is recognized when there is reasonable assurance it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs it is intended to subsidize. When the government assistance relates to depreciable assets the value of the grant is deducted from the carrying amount of the asset. The grant is recognized over the life of the depreciable asset as a reduction to depreciation expense.

Government assistance includes government loans received at a below market rate of interest and scientific research and experimental development (“SR&ED”) tax credits. When loans are received at rates below market rates, the benefit is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9, Financial Instruments (“IFRS 9”) and the proceeds received. The difference between the initial carrying amount and the proceeds received is recognized as a government grant and is included in other income on the statements of income and comprehensive income, as the grant conditions are satisfied.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, Presentation of financial statements (“IAS 1”)

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

(expressed in Canadian dollars, except share amounts)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in 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. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 12, Income Taxes (“IAS 12”)

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to 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 taxable and deductible 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 reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

4 Trade and other receivables

The Company’s trade and other receivables include the following:

	March 31, 2023	**March 31, 2022**
	$	**$**
Trade receivables (Note 18)	**6,989,468**	7,180,298
SR&ED receivables	**74,094**	235,015
Less: expected credit losses	**(735,031)**	(496,618)
	6,328,531	6,918,695

During the year ended March 31, 2023, the Company, received $190,000 (2022 – $nil) of interest income related to past due invoices and recognized the full amount in the financial statement line item ‘other income (loss)’.

The Company’s loan receivables include the following:

	March 31, 2023	**March 31, 2022**
	$	**$**
Accrued interest	**24,452**	24,452
Advances	**2,882,800**	1,400,000
Allowance for credit losses	**(2,907,252)**	(1,424,452)
	—	—

The Company advanced proceeds of $1,000,000 to Canada House Cannabis Group Inc (“CHV”) during the year ended March 31, 2022. The loan accrued interest at a rate of 3% per annum. The Company also entered into a loan agreement with IsoCanMed Inc. (“ICM”), a wholly owned subsidiary of CHV, and advanced total proceeds of

(expressed in Canadian dollars, except share amounts)

$400,000. The proceeds were being used by ICM to retrofit its production facilities. During the year ended March 31, 2023, the Company advanced an additional $472,159 to ICM. During the year ended March 31, 2023, the Company also converted $1,010,641 of outstanding trade receivables due from ICM to a loan receivable.

As of March 31, 2022 and 2023, the Company assessed the likelihood of realization of the CHV and ICM loans receivable, underlying collateral, and current and future economic trends and provided an allowance in full. The loss was recognized in the statement of (loss) income and comprehensive (loss) income in the financial statement line item ‘General and administrative’. The loss is included within ‘General operating costs’ (Note 13).

For trade receivables and loan receivables, changes in allowance for credit losses was as follows:

	March 31, 2023	**March 31, 2022**
	$	**$**
Opening balance	**1,921,070**	—
Additions	**1,721,213**	1,921,070
Closing balance	**3,642,283**	1,921,070

5 Inventory

The Company’s inventory consists of the following:

	March 31, 2023	**March 31, 2022**
	$	**$**
Harvested cannabis	**9,686,034**	7,554,103
Purchased cannabis	**1,731,546**	606,382
Carrying value	**11,417,580**	8,160,485
Less: provision	**(2,247,705)**	(2,579,889)
	9,169,875	5,580,596

During the year ended March 31, 2023, the Company expensed $13,241,135 of inventory (2022 – $11,180,573). Included in the amount of inventory expensed is $1,195,492 of inventoried depreciation costs (2022 – $1,210,531), and an inventory write-down of $1,350,064 (2022 – $2,579,889) in cost of sales.

As of March 31, 2023, the carrying value of inventory includes $519,613 of inventoried depreciation costs (2022– $485,214).

(expressed in Canadian dollars, except share amounts)

6 Biological assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Balance – March 31, 2021	2,004,951
Production costs capitalized	4,110,586
Changes in fair values less costs to sell due to biological transformation	12,199,876
Transferred to inventory upon harvest	(16,809,163)
Balance – March 31, 2022	1,506,250
Production costs capitalized	4,317,702
Changes in fair values less costs to sell due to biological transformation	6,126,189
Transferred to inventory upon harvest	(10,689,952)
Balance – March 31, 2023	**1,260,189**

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

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase or decrease in each input would have on the fair value of biological assets:

		As at March 31, 2023		**As at March 31, 2022**	
	Assumption:	**Input**	**10% change**	**Input**	**10% change**
i	Weighted average of expected loss of plants until harvest [a]	9%	$13,007	16%	$29,318
ii	Expected yields (dry grams of cannabis per plant) [b]	527	$126,019	668 grams	$150,625
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	53%	$126,019	45%	$150,625
iv	Estimated selling price (per gram) [c]	$2.06 per gram dried flower	$200,996	$2.24 per gram dried flower	$222,161
v	After harvest cost to complete and sell (per gram)	$0.77 per gram dried flower	$74,977	$0.72 per gram dried flower	$71,536

[a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] Expected average yields for cannabis plants vary based on the mix of strains and number of plants existing at each reporting date.

[c] The estimated selling price (per gram) represents the actual average sales price for the Company's strains sold as bulk products.

The Company estimates the harvest yields for cannabis at various stages of growth. As of March 31, 2023, it is expected that the Company's biological assets will yield approximately 1,855,123 grams (2022 – 2,220,432 grams) of dry cannabis flower, when harvested. The fair value adjustments on biological assets are presented separately on the statements of (loss) income and comprehensive (loss) income.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

(expressed in Canadian dollars, except share amounts)

7 Leases

Right-of-use asset

Cost	**$**
Balance –March 31, 2021	6,676,829
Additions	157,304
Disposals	(178,234)
Balance – March 31, 2022	6,655,899
Additions	40,591
Modifications	6,490,574
Balance – March 31, 2023	**13,187,064**
Accumulated depreciation	
Balance –March 31, 2021	660,817
Depreciation	963,694
Disposals	(47,367)
Balance – March 31, 2022	1,577,144
Depreciation	966,379
Balance – March 31, 2023	**2,543,523**
Net Balance – March 31, 2022	5,078,755
Net Balance – March 31, 2023	**10,643,541**

The Company's right-of-use assets consist of premises and vehicles. During the year ended March 31, 2023, the Company allocated $265,542 (2022 – $265,541) of depreciation expense to the production of biological assets and inventory. During the year ended March 31, 2023, the Company allocated $35,784 (2022 – $35,734) of depreciation expense to cost of sales.

Lease obligations

	$
Balance – March 31, 2021	6,385,907
Additions	157,304
Interest accretion	1,038,755
Lease repayments	(1,581,526)
Loss on early termination	35,875
Disposals	(160,328)
Balance – March 31, 2022	5,875,987
Additions	40,591
Interest accretion	944,898
Lease repayments	(1,589,380)
Modifications	6,490,574
Balance – March 31, 2023	**11,762,670**
Current	**185,804**
Non-current	**11,576,866**

The following table sets out a maturity analysis of the leases payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to lease obligation.

	$
Less than one year	2,162,755
One to two years	2,247,083
Two to three years	2,334,573
Three to four years	2,414,448
Thereafter	16,360,857
Total undiscounted lease payments payable	25,519,717
Less: impact of present value	13,757,047
Balance – March 31, 2023	**11,762,670**

The Company also received rental income of $nil during the year ended March 31, 2023 (2022 – $221,939) relating to the short-term rental of unused warehouse facilities, which has been included in general and administrative expenses on the statement of income and comprehensive income.

(expressed in Canadian dollars, except share amounts)

On March 30, 2023, the Company modified its lease agreement on its head office at 4225 Transcanadienne Highway. The modification extended the maturity date from September 30, 2025 to March 31, 2033, and increased the monthly payments. The Company determined that this modification did not result in a new lease. As a result of the modification, the Company remeasured the lease liability by discounting the revised lease payments using a revised discount rate, and made a corresponding increase to its right-of-use asset in the amount of $3,621,294. The leased premises is owned by a company controlled by the Chief Cultivation Officer and the Chief Operating Officer.

On March 30, 2023, the Company modified its lease agreement on its production facility at 815 Tecumseh Ave. The modification extended the maturity date from March 31, 2030 to March 31, 2033, increased the monthly payments, and added additional leased space that has a commencement date of April 1, 2024. As a result of the modification, the Company remeasured the lease liability by discounting the revised lease payments using a revised discount rate and made a corresponding increase to the ROU asset in the amount of $2,869,280. The leased premises is owned by a company controlled by the Chief Cultivation Officer and the Chief Operating Officer.

For its leased premises, the Company hypothecates all of its equipment and other moveable effects to its landlord up to the market value equivalent of one years' rent as security against the lease obligation.

8 Equipment

	Equipment and supplies	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$
Cost				
Balance, March 31, 2021	5,514,647	13,432	—	5,528,079
Additions	792,195	28,400	16,500	837,095
Disposals	(553,780)	(20,008)	—	(573,788)
Balance, March 31, 2022	5,753,062	21,824	16,500	5,791,386
Additions	374,594	8,646	55,979	439,219
Disposals	(73,199)	—	—	(73,199)
Balance, March 31, 2023	**6,054,457**	**30,470**	**72,479**	**6,157,406**
Accumulated depreciation				
Balance, March 31, 2021	974,578	3,083	—	977,661
Depreciation	891,335	4,071	1,375	896,781
Disposals	(127,961)	(3,206)	—	(131,167)
Balance, March 31, 2022	1,737,952	3,948	1,375	1,743,275
Depreciation	892,435	6,945	4,364	903,744
Disposals	(43,989)	—	—	(43,989)
Balance, March 31, 2023	**2,586,398**	**10,893**	**5,739**	**2,603,030**
Carrying value				
Balance, March 31, 2022	4,015,110	17,876	15,125	4,048,111
Balance, March 31, 2023	**3,468,059**	**19,577**	**66,740**	**3,554,376**

During the year ended March 31, 2023, the Company allocated $908,276 (2022 – $841,718) of depreciation expense to the production of biological assets and inventory. During the year ended March 31, 2023, the Company recognized a gain on disposal of $66,790 (2022 – loss of $190,952) recognized in other (income) loss.

9 Notes payable

The following table presents the notes payable for the Company:

	March 31, 2023	March 31, 2022
	$	$
Balance – Beginning of year	**2,041,820**	2,025,463
Advances	**5,995,000**	2,127,803
Interest expense	**798,256**	84,840
Repayments	**(2,677,097)**	(2,196,286)
Balance – End of year	**6,157,979**	2,041,820

(expressed in Canadian dollars, except share amounts)

Notes payable are due to certain shareholders of the Company. The notes payable bear interest ranging from 0% to 17% per annum and are unsecured. As of March 31, 2023, $6,157,979 (2022 – $1,805,592) of notes payable were due on demand.

