MTL Cannabis Corp.

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 MTL Cannabis Corp., as constituted on September 30, 2023.

This MD&A for the three and six months ended September 30, 2023 and 2022 should be read in conjunction with the Company's unaudited condensed interim financial statements and the accompanying notes for the three and six months ended September 30, 2023 and 2022. The financial information presented in this MD&A is derived the Company's unaudited condensed interim financial statements for the three and six months ended September 30, 2023 and 2022 ("financial statements") 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 November 29, 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 or to refinance any of its outstanding indebtedness; 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 productiontargets; 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

On July 28, 2023, the Company completed its acquisition of all of the issued and outstanding shares of Montreal Medical Cannabis ("MTL Cannabis"), effective as of July 28, 2023 (the "RTO Transaction").

The first stage of the RTO 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 from the MTL shareholders 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 the Tranche One Closing, 45,567,767 common shares of Canada House were issued and outstanding.

The second stage of the RTO 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 from the MTL Cannabis shareholders in exchange for 70,713,556 common shares of Canada House, resulting in MTL Cannabis becoming a wholly owned subsidiary of Canada House. Upon completion of the Tranche Two Closing, the existing MTL Cannabis shareholders held a majority of the Canada House outstanding common shares, constituting a reverse take over of Canada House by the shareholders of MTL Cannabis. As a result, the comparative information included herein is solely that of MTL Cannabis. Upon completion of the RTO Transaction, Canada House changed its name to MTL Cannabis Corp.

Canada House Clinics Inc. ("CHC")

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 producer payments. The CPM software not only allows for better service to existing clients, it also improves the efficiency of managing patient care. To this end, specific API integrations with partnered licensed producers have been created to allow for the registration of patients more securely, instantly and accurately. Incorporated treatment reporting has been added to the patient portal that will allow a better understanding of what treatments and products work best for a specific diagnosis.

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 Medix Corp. ("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 other patients, as well as consumers.

Licensed Producers

Montreal Medical Cannabis Inc.

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.

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.

Abba Medix Corp. (“Abba”)

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

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

ICM has invested approximately $15,000 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 License Sales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.

May 11, 2018 License No 10-MM0766/2018	Destruction room (ID), Trimming room (122) and Drying room (123) - included as Sub div C room. Still under ACMPR sub sec 22 (2)-limited. This licensed producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licensed to license dealer solely for the purpose of conducting analytical testing.
November 8, 2018 License No. LIC-5EFG9AFN3H-2018	Updated License under Cannabis regulations Standard cultivation license
May 10, 2019 License No. LIC-5EFG9AFN3H-2018-1	Amended Standard cultivation license – Addition of mother rooms M2A/M2B
September 6, 2019 License No. LIC-5EFG9AFN3H-2018-2	Amended Standard cultivation license – Addition of clone room C2 ; addition of flowering rooms F4, F5, F6 ; Addition of room 125.
January 10, 2020 License No. LIC-5EFG9AFN3H-2018-3	Amended Standard cultivation license – Addition of room SC (trimming).
August 21, 2020 License No. LIC-5EFG9AFN3H-2018-4	Addition of Standard Processing Licence – ICM can start legally selling its own branded dry flower and fresh cannabis.

SELECTED FINANCIAL HIGHLIGHTS

The following table presents selected financial information for the three and six months ended September 30, 2023 and 2022:

	Three months ended September 30,				Six months ended September 30,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Revenue	**19,006,364**	3,886,786	15,119,578	389%	**31,770,151**	9,652,914	22,117,237	229%
Gross profit	**6,296,296**	1,248,534	5,047,762	404%	**9,571,077**	3,921,246	5,649,831	144%
General and administrative	**4,184,736**	881,762	3,302,974	375%	**6,636,507**	2,345,153	4,291,354	183%
Sales and marketing	**260,733**	381,529	(120,796)	-32%	**304,792**	594,110	(289,318)	-49%
Amortization and depreciation	**945,691**	77,054	868,637	1127%	**1,125,043**	266,976	858,067	321%
Share-based compensation	**61,777**	-	61,777	100%	**61,777**	-	61,777	100%
Total operating expenses	**5,452,937**	1,340,345	4,112,592	307%	**8,128,119**	3,206,239	4,921,880	154%
Operating income (loss)	**843,359**	(91,811)	935,170	-1019%	**1,442,958**	715,007	727,951	102%

OVERALL FINANCIAL PERFORMANCE

Revenue, net of excise tax, for the three months ended September 30, 2023, was $19,006,364, an increase of $15,119,578 or 389%, compared to the equivalent period in the prior year. Revenue, net of excise tax, for the six months ended September 30, 2023, was $31,770,151, an increase of $22,117,237 or 229%, compared to the equivalent period in the prior year. In both periods, the increase in revenue is due to increased revenue related to the Canada House Cannabis Group acquisition.