10 Borrowings

The following table presents the borrowings for the Company:

	March 31, 2023	March 31, 2022
	$	**$**
Biofloral Loan [i]	**1,400,000**	1,500,000
Canada Emergency Business Account Loan [ii]	**60,000**	52,652
Total borrowings	**1,460,000**	1,552,652
Current	**1,460,000**	1,500,000
Non-current	**—**	52,652

[i] Biofloral Loan

In July 2019, the Company entered into a $1,500,000 loan agreement with 9204-2761 Québec Inc. (“Biofloral”), an unrelated party**.** The loan matures in July 2022. In April 2022, Biofloral provided additional funding of $200,000, at the same terms, and due on demand. Both parties agreed to extend the terms beyond the maturity date of July 2022 on a month to month basis. The loan is secured against the Company’s equipment. The loan accrues interest at 7% for the first 24 months and 10% thereafter. The Company is required to remit monthly payments of interest with principal balance due at maturity. During the year, the Company repaid $300,000 of the principal balance. The loan is classified at amortized cost and accounted for using the effective interest rate method. During the year ended March 31, 2023, the Company incurred $165,479 of interest expense (2022 – $136,808).

The Company has pledged up to $1,850,000 of movable hypothec as security on the loan encumbering the totality of the tangible and intangible movable property of the Company. As part of the loan, the Company is required to remain under control of the Michel Clement Family Trust, an entity under control of the Company’s President, and the Richard Clement Family Trust, an entity under control of the Company’s CEO. As at March 31, 2023, the Company was in compliance with the covenant.

[ii] Canada Emergency Business Account Loan

The Company received $40,000 in May 2020 and $20,000 in December 2020 through the Canada Emergency Business Account program (“CEBA”). The loans are interest free. The CEBA was launched by the government of Canada in response to the global COVID-19 health crisis. On January 12, 2022, the forgiveness repayment date on CEBA loans was extended to December 31, 2023, for eligible CEBA loan holders in good standing. If the loans are repaid in full by December 31, 2023, $20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, it will be converted into a 3-year term loan bearing interest at 5%, due December 31, 2025.

The loan was classified at amortized cost and accounted for using the effective interest rate method. The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan is recognized at fair value using the Company’s incremental borrowing rate of 17%. The difference between the initial carrying amount and the proceeds received of $20,229 was recognized as a government grant and is included in other income on the statements of income and comprehensive income. During the year ended March 31, 2023, the Company incurred $7,349 of interest expense (2022 – $8,178).

Finance expense for the years ended March 31, 2023 and 2022 consists of the following:

	2023	2022
	$	**$**
Interest on lease obligations	**944,898**	1,038,755
Interest on notes payable	**798,256**	84,840
Interest on borrowings	**172,828**	144,986
Other finance expenses	**—**	18,318
	1,915,982	1,286,899

(expressed in Canadian dollars, except share amounts)

11 Share capital

Authorized

The Company has authorized capital consisting of an unlimited number of common shares with no par value.

Issued and outstanding

	Common shares	
	#	$
Balance – March 31, 2022 and 2023	10,000	100

12 Earnings per share

The Company presents basic and diluted EPS data for its shares. Basic EPS is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting net (loss) income and the weighted average number of common shares outstanding, for the effects of all dilutive potential shares. For the years ended March 31, 2023 and 2022, the Company did not have any other potential dilutive instruments outstanding.

13 Nature of expenses

General and administrative expenses for the years ended March 31, 2023 and 2022 consists of the following:

	2023	2022
	$	$
Salaries, wages and benefits	**2,975,428**	2,354,897
General operating costs	**2,966,126**	2,748,686
Occupancy costs / (recovery)	**—**	(260,213)
Professional fees	**1,513,745**	995,682
	7,455,299	5,839,052

For the year ended March 31, 2023, the Company recognized through cost of sales $4,802,914 (2022 – $3,584,454) of salaries, wages and benefits that were capitalized to the production of biological assets and inventory.

14 Income taxes

The reconciliation of income tax expense for the years ended March 31, 2023 and 2022 consists of the following:

	2023	2022
	$	$
Income (loss) before income taxes	**(2,795,518)**	4,085,443
Statutory tax rate	**26.50%**	26.50%
Expected income tax provision (recovery)	**(740,813)**	1,082,642
Impact of difference in deferred tax rate	**196,470**	188,740
Tax rate changes and other adjustments	**(153,148)**	298,920
Non-deductible expenses	**29,185**	200,252
Change in deferred tax assets not recognized	**85,303**	113,244
Net income tax provision	**(583,003)**	1,883,798

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(expressed in Canadian dollars, except share amounts)

	March 31, 2023	March 31, 2022
	$	$
Non-capital loss carry forwards	**—**	96,526
SR&ED	**—**	(21,116)
Equipment	**(570,124)**	(1,048,346)
Biological assets and inventory	**(874,674)**	(1,631,938)
Reserve	**579,994**	320,343
Lease Liability	**47,141**	—
CEBA Loan	**5,300**	3,353
Total deferred tax liabilities	**(812,363)**	(2,281,178)

The Company has non-capital loss carry forwards of $nil (2022 – $839,349), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, which expire between the years 2039 and 2041.

15 Commitments and contingencies

Commitments

Financial Guarantee

In May 2022, the Company provided a financial guarantee in relation to a mortgage entered into by 9336-4644 Quebec Inc. (the "Lessor"), a company under common control. The Lessor owns the real estate of 4225 Transcanadienne Highway and 815 Tecumseh Ave and leases the premises to the Company for the purposes of conducting their business operations.

The Company has guaranteed all outstanding obligations of the Lessor, related to this mortgage, which includes any principal and interest payments, accrued and unpaid interest and/or penalties in the occurrence of any default event. The Company is required to settle any outstanding obligations through cash payment. The mortgage is secured by real estate.

As at March 31, 2023, the total amount outstanding and payable by the Lessor under the mortgage was $16,130,000 (2022 – $16,130,000). The Company has recognized $nil relating to this guarantee.

Lease commitment

On March 30, 2023, the Company modified its lease agreement on its production facility. The modification added additional leased space from April 1, 2024 to March 31, 2033. As a result the Company has not recognized the lease commitment for the additional space as at March 31, 2023. The total undiscounted lease payments related to the additional leased space is $4,182,691.

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. While the outcome of these matters may not be estimable at the reporting date, the Company makes provision, where possible, for the estimate outcome of such claims or proceedings.

Former employee

In April 2022, a former employee filed a claim against the Company for unjust dismissal. The amount being claimed is approximately $250,000. Management is actively defending this claim and therefore has not recorded a provision in respect of this matter.

16 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly and consists of the Chief Executive Officer, Chief Cultivation Officer, Chief Operating Officer, and President.

On August 30, 2022, the Company closed the first tranche of its transaction with CHV. With the closing of the first tranche of the Transaction (the "Initial Closing") CHV acquired 24.99% of the issued and outstanding shares of MTL in exchange for 49.99% of the issued and outstanding common shares of CHV to the shareholders of the Company on the Initial Closing. This transaction resulted in the Company being considered a related party to CHV and it's subsidiaries, ICM and Abba Medix Corp.

During the period ended March 31, 2023, the Company made sales to CHV and its subsidiaries totaling $22,320,320 (March 31, 2022 - $3,800,934). CHV is 49.99% owned by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding receivable balance of $5,354,468 (March 31, 2022 – $2,489,620). During the period ended March 31, 2023, an amount of $1,010,641 of trade receivables was converted into a loan receivable.

During the year the Company made purchases from CHV and its subsidiaries totaling $6,282,074 (March 31, 2022 - $286,227). The ending inventory on hand for these purchases at March 31, 2023 was $1,503,138.

As of March 31, 2023, the Company had a loan receivables balance of $2,907,252 (March 31, 2022 – $1,424,452) from CHV and its subsidiaries recorded in trade and other receivables (Note 4). The loans charge interest at rates ranging between 3% to 8% per annum. The CHV loan receivable is due on demand and the ICM construction loan is due in quarterly installments, commencing in December 2022.

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the year ended March 31, 2023, was $934,519 (2022 – $542,069).

During the year ended March 31, 2023, the Company made rental and lease payments totaling $1,537,984 (2022 – $1,513,984) to a company that is controlled by the Chief Cultivation Officer and the Chief Operating Officer.

During the year ended March 31, 2023, the Company purchased $2,294,043 (2022 – $2,393,338) of equipment and services at market rates from a company that is controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance of $798,337 (2022 – $2,074,919) recorded in trade and other payables. These items were recognized under equipment and cost of sales during the year.

During the year ended March 31, 2023, the Company was advanced $5,450,000 (2022 – $1,420,000) and repaid $2,189,525 (2022 – $1,077,000) of notes payable from a Company controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance payable of $5,176,028 (2022 – $1,417,290) recorded in notes payable (Note 9). The balance payable is due on demand. As of June 30, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest was non-interest bearing.

During the year ended March 31, 2023, the Company was advanced $545,000 (2022 – $522,784) and repaid $55,356 (2022 – $229,281) of notes payable from a Company controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance of $981,950 (2022 – $382,495) recorded in notes payable (Note 9). The balance payable is due on demand. As of June 30, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest was non-interest bearing.

During the year ended March 31, 2023, the Company repaid $5,807 (2022 – $104,986) of an advance from the Chief Cultivation Officer. As of March 31, 2023, the Company had an outstanding balance of $nil (2022 – $5,807) due to the Chief Operating Officer and recorded in notes payable (Note 9). The balance payable is non-interest bearing and due on demand.

(expressed in Canadian dollars, except share amounts)

During the year ended March 31, 2022, the Company was advanced $185,019 from the Chief Executive officer. This amount was fully repaid during the year. The advance was non-interest bearing.

17 Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock, borrowings, and notes payable.

Total managed capital is as follows:

	March 31, 2023	March 31, 2022
	$	$
Borrowings	**1,460,000**	1,552,652
Notes payable	**6,157,979**	2,041,820
Share capital	**100**	100
	7,618,079	3,594,572

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

18 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 March 31, 2023, two customers represented 85% of the outstanding receivable balance (2022 – three customers represented 93%). For the year ended March 31, 2023, two customers accounted for 68% of the Company's revenue (2022 – two customers represented 79%)

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:

	March 31, 2023	March 31, 2022
	$	$
Current	**4,026,139**	5,664,584
1 – 30 days past due	**2,644,388**	61,739
31 – 60 days past due	**177,182**	870,412
Greater than 60 days past due	**141,759**	583,563
	6,989,468	7,180,298
Less: expected credit losses	**(735,031)**	(496,618)
	6,254,437	6,683,680

The expected credit losses were recognized in the statement of loss and comprehensive loss in the financial statement line item 'General and administrative'. The losses are included within 'General operating costs' (Note 13).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come 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, the issuance of share capital and, if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these financial statements.

(expressed in Canadian dollars, except share amounts)

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2023:

	Carrying amount	**Year 1**	**Year 2 and thereafter**	**Total**
	$	**$**	**$**	**$**
Trade and other payables	**9,023,669**	**9,023,669**	**—**	**9,023,669**
Notes payable	**6,157,979**	**6,157,979**	**—**	**6,157,979**
Borrowings	**1,460,000**	**1,478,763**	**—**	**1,478,763**
	16,641,648	**16,660,411**	**—**	**16,660,411**

The Company was obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2022:

	Carrying amount	**Year 1**	**Year 2 and thereafter**	**Total**
	$	$	$	$
Trade and other payables	8,162,134	8,162,134	—	8,162,134
Notes payable	2,041,820	2,041,820	—	2,041,820
Borrowings	1,552,652	1,550,000	40,000	1,590,000
	11,756,606	11,753,954	40,000	11,793,954

Market risk

Market risk is the risk 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: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to foreign currency risk as at March 31, 2023.

- Interest rate risk

Interest rate risk is the risk 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 March 31, 2023 as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk 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 risk as at March 31, 2023.

Fair values

The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the 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 year, there were no transfers of amounts between levels and the Company did not have any financial instruments measured at fair value.

19 Subsequent events

On July 10, 2023, the Company repaid the Biofloral Loan (Note 10) in full in the amount of $1,400,000. The balance of the loan outstanding after the repayment is $nil.

Subsequent to year end, the company entered into an international supply agreement to cannabis products into the following territories: Australia, the United Kingdom, the European Union and LATAM. Since the execution of the agreement, the Company has shipped and recognized revenue for a shipment of bulk cannabis product into Portugal.

On July 28, 2023, the Company closed a transaction whereby CHV acquired the remaining 75.01% of the issued and outstanding shares of MTL Cannabis. The shareholders of MTL Cannabis were given 70,713,556 of the issued and outstanding common shares of CHV, or 30.01%, as consideration for the transaction. Subsequent to this transaction, CHV owned 100% of the issued and outstanding shares of MTL Cannabis.

The Transaction will constitute a reverse take-over of CHV by MTL Cannabis, with CHV being the legal acquirer and MTL Cannabis being the acquirer for accounting purposes. Pursuant to the transaction, CHV will effect a name change, changing its name from Canada House Cannabis Group Inc. to MTL Cannabis Corp.

Montreal Cannabis Médical Inc.

Financial statements

For the years ended March 31, 2022 and 2021

[Expressed in Canadian dollars]

To the Shareholders of Montreal Cannabis Medical Inc.:

Opinion

We have audited the financial statements of Montreal Cannabis Medical Inc. (the "Company"), which comprise the statements of financial position as at March 31, 2022 and March 31, 2021, and the statements of net income and comprehensive income, changes in shareholders equity' and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and March 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

MNP S.E.N.C.R.L., s.r.l./LLP
1155, boulevard René-Lévesque Ouest, 23e étage, Montréal (Québec) H3B 2K2 1.888.861.9724 Tél. : 514.861.9724 Téléc. : 514.861.9446

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Montréal, Québec

MNP LLP[1]

May 12, 2023

[1] FCPA auditor, public accountancy permit no. A122514

Montreal Cannabis Médical Inc.

Statements of financial position
[expressed in Canadian dollars]

As at	Notes	**March 31, 2022** $	March 31, 2021 $
ASSETS			
Current assets			
Cash		**470,559**	145,053
Trade and other receivables	4	**6,918,695**	2,243,022
Inventory	5	**5,580,596**	2,388,541
Biological assets	6	**1,506,250**	2,004,951
Prepaid expenses and deposits		**165,928**	16,898
		14,642,028	6,798,465
Non-current assets			
Right-of-use assets, net	7	**5,078,755**	6,016,012
Equipment, net	8	**4,048,111**	4,550,418
TOTAL ASSETS		**23,768,894**	17,364,895
LIABILITIES			
Current liabilities			
Trade and other payables		**8,162,134**	5,358,193
Income taxes payable		**101,766**	—
Lease obligations	7	**649,724**	522,768
Notes payable	9	**2,041,820**	2,025,463
Borrowings	10	**1,500,000**	—
		12,455,444	7,906,424
Non-current liabilities			
Lease obligations	7	**5,226,263**	5,863,139
Borrowings	10	**52,652**	1,544,474
Deferred tax liability	14	**2,281,178**	499,146
		20,015,537	15,813,183
SHAREHOLDERS' EQUITY			
Share capital	11	**100**	100
Contributed surplus		**111,430**	111,430
Retained earnings (deficit)		**3,641,827**	1,440,182
		3,753,357	1,551,712
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23,768,894**	17,364,895

Contingencies 15
Subsequent events 19

The accompanying notes are an integral part of these financial statements.

Approved by:

"signed"
Michael Perron

Montreal Cannabis Médical Inc.

Statements of income and comprehensive income
[expressed in Canadian dollars, except number of shares]

For the years ended March 31,	Notes	2022 $	2021 $
Revenue			
Product revenue		**26,073,865**	14,015,987
Less excise tax		**(3,922,575)**	(657,934)
		22,151,290	13,358,053
Cost of sales		**11,180,573**	8,535,878
Gross profit before fair value adjustments		**10,970,717**	4,822,175
Fair value adjustments on biological assets	6	**12,199,876**	3,583,039
Fair value adjustments on sale of inventory		**(8,621,680)**	(3,065,583)
Gross profit		**14,548,913**	5,339,631
Operating expenses			
General and administrative	13	**5,839,052**	1,867,053
Sales and marketing		**2,509,869**	889,257
Depreciation	7,8	**666,490**	554,810
		9,015,411	3,311,120
Operating income		**5,533,502**	2,028,511
Finance expense, net	10	**1,286,899**	1,096,971
Other loss (income)		**161,160**	(55,451)
Income before income taxes		**4,085,443**	986,991
Income tax expense	14	**1,883,798**	272,008
Net income and comprehensive income for the year		**2,201,645**	714,983
Income per share - basic and diluted		**$ 220.16**	$ 71.50
Weighted average number of common shares outstanding - basic and diluted		**10,000**	10,000

The accompanying notes are an integral part of these financial statements.

Montreal Cannabis Médical Inc.

Statements of changes in shareholders' equity

For the years ended March 31, 2022 and 2021

[expressed in Canadian dollars, except number of shares]

	Common shares		**Contributed surplus**	**Retained earnings**	**Total**
	#	$	$	$	$
Balance as at March 31, 2020	10,000	100	111,430	725,199	836,729
Net income	—	—	—	714,983	714,983
Balance as at March 31, 2021	10,000	100	111,430	1,440,182	1,551,712
Net income	—	—	—	2,201,645	2,201,645
Balance as at March 31, 2022	**10,000**	**100**	**111,430**	**3,641,827**	**3,753,357**

The accompanying notes are an integral part of these financial statements.

Montreal Cannabis Médical Inc.

Statements of cash flows
[expressed in Canadian dollars]

For the year ended March 31,	**2022** **$**	2021 $
Operating activities:		
Net income for the period	**2,201,645**	714,983
Add (deduct) items not affecting cash		
Deferred tax expense	**1,782,032**	272,008
Depreciation	**1,847,533**	1,164,738
Change in fair value adjustments on inventory sold	**8,621,680**	3,065,583
Change in fair value of biological assets	**(12,199,876)**	(3,583,039)
Expected credit losses	**1,896,618**	—
Other (income) loss	**197,366**	(20,229)
Finance expense	**1,131,773**	1,088,335
	5,478,771	2,702,379
Changes in non-cash working capital items:		
Trade and other receivables	**(5,172,291)**	(1,833,581)
Inventory	**(11,800,793)**	(3,345,188)
Biological assets	**12,698,577**	2,502,696
Prepaid expenses and deposits	**(122,080)**	3,291
Trade and other payables	**4,450,542**	2,921,465
Income taxes payable	**101,766**	—
Deferred revenue	**—**	(509,909)
Cash flows provided by operating activities	**5,634,492**	2,441,153
Investing activities:		
Proceeds on sale of equipment	**35,000**	—
Purchase of equipment	**(2,293,977)**	(1,411,546)
Issuance of loans receivable	**(1,400,000)**	—
Cash flows used in investing activities	**(3,658,977)**	(1,411,546)
Financing activities:		
Proceeds from notes payable	**2,127,803**	702,765
Proceeds from borrowings	**—**	60,000
Repayment of notes payable	**(2,196,286)**	(690,123)
Repayment of borrowings	**—**	(104,928)
Repayment of lease obligations	**(1,581,526)**	(1,150,452)
Cash flows used in financing activities	**(1,650,009)**	(1,182,738)
Net change in cash during the year	**325,506**	(153,131)
Cash, beginning of the year	**145,053**	298,184
Cash, end of the year	**470,559**	145,053

The accompanying notes are an integral part of these financial statements.

1 Nature of business

Montreal Cannabis Médical Inc. (the "Company" or “MTL Cannabis”) was incorporated on April 27, 2017, under the Canada Business Corporations Act. The Company is a Health Canada licensed cultivator and processor. The Company received its license to cultivate and process cannabis on February 7, 2020. The Company also received its license to sell dried cannabis on February 22, 2022.

The Company’s head office and principal place of business is located at 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, Canada, H9R 1B4.

Impact of COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19,” had resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, had caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks had reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. COVID-19 did not have a material impact on the operations or financial results of the Company for the years ended March 31, 2022 and 2021.

2 Basis of preparation

Statement of compliance

These financial statements have been prepared by management in accordance with 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 financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 12, 2023.

Basis of measurement

These financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments measured at fair value on initial recognition and biological assets which are measured at fair value less cost to sell. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value, but are not fair value, such as value in use in *IAS 36 Impairment of Assets*.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- Leases

  Measurement of right-of-use assets and lease liabilities require judgment in determining lease terms, such as assessing the likelihood of exercising extension options and determination of the appropriate discount rate. In the case where an incremental borrowing rate is used, the Company estimates the incremental borrowing rate based on the lease term, collateral assumptions, and the economic environment in which the lease is denominated. Renewal options are only included if management is reasonably certain that the option will be renewed.

- Inventories

  Inventories are valued at the lower of cost and net realizable value. The costs of inventory involve estimates in determining the allocation of fixed and variable production overhead. These estimates include determination of normal production capacity and nature of expenses to be allocated. In assessing the recoverability of final inventory values, management compares the inventory cost to estimated net realizable value. Management records a provision to inventory to the extent the cost of inventory exceeds the estimated net realizable value.

- Valuation of the fair value less costs to sell of biological assets

  In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices and expected yields for the cannabis plants.

- Depreciation and impairment of equipment

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

- Trade and other receivables

  The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment. The Company's provision is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment, including the potential impact of the COVID-19 pandemic.

- Financial guarantee

  Financial guarantee contracts issued by the Company represent a financial liability initially recognized at fair value, which is determined using a valuation method that quantifies the economic benefit of the financial guarantee to the holder. Subsequently, the Company is required to determine the fair value in accordance with an expected credit loss model. Management judgment is required in determining the appropriate discount rates to present value the cash flows, which takes into consideration the credit risk of the guarantee holder and the expected value of any collateral attached with the loan arrangement.

3 Summary of significant accounting policies

[a] Revenue Recognition

The Company's accounting policy for revenue recognition under IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), is to follow a five-step model to determine the amount and timing of revenue to be recognized by applying the following steps:

i) identify the contract with a customer;
ii) identify the performance obligations in the contract;
iii) determine the transaction price;
iv) allocate the transaction price to the performance obligations in the contract; and
v) recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue from the sale of cannabis is recognized when the Company transfers control of the good to the customer. This is generally considered to have occurred when products have been delivered to the location specified in the sales contract and accepted by the customer. The Company recognizes deferred revenue when proceeds are received but not earned. Revenue is recognized when the products are transferred to the customer and the Company's performance obligations have been fulfilled.