Gross profit after fair value adjustments for the three months ended September 30, 2023, was $6,296,296, an increase of $5,047,762 or 404%, compared to the equivalent period in the prior year. Gross profit after fair value adjustments for the six months ended September 30, 2023, was $9,571,077, an increase of $5,649,831 or 144%, compared to the equivalent period in the prior year. In both periods, the increase in gross profit is primarily due to higher revenue.

	As at September 30, 2023	As at March 31, 2023	Change	
	$	$	$	%
Cash	**3,258,259**	437,551	2,820,708	645%
Total assets	**75,803,315**	31,745,101	44,058,214	139%
Total liabilities	**62,925,405**	30,204,259	32,721,146	108%

The Company concluded the period ended September 30, 2023, with cash of $3,258,259 (March 31, 2023 - $437,551).

RESULTS OF OPERATIONS

Analysis of the Three and Six Months Ended September 30, 2023 and 2022

	Three months ended September 30,				Six months ended September 30,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Revenue								
Product revenue	**23,146,927**	4,962,356	18,184,571	366%	**40,010,222**	11,837,804	28,172,418	238%
Referral revenue	**899,036**	—	899,036	100%	**899,036**	—	899,036	100%
Excise tax	**(5,039,599)**	(1,075,570)	(3,964,029)	369%	**(9,139,107)**	(2,184,890)	(6,954,217)	318%
Net Revenue	**19,006,364**	3,886,786	15,119,578	389%	**31,770,151**	9,652,914	22,117,237	229%
Cost of sales	**12,104,874**	2,780,355	9,324,519	335%	**19,981,978**	4,847,715	15,134,263	312%
Gross profit before fair value adjustments	**6,901,490**	1,106,431	5,795,059	524%	**11,788,173**	4,805,199	6,982,974	145%
Fair value adjustments on biological assets	**662,343**	1,686,288	(1,023,945)	-61%	**1,302,566**	3,686,651	(2,384,085)	-65%
Fair value adjustments on sale of inventory	**(1,267,537)**	(1,544,185)	276,648	-18%	**(3,519,662)**	(4,570,604)	1,050,942	-23%
Gross profit	**6,296,296**	1,248,534	5,047,762	404%	**9,571,077**	3,921,246	5,649,831	144%
Operating expenses								
General and administrative	**4,184,736**	881,762	3,302,974	375%	**6,636,507**	2,345,153	4,291,354	183%
Sales and marketing	**260,733**	381,529	(120,796)	-32%	**304,792**	594,110	(289,318)	-49%
Amortization and depreciation	**945,691**	77,054	868,637	1127%	**1,125,043**	266,976	858,067	321%
Share-based compensation	**61,777**	—	61,777	100%	**61,777**		61,777	100%
Total operating expenses	**5,452,937**	1,340,345	4,112,592	1570%	**8,128,119**	3,206,239	4,921,880	556%
Operating income (loss)	**843,359**	(91,811)	935,170	-1019%	**1,442,958**	715,007	727,951	102%
Finance expense, net	**(1,038,041)**	543,703	(1,581,744)	-291%	**(253,932)**	885,242	(1,139,174)	-129%
Other (income) expense	**(240,857)**	(31,200)	(209,657)	672%	**(251,041)**	(31,200)	(219,841)	705%
Foreign exchange loss	**7,602**	—	7,602	100%	**7,602**	—	7,602	100%
Income before income taxes	**2,114,655**	(604,314)	2,718,969	-450%	**1,940,329**	(139,035)	2,079,364	-1496%
Income tax expense	**121,516**	—	121,516	100%	**134,038**	—	134,038	100%
Net loss and comprehensive loss for the year	**1,993,139**	**(604,314)**	2,597,453	-430%	**1,806,291**	**(139,035)**	1,945,326	-1399%

Revenue

Revenue, net of excise tax, increased from $3,886,786 to 19,006,364 or 389% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Revenue, net of excise tax, increased from $9,652,914 to 31,770,151 or 229% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase in revenue is due to increased revenue related to the Canada House Cannabis Group acquisition.