The Company recognizes revenue in an amount that reflects the consideration the Company expects to receive taking into account any variation that may result from rights of return and discounts.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with resellers and involves judgment based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls and are responsible for the condition of the goods until they are ultimately sold to the end customer.

Areas of judgment include identifying the customer per the definition within IFRS 15 and determining whether control has passed to the customer.

[b] Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

- Financial assets

  On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

  A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

  - It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or amortized cost.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at FVTPL are stated at fair value with changes being recognized in profit or loss.

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

- Financial liabilities and equity instruments

  - Classification as debt or equity

    Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Company does not reclassify financial liabilities or equity after initial recognition due to a change in circumstance.

  - Equity instruments

    An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

    Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

- Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Classification	
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost

Notes payable	Amortized cost
Borrowings	Amortized cost
Financial guarantee	FVTPL

- Impairment of financial assets

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables. The Company applies the simplified approach to impairment for trade and other receivables by recognizing a loss allowance based on lifetime expected losses at each reporting date taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. The Company has assessed the impairment of its trade and other receivables using the expected credit loss model, and no material difference was noted. The Company applies the general approach when assessing impairment for loans receivable based on the lifetime expected credit losses.

- Financial guarantee

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9, Financial Instruments ("IFRS 9") and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

[c] Cash

Cash includes deposits held with major financial institutions.

[d] Biological assets

While the Company's biological assets are within the scope of *IAS 41 Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in *IAS 2 Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies consumed throughout the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within "cost of sales" in the statements of income and comprehensive income in the period that the related product is sold. Unrealized fair value gains on growth of biological assets are recorded in a separate line on the face of the statements of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statements of financial position.

[e] Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labeling and inspection. Cost is determined using the weighted average method. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of sales" in the statements of income and comprehensive income at the time cannabis is sold, except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the face of the statements of income and comprehensive income. Inventory is measured at the lower of cost or net realizable value on the statements of financial position.

[f] Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in statements of income and comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs incurred are charged to the statements of income and comprehensive income.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in the statements of income and comprehensive income.

Depreciation is based on the estimated useful lives of the assets provided as follows:

Computer equipment	30% declining balance
Equipment and supplies	20% declining balance
Leasehold improvements	20% declining balance

An item of equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. The assets' residual values, useful lives and methods of depreciation and the depreciation charge are adjusted prospectively, if appropriate.

[g] Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

[h] Impairment of long-lived assets

Long-lived assets, including equipment, are tested for impairment when there are indicators of impairment which are reviewed at each reporting date or earlier whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in net loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

[i] Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

[j] Net Income per Share

Net income per share is calculated based on the income for the financial year and the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the income for the financial year adjusted for the effect of any dilutive instruments and the weighted average diluted number of shares (ignoring any potential issue of common shares that would be anti-dilutive) during the year.

[k] Government Assistance

Government assistance is recognized when there is reasonable assurance it will be received and all related conditions will be complied with. When the government assistance relates to an expense item, it is recognized as a reduction of expense over the period necessary to match the government assistance on a systematic basis to the costs it is intended to subsidize. When the government assistance relates to depreciable assets the value of the grant is deducted from the carrying amount of the asset. The grant is recognized over the life of the depreciable asset as a reduction to depreciation expense.

Government assistance includes government loans received at a below market rate of interest and scientific research and experimental development (“SR&ED”) tax credits. When loans are received at rates below market rates, the benefit is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9, Financial Instruments ("IFRS 9") and the proceeds received. The difference between the initial carrying amount and the proceeds received is recognized as a government grant and is included in other income on the statements of income and comprehensive income, as the grant conditions are satisfied.

New standards, amendments and interpretations not yet adopted by the Company

IAS 1, Presentation of financial statements ("IAS 1")

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in 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. The Company is still assessing the impact of adopting these amendments on its financial statements.

IAS 12, Income Taxes ("IAS 12")

In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to 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 taxable and deductible 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 reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

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 (*"IAS 37"*), 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 is still assessing the impact of these amendments on its financial statements.

(expressed in Canadian dollars, except share amounts)

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 Assets be used to identify liabilities and contingent assets arising from business combination. The Company is still assessing the impact of adopting these amendments on its financial statements.

4 Trade and other receivables

The Company's trade and other receivables include the following:

	March 31, 2022	March 31, 2021
	$	**$**
Trade receivables (Note 18)	**6,683,680**	1,756,910
Sales tax receivables	**—**	486,112
SR&ED receivables	**235,015**	—
	6,918,695	2,243,022

The Company's loan receivables during the year ended March 31, 2022 were as follows:

	March 31, 2022
	$
Balance, March 31, 2021	**—**
Advances	**1,400,000**
Allowance for credit losses	**(1,400,000)**
Balance, March 31, 2022	**—**

During the year ended March 31, 2022, the Company advanced proceeds of $1,000,000 to Canada House Cannabis Group Inc ("CHV"). The loan accrued interest at a rate of 3% per annum. The Company also entered into a loan agreement with IsoCanMed Inc. ("ICM") a wholly owned subsidiary of CHV and advanced total proceeds of $400,000. Neither CHV or ICM were able to make interest payments when due. As of March 31, 2022, the Company assessed the likelihood of realization of the CHV and ICM loans receivable, underlying collateral, and current and future economic trends and provided an allowance in full. The loss was recognized in the statement of loss and comprehensive loss in the financial statement line item 'General and administrative'. The loss is included within 'General operating costs' (Note 13).

5 Inventory

The Company's inventory consists of the following:

	March 31, 2022	March 31, 2021
	$	**$**
Harvested cannabis	**7,554,103**	1,996,919
Purchased cannabis	**606,382**	752,762
Carrying value	**8,160,485**	2,749,681
Less: provision	**(2,579,889)**	(361,140)
	5,580,596	2,388,541

During the year ended March 31, 2022, the Company expensed $11,180,573 of inventory (2021 - $8,535,878). Included in this amount is also an amount of $1,210,531 of inventoried depreciation costs (2021 – $609,278), and an inventory write-down of $2,579,889 (2021 - $361,140).

As of March 31, 2022, inventory includes $485,214 of inventoried depreciation costs (2021 – $216,148).

(expressed in Canadian dollars, except share amounts)

6 Biological assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Balance – March 31, 2020	924,608
Production costs capitalized	2,490,998
Changes in fair values less costs to sell due to biological transformation	3,583,039
Transferred to inventory upon harvest	(4,993,694)
Balance – March 31, 2021	2,004,951
Production costs capitalized	4,110,586
Changes in fair values less costs to sell due to biological transformation	12,199,876
Transferred to inventory upon harvest	(16,809,163)
Balance – March 31, 2022	**1,506,250**

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

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets:

		As at March 31, 2022		**As at March 31, 2021**	
	Assumption:	**Input**	**10% change**	**Input**	**10% change**
i	Weighted average of expected loss of plants until harvest [a]	16%	$29,318	33%	$98,877
ii	Expected yields (dry grams of cannabis per plant) [b]	668 grams	$150,625	753 grams	$200,488
iii	Weighted average number of growing weeks completed as a percentage of total growing weeks as at year-end	45%	$150,625	46%	$200,488
iv	Estimated selling price (per gram) [c]	$2.24 per gram dried flower	$222,161	$2.60 per gram dried flower	$306,147
v	After harvest cost to complete and sell (per gram)	$0.72 per gram dried flower	$71,536	$0.90 per gram dried flower	$105,659

[a] Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

[b] Expected average yields for cannabis plants vary based on the mix of strains and number of plants existing at each reporting date.

[c] The estimated selling price (per gram) represents the actual average sales price for the Company's strains sold as bulk products.

The Company estimates the harvest yields for cannabis at various stages of growth. As of March 31, 2022 and 2021, it is expected that the Company's biological assets will yield approximately 2,220,432 and 2,540,109 grams of dry cannabis flower, respectively, when harvested. The fair value adjustments on biological assets are presented separately on the statements of income and comprehensive income.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets.

(expressed in Canadian dollars, except share amounts)

7 Leases

Right-of-use asset

Cost	**$**
Balance –March 31, 2020	—
Additions	6,676,829
Balance – March 31, 2021	6,676,829
Additions	157,304
Disposals	(178,234)
Balance – March 31, 2022	**6,655,899**
Accumulated depreciation	
Balance –March 31, 2020	—
Depreciation	660,817
Balance – March 31, 2021	660,817
Depreciation	963,694
Disposals	(47,367)
Balance – March 31, 2022	**1,577,144**
Net Balance – March 31, 2021	6,016,012
Net Balance – March 31, 2022	**5,078,755**

The Company's right-of-use assets consist of premises and vehicles. During the year ended March 31, 2022, the Company allocated $265,541 (2021 – $121,811) of depreciation expense to the production of biological assets and inventory. During the year ended March 31, 2022, the Company allocated $35,734 (2021 – $nil) of depreciation expense to cost of sales.

Lease obligations

	$
Balance – March 31, 2020	—
Additions	6,676,829
Interest accretion	859,530
Lease repayments	(1,150,452)
Balance – March 31, 2021	6,385,907
Additions	157,304
Interest accretion	1,038,755
Lease repayments	(1,581,526)
Loss on early termination	35,875
Disposals	(160,328)
Balance – March 31, 2022	**5,875,987**
Current	**649,724**
Non-current	**5,226,263**

The following table sets out a maturity analysis of the leases payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to lease obligation.

	$
Less than one year	1,580,014
One to two years	1,604,014
Two to three years	1,628,014
Three to four years	1,331,635
Thereafter	3,560,483
Total undiscounted lease payments payable	9,704,159
Less: impact of present value	3,828,172
Balance – March 31, 2022	**5,875,987**

Expenses for the year ended March 31, 2022 relating to short-term leases were $nil (2021 – $195,000). The Company also received rental income of $221,939 during the year ended March 31, 2022 (2021 – $114,424) relating to the short-term rental of unused warehouse facilities, which has been included in general and administrative expenses on the statement of income and comprehensive income.

(expressed in Canadian dollars, except share amounts)

For its leased premises, the Company hypothecates all of its equipment and other moveable effects to its landlord up to the market value equivalent of one years' rent as security against the lease obligation.

8 Equipment

	Equipment and supplies	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$
Cost				
Balance, March 31, 2020	2,166,986	7,908	—	2,174,894
Additions	3,347,661	5,524	—	3,353,185
Balance, March 31, 2021	5,514,647	13,432	—	5,528,079
Additions	792,195	28,400	16,500	837,095
Disposals	(553,780)	(20,008)	—	(573,788)
Balance, March 31, 2022	**5,753,062**	**21,824**	**16,500**	**5,791,386**
Accumulated depreciation				
Balance, March 31, 2020	231,760	1,186	—	232,946
Depreciation	742,818	1,897	—	744,715
Balance, March 31, 2021	974,578	3,083	—	977,661
Depreciation	891,335	4,071	1,375	896,781
Disposals	(127,961)	(3,206)	—	(131,167)
Balance, March 31, 2022	**1,737,952**	**3,948**	**1,375**	**1,743,275**
Carrying value				
Balance, March 31, 2021	4,540,069	10,349	—	4,550,418
Balance, March 31, 2022	**4,015,110**	**17,876**	**15,125**	**4,048,111**

During the year ended March 31, 2022, the Company allocated $841,718 (2021 – $728,911) of depreciation expense to the production of biological assets and inventory.

9 Notes payable

The following table presents the notes payable for the Company:

	March 31, 2022	March 31, 2021
	$	$
Balance – Beginning of year	**2,025,463**	1,893,647
Advances	**2,127,803**	702,765
Interest expense	**84,840**	119,174
Repayments	**(2,196,286)**	(690,123)
Balance – End of year	**2,041,820**	2,025,463
Current	**2,041,820**	2,025,463
Non-current	**—**	—

Notes payable are due to certain shareholders and related parties of the Company. The notes payable bear interest ranging from 0% to 5% per annum and are unsecured. As of March 31, 2022, $1,805,592 (2021 – $1,274,075) of notes payable were due on demand. The Company has pledged the following security for the loan: $250,000 of movable hypothecs, each encumbering 10% of the issued shares of the Company, corresponding to 1,000 shares held by the Michel Clement Family Trust and the David Bow family trust. The Michel Clement Family Trust is owned by Michel Clement, one of the majority shareholders, and the David Boy Family Trust is owned by David Bow who is a close personal friend of one of the majority shareholders. As part of the loan, the Company is required to remain under control of the Michel Clement Family Trust and the David Bow Family Trust to remain voting shareholders of the Company (the "Covenant"). As at March 31, 2022, the Company was in compliance with the Covenant. The notes payable are classified at amortized cost and accounted for using the effective interest rate method.

(expressed in Canadian dollars, except share amounts)

10 Borrowings

The following table presents the borrowings for the Company:

	March 31, 2022	March 31, 2021
	$	$
Biofloral Loan [i]	**1,500,000**	1,500,000
Canada Emergency Business Account Loan [ii]	**52,652**	44,474
Total borrowings	**1,552,652**	1,544,474

[i] Biofloral Loan

In July 2019, the Company entered into a $1,500,000 loan agreement with 9204-2761 Québec Inc. ("Biofloral"), an unrelated party**.** The loan matures in July 2022. The loan is secured against the Company's equipment. The loan accrues interest at 7% for the first 24 months and 10% thereafter. The Company is required to remit monthly payments of interest with principal balance due at maturity. The loan is classified at amortized cost and accounted for using the effective interest rate method. During the year ended March 31, 2022, the Company incurred $136,808 of interest expense (2021 – $104,928).

The Company has pledged up to $1,850,000 of movable hypothec as security on the loan encumbering the totality of the tangible and intangible movable property of the Company. As part of the loan, the Company is required to remain under control of the Michel Clement Family Trust, an entity under control of the Company's President, and the Richard Clement Family Trust, an entity under control of the Company's CEO. As at March 31, 2022, the Company was in compliance with the covenant.

[ii] Canada Emergency Business Account Loan

The Company received $40,000 in May 2020 and $20,000 in December 2020 through the Canada Emergency Business Account program ("CEBA"). The loans are interest free. The CEBA was launched by the government of Canada in response to the global COVID-19 health crisis. On January 12, 2022, the forgiveness repayment date on CEBA loans was extended to December 31, 2023, for eligible XEBA loan holders in good standing. If the loans are repaid in full by December 31, 2023, $20,000 of the loan will be forgiven. If the loan is not repaid by December 31, 2023, it will be converted into a 3-year term loan bearing interest at 5%, due December 31, 2025.

The loan was classified at amortized cost and accounted for using the effective interest rate method. The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan is recognized at fair value using the Company's incremental borrowing rate of 17%. The difference between the initial carrying amount and the proceeds received of $20,229 was recognized as a government grant and is included in other income on the statements of income and comprehensive income. During the year ended March 31, 2022, the Company incurred $8,178 of interest expense (2021 – $4,703).

Finance expense for the years ended March 31, 2022 and 2021 consists of the following:

	2022	2021
	$	$
Interest on lease obligations	**1,038,755**	859,530
Interest on notes payable	**84,840**	119,174
Interest on borrowings	**144,986**	109,631
Other finance expenses	**18,318**	8,636
	1,286,899	1,096,971

11 Share capital

Authorized

The Company has authorized capital consisting of an unlimited number of common shares with no par value.

Issued and outstanding

	Common shares	
	#	$
Balance –March 31, 2021 and 2022	10,000	100

(expressed in Canadian dollars, except share amounts)

12 Income per share

The Company presents basic and diluted EPS data for its shares. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting net income and the weighted average number of common shares outstanding, for the effects of all dilutive potential shares. For the years ended March 31, 2022 and 2021, the Company did not have any other potential dilutive instruments outstanding.

13 Nature of expenses

General and administrative expenses for the year ended March 31, 2022 and 2021 consists of the following:

	2022	2021
	$	$
Salaries, wages and benefits	**2,354,897**	701,613
General operating costs	**2,748,686**	451,803
Occupancy costs / (recovery)	**(260,213)**	449,467
Professional fees	**995,682**	264,170
	5,839,052	1,867,053

For the year ended March 31, 2022 the Company recognized through cost of sales $3,584,454 (2021 – $1,553,377) of salaries, wages and benefits that was capitalized to the production of biological assets and inventory.

14 Income taxes

The reconciliation of income tax expense for the year ended March 31, 2022 and 2021 consists of the following:

	2022	2021
	$	$
Income (loss) before income taxes	**4,085,443**	986,991
Statutory tax rate	**26.50%**	13.75%
Expected income tax provision (recovery)	**1,082,642**	135,710
Impact of difference in deferred tax rate	**188,740**	125,838
Tax rate changes and other adjustments	**298,920**	(112,510)
Non-deductible expenses	**200,252**	24,940
Change in deferred tax assets not recognized	**113,244**	98,030
Net income tax provision	**1,883,798**	272,008

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits.

	March 31, 2022	March 31, 2021
	$	$
Non-capital loss carry forwards	**96,526**	1,290,454
SR&ED	**(21,116)**	27,087
Equipment	**(1,048,346)**	(1,083,138)
Biological assets and inventory	**(1,631,938)**	(734,735)
Reserve	**320,343**	—
CEBA Loan	**3,353**	1,186
Total deferred tax liabilities	**(2,281,178)**	(499,146)

The Company has non-capital loss carry forwards of approximately $839,349 (2021 – $4,648,791), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, which expire between the years 2039 and 2041.

15 Commitments and contingencies

Commitments

During the year, the Company provided a financial guarantee in relation to a mortgage entered into by 9336-4644 Quebec Inc. (the "Lessor"), a company under common control. The Lessor owns the real estate of 4225 Transcanadienne Highway and 815 Tecumseh Ave and leases the premises to the Company for the purposes of conducting their business operations.

The Company has guaranteed all outstanding obligations of the Lessor, related to this mortgage, which includes any interest payments, accrued and unpaid interest and/or penalties in the occurrence of any default event. The Company is required to settle any outstanding obligations through cash payment. The mortgage is secured by the real estate, and total amounts outstanding and payable by the Lessor under the mortgage as at March 31, 2022 were $16,000,000.

As at March 31, 2022, the Company has recognized $nil amounts relating to this guarantee.

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. While the outcome of these matters may not be estimable at the reporting date, the Company makes provision, where possible, for the estimate outcome of such claims or proceedings.

Former employee

In April 2022, a former employee filed a claim against the Company for unjust dismissal. The amount being claimed is approximately $250,000. Management cannot estimate the magnitude of the liability at this time and as such has not recognized in a provision in these financial statements with respect to this matter.

16 Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly and consists of the Chief Executive Officer and President.

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the year ended March 31, 2022, was $542,069 (2021 – $411,539).

During the year ended March 31, 2022, the Company made rental and lease payments totaling $1,513,984 (2021 – $1,681,982) to a company that is controlled by the Chief Executive Officer and the President.

During the year ended March 31, 2022, the Company purchased $2,393,338 (2021 – $3,500,201) of equipment and services at market rates from a company that is controlled by the Chief Executive Officer and the President.

During the year ended March 31, 2022, the Company was advanced $1,420,000 (2021 – $400,000) and repaid $1,077,000 (2021 – $130,559) of notes payable from a Company controlled by the Chief Executive Officer and the President. As of March 31, 2022, the Company had an outstanding balance payable of $1,417,290 (2021 – $222,490) recorded in notes payable (note 9). The balance payable is non-interest bearing and due on demand.

During the year ended March 31, 2022, the Company was advanced $522,784 (2021 – $302,765) and repaid $229,281 (2021 – $496,126) of notes payable from a Company controlled by the Chief Executive Officer and the President. As of March 31, 2022, the Company had an outstanding balance of $382,495 (2021 – $688,992) recorded in notes payable (note 9). The balance payable is non-interest bearing and due on demand.

During the year ended March 31, 2020, the Company was advanced $400,975 from the Chief Operating Officer. During the year ended March 31, 2022, the Company repaid $104,986 (2021 – $38,382). As of March 31, 2022, the Company had an outstanding balance of $5,807 (2021 – $362,593) due to the Chief Operating Officer and recorded in notes payable (note 9). The balance payable is non-interest bearing and due on demand.

(expressed in Canadian dollars, except share amounts)

During the year ended March 31, 2022, the Company was advanced $185,019 from the Chief Executive Officer. This amount was fully repaid during the year.

As of March 31, 2022, the Company had an outstanding balance of $2,074,919 (2021 – $2,160,832) recorded in trade and other payables due to related parties owned by the majority shareholders of the Company for equipment and services provided to the Company. As of March 31, 2022, the Company had an outstanding lease liability of $5,738,686 (2021 – $6,237,527) due to a related party.

17 Capital management

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth and to provide returns to its shareholders. The Company defines capital as the aggregate of its capital stock, and borrowings.

Total managed capital is as follows:

	March 31, 2022	March 31, 2021
	$	$
Borrowings	**1,552,652**	1,544,474
Notes payable	**2,041,820**	2,025,463
Share capital	**100**	100
	3,594,572	3,570,037

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, repurchase shares, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

18 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 March 31, 2022, 3 customers represented 93% of the outstanding receivable balance (2021 – 2 customers represented 100%). For the year ended March 31, 2022, 2 customers accounted for 79% of the Company's revenue (2021 – 2 customers represented 62%)

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:

	March 31, 2022	March 31, 2021
	$	$
Current	**5,664,584**	1,531,283
31 – 60 days past due	**61,739**	74
61 – 90 days past due	**870,412**	220,404
Greater than 90 days past due	**583,563**	5,149
	7,180,298	1,756,910
Less: expected credit losses	**(496,618)**	—
	6,683,680	1,756,910

(expressed in Canadian dollars, except share amounts)

The expected credit losses were recognized in the statement of loss and comprehensive loss in the financial statement line item ‘General and administrative’. The losses are included within ‘General operating costs’ (Note 13).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come 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, the issuance of share capital and, if desired, the issuance of debt. The Company’s trade and other payables are all due within 12 months from the date of these financial statements.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2022:

	Carrying amount	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5 and over**	**Total**
Trade and other payables	8,162,134	8,162,134	—	—	—	—	**8,162,134**
Notes payable	2,041,820	2,041,820	—	—	—	—	**2,041,820**
Borrowings	1,552,652	1,550,000	40,000	—	—	—	**1,590,000**
	11,756,606	**11,753,954**	**40,000**	**—**	**—**	**—**	**11,793,954**

The Company was obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2021:

	Carrying amount	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5 and over**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	5,358,193	5,358,193	—	—	—	—	5,358,193
Notes payable	2,025,463	2,124,075	—	—	—	—	2,124,075
Borrowings	1,544,474	—	1,590,000	—	—	—	1,590,000
	8,928,130	7,482,268	1,590,000	—	—	—	9,072,268

Market risk

Market risk is the risk 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: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to foreign currency risk as at March 31, 2022.