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 $2,780,355 to $12,104,874 or 335% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Cost of sales increased from $4,847,715 to $19,981,978 or 312% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase in cost of sales is closely related to the increase in revenue.

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 $1,686,288 to $662,343 or 61% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Fair value adjustments on biological assets decreased from $3,686,651 to $1,302,566 or 65% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. The decrease is primarily due to a decrease in the average bulk selling price per gram.

General and administrative

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

	For the three months ended September 30,				For the six months ended September 30,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Salaries, wages and benefits	**2,075,106**	833,938	1,241,168	149%	**2,977,168**	1,510,690	1,466,478	97%
General operating costs	**1,259,679**	(136,540)	1,396,219	1023%	**2,042,660**	299,844	1,742,816	581%
Occupancy recovery	**(108,321)**	-	(108,321)	-100%	**(203,734)**	-	(203,734)	-100%
Professional fees	**958,272**	184,364	773,908	420%	**1,820,413**	534,619	1,285,794	241%
	4,184,736	881,762	3,302,974	375%	**6,636,507**	2,345,153	4,291,354	183%

Salaries, wages and benefits increased from $833,938 to $2,075,106 or 149% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Salaries, wages and benefits increased from $1,510,690 to $2,977,168 or 97% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. Salaries, wages and benefits, does not include salaries, wages and benefit costs that were capitalized to biological assets and inventory production. In both periods, the increase in salaries, wages and benefit costs, compared to the equivalent periods in the prior year, is due to an increase in headcount primarily driven by the Canada House Cannabis Group acquisition.

General operating costs increased from $(136,540) to $1,259,679 or 1023% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. General operating costs increased from $299,844 to $2,042,660 or 581% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase in general operating costs, compared to the equivalent period in the prior year is due to additional expenses from the Canada House Cannabis Group acquisition and bad debt expense recognized.

Occupancy recovery increased from $nil to $108,321 for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Occupancy recovery increased from $nil to $203,734 for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase in occupancy recovery is due to 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 $184,364 to $958,272 or 420% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Professional fees increased from $534,619 to $1,820,413 or 241% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase is driven by the Canada House Cannabis Group acquisition and the legal fees associated with the RTO Transaction.

Sales and marketing

Sales and marketing decreased from $381,529 to $260,733 or 32% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Sales and marketing decreased from $594,110 to $304,792 or 49% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the decrease is primarily due to no sales commissions paid in the three and six months ended September 30, 2023, which were previously paid in the equivalent periods in the prior year offset by additional expenses from the Canada House Cannabis Group acquisition.

Amortization and depreciation

Amortization and depreciation expense increased from $77,054 to $945,691or 1127% for the three months ended September 30, 2023, compared to the equivalent period in the prior year. Amortization and depreciation expense increased from $266,976 to $1,125,043 or 321% for the six months ended September 30, 2023, compared to the equivalent period in the prior year. In both periods, the increase was primarily due to the amortization of intangible assets and depreciation of right-of-use assets and property, plant and equipment acquired in the Canada House Cannabis Group acquisition.

Finance expense

Finance expense for the three and six months ended September 30, 2023 and 2022 consists of the following:

	For the three months ended September 30,		**For the six months ended September 30,**	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Interest on lease obligations	**557,748**	241,030	**1,051,729**	486,493
Interest on notes payable	**669,302**	253,591	**930,585**	310,160
Interest on borrowings	**90,331**	55,356	**123,564**	88,589
Interest on convertible debentures	**169,419**	—	**169,419**	—
Fair value gain on financial liabilities	**(2,378,000)**	—	**(2,378,000)**	—
Other finance expenses	**(146,841)**	(6,274)	**(151,229)**	—
	(1,038,041)	543,703	**(253,932)**	885,242