- Interest rate risk

Interest rate risk is the risk 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 March 31, 2022 as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk 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 risk as at March 31, 2022.

Fair values

The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

SCHEDULE E
MD&A OF MTL CANNABIS

Montreal Cannabis Médical Inc.

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

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "MTL Cannabis", "we", "us" or "our" refer to Montreal Cannabis Médical Inc., as constituted on March 31, 2023.

This MD&A for the three months ended and fiscal years ended March 31, 2023 and 2022 should be read in conjunction with the Company's audited financial statements and the accompanying notes for the fiscal years ended March 31, 2023 and 2022. The financial information presented in this MD&A is derived the Company's audited financial statements for the fiscal years ended March 31, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in Canadian dollars except where otherwise indicated.

This MD&A is dated as of August 11, 2023.

FORWARD-LOOKING INFORMATION

The information provided in this MD&A, including information incorporated by reference, may contain certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation about our current expectations, estimates and projections about the future, based on certain assumptions made by us in light of the Company's experience and perception of historical trends. Although we believe that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

This forward-looking information is identified by words such as "anticipate", "believe", "expect", "plan", "forecast", "future", "target", "project", "capacity", "could", "should", "focus", "proposed", "scheduled", "outlook", "potential", "may" or similar expressions and includes suggestions of future outcomes, including actions taken by the Company, or that the Company may take in the future, to adjust its capital structure; improvements to the Company's cultivation, manufacturing and standardization processes; potential future supply agreements; potential effects of regulations under the Cannabis Act (Canada) (together with the regulations thereunder (the "Cannabis Regulations"), the "Cannabis Act") and related legislation introduced by provincial governments; and future sales opportunities in other emerging medical markets. Readers are cautioned not to place undue reliance on forward-looking information as the Company's actual results may differ materially from those expressed or implied.

The Company has made certain assumptions with respect to the forward-looking statements regarding, among other things: the Company's ability to generate sufficient cash flow from operations and obtain financing, if needed, on acceptable terms or at all; general economic, financial market, regulatory and political conditions in which the Company operates; the expected yield from the Company's cultivation operations; purchaser interest in the Company's products; competition from other licensed producers; anticipated and unanticipated costs; government regulation of the Company's activities and products; the timely receipt of any required regulatory approvals; the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the Company's ability to conduct operations in a safe, efficient and effective manner; and the Company's expansion plans and timeframe for completion of such plans.

Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: reliance on the license issued by Health Canada designating that, pursuant to the Cannabis Act, MTL Cannabis is authorized to cultivate and process cannabis under the Cannabis Act pursuant to its Cultivation License and Processing License; the limited operating history of the Company; the Company's ability to generate sufficient revenue to be profitable; the Company's ability to raise the capital necessary for it to execute its strategy; risks inherent in an agricultural business; rising energy costs; the Company's reliance on key persons; the Company's compliance with environmental, health and safety laws and regulations; insurance risks; failure of the Company to realize its cannabis production targets; interruptions in the supply chain for key inputs; demand for skilled labour, specialized knowledge, equipment, parts and components; the Company's reliance on its facility as its only property for cannabis cultivation; the Company's ability to manage its growth; the Company's ability to successfully implement and maintain adequate internal controls over financial reporting or disclosure controls and procedures; the Company not having been required to certify that it maintains effective internal control over financial reporting or effective disclosure controls and procedures; results of litigation; conflicts of interest between the

Company and its directors and officers; payment of dividends; the partial dependence of the Company's operations on the maintenance and protection of its information technology systems; unforeseen tax and accounting requirements; regulatory risks relating to the Company's compliance with the Cannabis Act; changes in laws, regulations and guidelines; the Company's ability to maintain the License; changes to the market price of cannabis; the ability of the Company to produce and sell cannabis supply; changes in government; changes in government policy; failure of counterparties to perform contractual obligations; the Company's ability to successfully develop new products or find a market for their sale; lack of certainty regarding the expansion of the cannabis market; ability of key employees of the Company to obtain or renew security clearances in the future; unfavorable publicity or consumer perception of the Company and the cannabis industry; the Company's ability to promote and sustain its brands; marketing constraints in the cannabis industry; product liability claims or regulatory actions; the shelf life of inventory; fair value adjustments to the Company's biological assets; impact of any future recall of the Company's products; increased competition in the cannabis market in Canada and internationally; the impact of any negative scientific studies on the effects of cannabis; reputational risks to third parties with whom the Company does business; the Company's ability to produce and sell its medical products outside of Canada; co-investment risks; failure to comply with laws and regulations; the Company's reliance on its own market research and forecasts; competition from synthetic production and new technologies; the Company's ability to transport its products; liability arising from any fraudulent or illegal activity; the existence and growth of the cannabis industry; product liability lawsuits; misconduct or other improper activities by employees, independent contractors, consults, commercial partners and vendors; failure to achieve market acceptance in the medical community; inability to establish sales and marketing capabilities; failure to comply with health and data protection laws; reliance on third parties to conduct clinical trials; loss of single-source suppliers; reliance on contract manufacturing facilities; inability to obtain or maintain sufficient intellectual property protection for the Company's products; third-party claims of intellectual property infringement; inability to protect the confidentiality of trade secrets; inability to protect trademarks and trade names; and other factors beyond the Company's control.

The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained or incorporated by reference in this MD&A are made as of the date of this MD&A or as otherwise specified. Except as required by applicable securities law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors affecting those statements, whether as a result of new information, future events or otherwise or the foregoing lists of factors affecting this information.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

OVERVIEW

The Company was incorporated on April 27, 2017, under the Canada Business Corporations Act. The Company's registered office is located at 4225 Autoroute Transcanadienne, Pointe-Claire, Québec, Canada, H9R 1B4.

MTL Cannabis is a licensed cultivator and processor in Canada under the Cannabis Act (Canada) (together with the regulations promulgated thereunder (the "Cannabis Regulations"), the "Cannabis Act") and associated Cannabis Regulations. The Company is concentrated on respecting the cannabis culture and daily consumer by launching modern unique offerings into the Canadian market at a competitive price point.

Cannabis Licenses

The Company holds three licenses from Health Canada: (i) a Cultivation License (defined below); (ii) a Processing License (defined below); and (iii) a Sales License (defined below). The Company received its License under section 22(2) of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") on February 7, 2020, authorizing MTL Cannabis to cultivate and process cannabis (the "Cultivation Licence"). The License permitted the Company to acquire cannabis plants and/or seeds for the purpose of initiating plant growth and for conducting analytical testing.

On February 7, 2020, the Company also received its Standard Processing Licence (the "Processing Licence"). The Processing Licence allows the Company to produce cannabis, other than obtain it by cultivating, propagating or harvesting it (i.e. extract oils).

On February 22, 2022, the Company received its Sales License (the "Sales License") permitting the Company to sell its own production to provincially and territorially authorized provincial retailers.

On October 3, 2022, the Company received its license to sell cannabis topicals, extracts, and edibles.

SELECTED FINANCIAL HIGHLIGHTS

The following table presents selected financial information for the three months ended and fiscal years ended March 31, 2023 and 2022:

	Three months ended March 31,				Fiscal year ended March 31,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Revenue	**8,194,304**	5,181,109	3,013,195	58%	**24,570,038**	22,151,290	2,418,748	11%
Gross profit	**1,673,142**	939,467	733,675	78%	**7,899,792**	14,548,913	(6,649,121)	-46%
General and administrative	**1,634,802**	3,315,532	(1,680,730)	-51%	**7,455,299**	5,839,052	1,616,247	28%
Sales and marketing	**192,658**	455,913	(263,255)	-58%	**961,392**	2,509,869	(1,548,477)	-62%
Depreciation and amortization	**122,543**	163,270	(40,727)	-25%	**676,016**	666,490	9,526	1%
Total operating expenses	**1,950,003**	3,934,715	(1,984,712)	-50%	**9,092,707**	9,015,411	77,296	1%
Operating income (loss)	**(276,861)**	(2,995,248)	2,718,387	-91%	**(1,192,915)**	5,533,502	(6,726,417)	-122%

OVERALL FINANCIAL PERFORMANCE

Revenue, net of excise tax, for the three months ended March 31, 2023, was $8,194,304, an increase of $3,013,195 or 58%, compared to the equivalent period in the prior year. Revenue, net of excise tax, for the fiscal year ended March 31, 2023, was $24,570,038, an increase of $2,418,748 or 11%, compared to the equivalent period in the prior year. In both periods, the increase in revenue is due to the expansion of the Company's dried flower and pre-roll product offerings and increased sales through provincial distributors.

Gross profit after fair value adjustments for the three months ended March 31, 2023 was $1,673,142, an increase of $733,675 or 78%, compared to the equivalent period in the prior year. The increase in gross profit is primarily due to higher revenue during the three months ended March 31, 2023**.** Gross profit after fair value adjustments for the fiscal year ended March 31, 2023, was $7,899,792 a decrease of $6,649,121 or 46%, compared to the equivalent period in the prior year. The decrease in gross profit is primarily due to a net loss on fair value adjustments of $860,118 for the year ended March 31, 2023, compared to a net gain of $3,578,196 for the year ended March 31, 2022. Additionally, the decrease in gross profit is due to decreases in market selling prices coupled with increasing costs of production, resulting from increased licensing costs and increased purchases of dried flower from third parties, as well as increased cost of labour and transport costs.

	As at March 31,			
	2023	2022	Change	
	$	$	$	%
Cash	**437,551**	470,559	(33,008)	-7%
Total assets	**31,745,101**	23,768,894	7,976,207	34%
Total liabilities	**30,204,259**	20,015,537	10,188,722	51%

The Company concluded the year ended March 31, 2023, with cash of $437,551 (March 31, 2022 - $470,559).

RESULTS OF OPERATIONS

Analysis of the Three Months Ended March 31, 2023 and 2022 and the Fiscal Years Ended March 31, 2023 and 2022

	Three months ended March 31,				Fiscal years ended March 31,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Revenue								
Product revenue	**10,726,603**	6,279,169	4,447,434	71%	**31,259,648**	26,073,865	5,185,783	20%
Less exercise tax	**(2,532,299)**	(1,098,060)	(1,434,239)	131%	**(6,689,610)**	(3,922,575)	(2,767,035)	71%
	8,194,304	5,181,109	3,013,195	58%	**24,570,038**	22,151,290	2,418,748	11%
Cost of sales	**6,712,567**	4,670,844	2,041,723	44%	**15,810,128**	11,180,573	4,629,555	41%
Gross profit before fair value adjustments	**1,481,737**	510,265	971,472	190%	**8,759,910**	10,970,717	(2,210,807)	-20%
Fair value adjustments on biological assets	**1,192,093**	2,552,206	(1,360,113)	-53%	**6,126,189**	12,199,876	(6,073,687)	-50%
Fair value adjustments on sale of inventory	**(1,000,688)**	(2,123,004)	1,122,316	-53%	**(6,986,307)**	(8,621,680)	1,635,373	-19%
Gross profit	**1,673,142**	939,467	733,675	78%	**7,899,792**	14,548,913	(6,649,121)	-46%
Operating expenses								
General and administrative	**1,634,802**	3,315,532	(1,680,730)	-51%	**7,455,299**	5,839,052	1,616,247	28%
Sales and marketing	**192,658**	455,913	(263,255)	-58%	**961,392**	2,509,869	(1,548,477)	-62%
Depreciation and amortization	**122,543**	163,270	(40,727)	-25%	**676,016**	666,490	9,526	1%
Total operating expenses	**1,950,003**	3,934,715	(1,984,712)	-50%	**9,092,707**	9,015,411	77,296	1%
Operating (loss) income	**(276,861)**	(2,995,248)	2,718,387	-91%	**(1,192,915)**	5,533,502	(6,726,417)	-122%
Finance expense, net	**497,820**	323,584	174,236	54%	**1,915,982**	1,286,899	629,083	49%
Other (income) loss	**(96,893)**	170,393	(267,286)	-157%	**(313,379)**	161,160	(474,539)	-294%
Income (loss) before income taxes	**(677,788)**	(3,489,225)	2,811,437	-81%	**(2,795,518)**	4,085,443	(6,880,961)	-168%
Income tax (recovery) expense	**(345,784)**	(123,489)	(222,295)	180%	**(583,003)**	1,883,798	(2,466,801)	-131%
Net (loss) income and comprehensive (loss) income	**(332,004)**	(3,365,736)	3,033,732	-90%	**(2,212,515)**	2,201,645	(4,414,160)	-200%

Revenue

Revenue, net of excise tax, increased from $5,181,109 to $8,194,304 or 58% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Revenue, net of excise tax, increased from $22,151,290 to $24,570,038 or 11% for the year ended March 31, 2023, compared to the year ended March 31, 2022. In both periods, the increase in revenue is primarily due to the expansion of the Company's dried flower and pre-roll product offerings and increased sales through provincial distributors.

Cost of Sales

Cost of sales includes the cost of inventory sold and production costs expensed. Direct and indirect production costs include direct labor, processing, testing, packaging, quality assurance, security, inventory, shipping, depreciation of production equipment, production overhead and other related expenses.

Cost of sales increased from $4,670,844 to $6,712,567 or 44% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Cost of sales increased from $11,180,573 to $15,810,128 or 41% for the year ended March 31, 2023, compared to the year ended March 31, 2022. In both periods, the increase in cost of sales is primarily related to the increase in sales volume. Additionally, the increase in cost of sales for both periods is due to increasing costs of production, and increased purchases of dried flower from third parties, as well as increased cost of labour and transport costs.

Fair value adjustments on biological assets

The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. Capitalized costs include labour related costs, grow consumables, utilities, facilities costs, and an allocation of overhead costs related to the production facility and depreciation on production equipment. Capitalized costs are subsequently recorded within cost of sales in the statements of (loss) income and comprehensive (loss) income in the period that the related product inventory is sold.

At each reporting period and at the point of harvest, the Company measures biological assets at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the statements of (loss) income and comprehensive (loss) income for the related period.

Fair value adjustments on biological assets decreased from $2,552,206 to $1,192,093 or 53% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Fair value adjustments on biological assets decreased from $12,199,876 to $6,126,189 or 50% for the year ended March 31, 2023, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to a decrease in the average bulk selling price per gram from $2.24 as of March 31, 2022, to $2.06 as of March 31, 2023.

General and administrative

General and administrative expenses for the three months ended March 31, 2023 and 2022 and for the years ended March 31, 2023 and 2022 are comprised of:

	Three months ended March 31,				Fiscal years ended March 31,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Salaries, wages and benefits	**792,232**	612,402	179,830	29%	**2,975,428**	2,354,897	620,531	26%
General operating costs	**232,851**	2,254,543	(2,021,692)	-90%	**2,966,126**	2,748,686	217,440	8%
Occupancy recovery	**—**	(50,320)	50,320	-100%	**—**	(260,213)	260,213	-100%
Professional fees	**609,719**	498,907	110,812	22%	**1,513,745**	995,682	518,063	52%
	1,634,802	3,315,532	(1,680,730)	-51%	**7,455,299**	5,839,052	1,616,247	28%

Salaries, wages and benefits increased from $612,402 to $792,232 or 29% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Salaries, wages and benefits increased from $2,354,897 to $2,975,428 or 26% for the year ended March 31, 2023, compared to the equivalent period in the prior year. Salaries, wages and benefits excludes costs that were capitalized to biological assets and inventory production. For the three months and year ended March 31, 2023, the increase in salaries, wages and benefit costs, compared to the equivalent periods in the prior year, is due to an increase in headcount, as well as salary increases for promotions, primarily driven by the growth of the Company.

General operating costs decreased from $2,254,543 to $232,851 or 90% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. The decrease in general operating costs is primarily due to lower allowance for credit losses recognized during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company recognized an allowance for credit losses of $1,921,070 within general operating costs, compared to a recovery of $433,836 for the three months ended March 31, 2023.

General operating costs increased from $2,748,686 to $2,966,126 or 8% for the year ended March 31, 2023, compared to the equivalent period in the prior year. The increase in general operating costs is primarily due to increased spending to support the growth of the Company as well as higher costs due to inflationary factors. The Company recognized a loss on allowance for credit loss of $1,721,213 for the year ended March 31, 2023 compared to $1,921,070 for the year ended March 31, 2022, within general operating costs.

Occupancy recovery was $nil and $nil for the three months and year ended March 31, 2023, compared to recovery of $50,320 and $260,213, for the three months and year ended March 31, 2022, respectively. Occupancy recovery includes rental income relating to short-term rental arrangements for unused warehouse facilities, offset by variable lease payments for facilities rented by the Company.

Professional fees increased from $498,907 to $609,719 or 22% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Professional fees increased from $995,682 to $1,513,745 or 52% for the year ended March 31, 2023, compared to the equivalent period in the prior year. In both periods, the increase is driven by the growth of the Company as well as additional one-time costs incurred in connection with a proposed transaction with Canada House Cannabis Group Inc.

Sales and marketing

Sales and marketing decreased from $455,913 to $192,658 or 58% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. Sales and marketing decreased from $2,509,869 to $961,392 or 62% for the year ended March 31, 2023, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to commissions incurred in the equivalent periods in the prior year that were not incurred during the three months and year ended March 31, 2023.

Depreciation and amortization

Depreciation and amortization expense decreased from $163,270 to $122,543 or 25% for the three months ended March 31, 2023, compared to the equivalent period in the prior year. The decrease is primarily related to the disposal of capital assets during the three months ended March 31, 2023. Depreciation and amortization expense increased from $666,490 to $676,016 or 1% for the year ended March 31, 2023, compared to the equivalent period in the prior year. The increase is primarily related to depreciation expense of right-of-use assets.

Other (income) loss

For the three months ended March 31, 2023, other income was $96,893 compared to a loss of $170,393 for the equivalent period in the prior year. For the year ended March 31, 2023, other income was $313,379 compared to a loss of $161,160 for the year ended March 31, 2022. During the year ended March 31, 2023, the Company recognized interest income received on past due invoices of $190,000, compared to $Nil for the year ended March 31, 2022. During the year ended March 31, 2023, the Company recognized a gain on disposal of equipment of $66,790, compared to a loss of $190,952 for the year ended March 31, 2022.

Finance expense

Finance expense for the three months ended March 31, 2023 and 2022 and fiscal years ended March 31, 2023 and 2022 consists of the following:

	Three months ended March 31,				**Fiscal years ended March 31,**			
	2023	**2022**	**Change**		**2023**	**2022**	**Change**	
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Interest on lease obligations	**223,787**	250,204	(26,417)	-11%	**944,898**	1,038,755	(93,857)	-9%
Interest on notes payable	**260,402**	15,973	244,429	1530%	**798,256**	84,840	713,416	841%
Interest on borrowings	**39,042**	39,089	(47)	0%	**172,828**	144,986	27,842	19%
Other finance income (expenses)	**(25,411)**	18,318	(43,729)	-239%	**—**	18,318	(18,318)	-100%
Total	**497,820**	323,584	174,236	54%	**1,915,982**	1,286,899	629,083	49%

FINANCIAL POSITION

As at	**March 31, 2023**	**March 31, 2022**	**Change**	
	$	**$**	**$**	**%**
ASSETS				
Current assets				
Cash	**437,551**	470,559	(33,008)	-7%
Trade and other receivables	**6,328,531**	6,918,695	(590,164)	-9%
Inventory	**9,169,875**	5,580,596	3,589,279	64%
Biological assets	**1,260,189**	1,506,250	(246,061)	-16%
Prepaid expenses and deposits	**351,038**	165,928	185,110	112%
Total current assets	**17,547,184**	14,642,028	2,905,156	20%
Non-current assets				
Right-of-use assets, net	**10,643,541**	5,078,755	5,564,786	110%
Equipment, net	**3,554,376**	4,048,111	(493,735)	-12%
Total non-current assets	**14,197,917**	9,126,866	5,071,051	56%
TOTAL ASSETS	**31,745,101**	23,768,894	7,976,207	34%
LIABILITIES				
Current liabilities				
Trade and other payables	**9,023,669**	8,162,134	861,535	11%
Income taxes payable	**987,578**	101,766	885,812	870%
Lease obligations	**185,804**	649,724	(463,920)	-71%
Notes payable	**6,157,979**	2,041,820	4,116,159	202%
Borrowings	**1,460,000**	1,500,000	(40,000)	-3%
Total current liabilities	**17,815,030**	12,455,444	5,359,586	43%
Non-current liabilities				
Lease obligations	**11,576,866**	5,226,263	6,350,603	122%
Borrowings	**—**	52,652	(52,652)	-100%
Deferred tax liability	**812,363**	2,281,178	(1,468,815)	-64%
Total liabilities	**30,204,259**	20,015,537	10,188,722	51%
SHAREHOLDERS' EQUITY				
Share capital	**100**	100	—	0%
Contributed surplus	**111,430**	111,430	—	0%
Retained earnings	**1,429,312**	3,641,827	(2,212,515)	-61%
Total shareholders' equity	**1,540,842**	3,753,357	(2,212,515)	-59%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**31,745,101**	23,768,894	7,976,207	34%

Assets

For the year ended March 31, 2023 compared to the year ended March 31, 2022

Trade and other receivables decreased by $590,164 or 9% primarily due to:
- (i) increase of $238,413 in expected credit losses;
- (ii) decrease of $190,830 in trade receivables related to timing of payments received; and
- (iii) decrease of $160,921 in sales tax receivables related to timing of payments received.

Inventory and biological assets increased by $3,343,218 or 47%, primarily due to:
- (i) increase of $3,257,095 related to harvested and purchased cannabis for the year ended March 31, 2023 compared to March 31, 2022;
- (ii) decrease of $332,184 in the inventory impairment provision for the year ended March 31, 2023 compared to the year ended March 31, 2022; and off set by
- (iii) decrease of $246,061 in biological assets for the year ended March 31, 2023 compared to the year ended March 31, 2022.

Right-of-use assets increased by $5,564,786 or 110%, primarily due to lease modifications of $6,490,574 on its head office and production facility offset by depreciation of $966,379 for the year ended March 31, 2023.

Equipment decreased by $493,735 or 12%, primarily due to $903,744 of depreciation recorded for the year ended March 31, 2023 offset by $439,219 of additions.

Liabilities

For the year ended March 31, 2023 compared to the year ended March 31, 2022

Trade and other payables increased by $861,535 or 11%, primarily due to timing of invoices and payments.

Income taxes payable increased by $885,812 or 870%, primarily due to an increase in sales during the year ended March 31, 2023, resulting in higher income taxes payable and the full utilization of non-capital loss carry forwards.

Lease obligations increased by $5,886,683 or 100%, primarily due to;
- (i) increase of $6,490,574 related to lease modifications on its head office and production facility;
- (ii) increase of $944,898 related to interest accretion; and offset by
- (iii) decrease of $1,589,380 related to lease payments during the year ended March 31, 2023.

Notes payable increased by $4,116,159 or 202%, primarily due to:
- (i) increase of $3,867,197 in net advances during the year ended March 31, 2023;
- (ii) increase of $713,416 of interest expense; and offset by
- (iii) decrease of $480,811 related to repayments made during the year ended March 31, 2023.

Deferred tax liability decreased by $1,468,815 or 64%, primarily due to changes in timing differences during the year ended March 31, 2023.

Shareholders’ equity

For the year ended March 31, 2023 compared to the year ended March 31, 2022

Shareholder’s equity decreased by $2,212,515 or 59% due to comprehensive loss for the year ended March 31, 2023.

Liquidity, Capital Resources and Financing

The general objectives of our capital management strategy are to preserve our capacity to continue operating, provide benefits to our stakeholders and provide an adequate return on investment to our shareholders by continuing to invest in our future that is commensurate with the level of operating risk we assume. We determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

The financial statements and this MD&A has 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. The financial statements and this MD&A 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.

As at March 31, 2023, the Company had cash of $437,551 representing a decrease of $33,008 from March 31, 2022. This decrease is primarily due to $714,442 of cash used in operating activities, $947,089 of cash used in investing activities offset by $1,628,523 of cash provided by financing activities.

Given our existing cash and trade receivables, we believe there is sufficient liquidity to meet our current and short-term growth requirements in addition to our long-term strategic objectives.

Cash flows

	Year ended March 31,	
	2023	**2022**
	$	**$**
Cash	**437,551**	470,559
Net cash provided by (used in):		
Operating activities	**(714,442)**	5,634,492
Investing activities	**(947,089)**	(3,658,977)
Financing activities	**1,628,523**	(1,650,009)
Net (decrease) increase in cash	**(33,008)**	325,506

Cash Flows (used in) provided by Operating Activities

Cash used in operating activities for the year ended March 31, 2023, was $714,442 compared to cash provided of $5,364,492 for the year ended March 31, 2022. The change in cash (used in) provided by is primarily due to the company incurring a net loss of $2,212,515 during the year ended March 31, 2023, compared to net income of $2,201,645 for the year ended March 31, 2022.

Cash Flows used in Investing Activities

Cash used in investing activities for the year ended March 31, 2023, was $947,089 compared to $3,658,977 for the year ended March 31, 2022. The decrease in cash used in investing activities is primarily related to a decrease in purchases of equipment and a decrease in loans issued during the year ended March 31, 2023, compared to the prior year.

Cash Flows provided by (used in) Financing Activities

Cash provided by financing activities for the year ended March 31, 2023, was $1,628,523 compared to cash used by financing activities of $1,650,009 for the year ended March 31, 2022. The increase in cash provided by financing activities is primarily related to an increase in proceeds received from notes payable.

CONTRACTUAL OBLIGATIONS

We have no significant contractual arrangements other than those noted in our audited financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements other than those noted in our audited financial statements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly and consists of the Chief Executive Officer, Chief Cultivation Officer, Chief Operating Officer, and President.

On August 30, 2022, the Company closed the first tranche of its transaction with CHV. With the closing of the first tranche of the Transaction (the "Initial Closing") CHV acquired 24.99% of the issued and outstanding shares of MTL in exchange for 49.99% of the issued and outstanding common shares of CHV to the shareholders of the Company on the Initial Closing. This transaction resulted in the Company being considered a related party to CHV and its subsidiaries, ICM and Abba Medix Corp.

During the period ended March 31, 2023, the Company made sales to CHV and its subsidiaries totaling $22,320,320 (March 31, 2022 - $3,800,934). CHV is 49.99% owned by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding receivable balance of $5,354,468 (March 31, 2022 – $2,489,620). During the period ended March 31, 2023, an amount of $1,010,641 of trade receivables was converted into a loan receivable.

As of March 31, 2023, the Company had an outstanding loan receivables balance of $2,907,252 (March 31, 2022 – $1,424,452) from CHV recorded in trade and other receivables. The loans charge interest at rates ranging between 3% to 8% per annum and are due on demand.

Compensation expense which consists of salaries and benefits for the Company's key management personnel for the year ended March 31, 2023, was $934,519 (2022 – $542,069).

During the year ended March 31, 2023, the Company made rental and lease payments totaling $1,537,984 (2022 – $1,513,984) to a company that is controlled by the Chief Cultivation Officer and the Chief Operating Officer.

During the year ended March 31, 2023, the Company purchased $2,294,043 (2022 – $2,393,338) of equipment and services at market rates from a company that is controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance of $798,337 (2022 – $2,074,919) recorded in trade and other payables.

During the year ended March 31, 2023, the Company was advanced $5,450,000 (2022 – $1,420,000) and repaid $2,189,525 (2022 – $1,077,000) of notes payable from a Company controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance payable of $5,176,028 (2022 – $1,417,290) recorded in notes payable. The balance payable is due on demand. As of June 30, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest was non-interest bearing.

During the year ended March 31, 2023, the Company was advanced $545,000 (2022 – $522,784) and repaid $55,356 (2022 – $229,281) of notes payable from a Company controlled by the Chief Cultivation Officer and the Chief Operating Officer. As of March 31, 2023, the Company had an outstanding balance of $981,950 (2022 – $382,495) recorded in notes payable. The balance payable is due on demand. As of June 30, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest was non-interest bearing.

During the year ended March 31, 2023, the Company repaid $5,807 (2022 – $104,986) of an advance from the Chief Cultivation Officer. As of March 31, 2023, the Company had an outstanding balance of $nil (2022 – $5,807) due to the Chief Operating Officer and recorded in notes payable. The balance payable is non-interest bearing and due on demand.

During the year ended March 31, 2022, the Company was advanced $185,019 from the Chief Executive officer. This amount was fully repaid during the year. The advance was non-interest bearing.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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 March 31, 2023, two customers represented 85% of the outstanding receivable balance (2022 – three customers represented 93%). For the year ended March 31, 2023, two customers accounted for 68% of the Company's revenue (2022 – two customers represented 79%). 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:

	March 31, 2023	**March 31, 2022**
	$	**$**
Current	**4,026,139**	5,664,584
1 – 30 days past due	**2,644,388**	61,739
31 – 60 days past due	**177,182**	870,412
Greater than 60 days past due	**141,759**	583,563
	6,989,468	7,180,298
Less: expected credit losses	**(735,031)**	(496,618)
	6,254,437	6,683,680

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come 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, the issuance of share capital and, if desired, the issuance of debt. The Company's trade and other payables are all due within 12 months from the date of these financial statements.

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2023:

	Carrying amount	Year 1	Year 2 and thereafter	Total
Trade and other payables	**9,023,669**	**9,023,669**	**—**	**9,023,669**
Notes payable	**6,157,979**	**6,157,979**	**—**	**6,157,979**
Borrowings	**1,460,000**	**1,478,763**	**—**	**1,478,763**
	16,641,648	**16,660,411**	**—**	**16,660,411**

The Company is obligated to the following contractual maturities of undiscounted cash flows as at March 31, 2022:

	Carrying amount	Year 1	Year 2 and thereafter	Total
Trade and other payables	8,162,134	8,162,134	—	8,162,134
Notes payable	2,041,820	2,041,820	—	2,041,820
Borrowings	1,552,652	1,550,000	40,000	1,590,000
	11,756,606	11,753,954	40,000	11,793,954

Market risk

Market risk is the risk 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: foreign currency risk, interest rate risk and other price risk.

- Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is not exposed to foreign currency risk as at March 31, 2023.

- Interest rate risk

Interest rate risk is the risk 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 March 31, 2023 as there are no material long-term borrowings outstanding subject to variable interest rates.

- Other price risk

Other price risk is the risk 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 risk as at March 31, 2023.

Fair values

The risk of material change in fair value is not considered to be significant. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the 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 year, there were no transfers of amounts between levels and the Company did not have any financial instruments measured at fair value.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to note 2 and note 3 of the audited financial statements for a full discussion of our critical accounting policies and estimates for the fiscal years ended March 31, 2023 and 2022.

OUTSTANDING SHARE DATA

The Company has authorized capital of an unlimited number of common shares with no par value. The Company's outstanding capital was as follows as at the date of this MD&A:

Common shares	10,000

SUBSEQUENT EVENTS

On July 10, 2023, the Company paid out one of its lenders in the amount of $1,400,000. The balance of the loan outstanding after repayment is $nil.

Subsequent to year end, the company entered into an international supply agreement to cannabis products into the following territories: Australia, the United Kingdom, the European Union and LATAM. Since the execution of the agreement, the Company has shipped and recognized revenue for a shipment of bulk cannabis product into Portugal.

On July 28, 2023, the Company closed a transaction whereby CHV acquired the remaining 75.01% of the issued and outstanding shares of the TML Cannabis. The shareholders of MTL Cannabis were given 70,713,556 of the issued and outstanding common shares of CHV, or 30.01%, as consideration for the transaction. Subsequent to this transaction, CHV owned 100% of the issued and outstanding shares of MTL Cannabis.

The Transaction will constitute a reverse take-over of CHV by MTL Cannabis, with CHV being the legal acquirer and MTL Cannabis being the acquirer for accounting purposes. Pursuant to the transaction, CHV will effect a name change, changing its name from Canada House Cannabis Group Inc. to MTL Cannabis Corp.