FINANCIAL POSITION

As at	September 30, 2023	March 31, 2023	Change	
	$	$	$	%
ASSETS				
Current assets				
Cash	**3,258,259**	437,551	2,820,708	645%
Trade and other receivables	**8,487,392**	6,328,531	2,158,861	34%
Inventory	**8,867,217**	9,169,875	(302,658)	-3%
Biological assets	**1,295,108**	1,260,189	34,919	3%
Prepaid expenses and deposits	**1,657,181**	351,038	1,306,143	372%
Total current assets	**23,565,157**	17,547,184	6,017,973	34%
Non-current assets				
Right-of-use assets, net	**12,054,386**	10,643,541	1,410,845	13%
Property, plant and equipment	**16,601,073**	3,554,376	13,046,697	367%
Intangible assets and goodwill, net	**23,582,699**	—	23,582,699	100%
Total non-current assets	**52,238,158**	14,197,917	38,040,241	268%
TOTAL ASSETS	**75,803,315**	31,745,101	44,058,214	139%
LIABILITIES				
Current liabilities				
Trade and other payables	**14,093,482**	9,023,669	5,069,813	56%
Income taxes payable	**1,413,344**	987,578	425,766	43%
Lease obligations	**454,930**	185,804	269,126	145%
Notes payable	**13,700,001**	6,157,979	7,542,022	122%
Borrowings	**2,476,055**	1,460,000	1,016,055	70%
Convertible debentures	**2,679,999**	—	2,679,999	100%
Total current liabilities	**34,817,811**	17,815,030	17,002,781	95%
Non-current liabilities				
Lease obligations - non-current	**13,202,975**	11,576,866	1,626,109	14%
Notes payable - non-current	**3,247,534**	—	3,247,534	100%
Borrowings - non-current	**80,000**	—	80,000	100%
Convertible debentures - non-current	**3,691,182**	—	3,691,182	100%
Financial liabilities	**4,358,000**	—	4,358,000	100%
Deferred tax liability	**3,527,903**	812,363	2,715,540	334%
Total liabilities	**62,925,405**	30,204,259	32,721,146	108%
SHAREHOLDERS' EQUITY				
Share capital	**61,877**	100	61,777	61777%
Contributed surplus	**13,938,430**	111,430	13,827,000	12409%
Retained earnings	**(1,122,397)**	1,429,312	(2,551,709)	-179%
Total shareholders' equity	**12,877,910**	1,540,842	11,337,068	736%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**75,803,315**	31,745,101	44,058,214	139%

Assets

For the period ended September 30, 2023 compared to the year ended March 31, 2023

Trade and other receivables increased by $2,158,861 or 34% primarily due to increased sales following the acquisition of Canada House. The increase is broken down into:

(i) An increase of $1,116,923 in trade receivables;
(ii) An increase of $363,086 in SR&ED receivables;
(iii) An increase in sales tax receivable of $269,925;
(iv) An increase in other receivables of $212,633; and
(v) A decrease in the allowance for doubtful accounts of $196,294.

Inventory decreased by $302,658 or 3%, primarily due to a decrease in work in process and finished goods of $427,114, offset by a decrease in the inventory provision of $124,456.

Right-of-use assets increased by $1,410,845 or 13%, primarily due to $2,035,501 acquired on closing of the acquisition of Canada House, offset by $624,656 of depreciation expense.

Property, plant and equipment increased by $13,046,697 or 367%, primarily due to $13,025,164 acquired on closing of the acquisition of Canada House, and additions of $841,167. The increases were offset by $771,557 of depreciation expense, and $48,077 in disposals.

Intangible assets and goodwill, net, increased by $23,582,699 or 100%. The increase is due to $23,922,008 intangible assets and goodwill acquired upon closing of the acquisition of Canada House offset by $339,389 of amortization expense.

Liabilities

For the period ended September 30, 2023 compared to the year ended March 31, 2023

Trade and other payables increased by $5,069,813 or 56%, primarily due to assumed trade and other payables of $6,784,324 upon closing of the Canada House Cannabis Group acquisition, offset by the timing of invoices and payments.

Income taxes payable increased by $425,766 or 43%, primarily due to timing of payments.

Lease obligations increased by $1,895,235 or 16%, primarily due to $2,035,501 assumed on closing of the Canada House Cannabis Group acquisition, and interest expense of $1,051,729, offset by repayments of $1,191,995.

Notes payable increased by $10,789,556 or 175%, primarily due to $10,875,572 assumed on closing of the Canada House Cannabis Group acquisition and interest expense of $930,585, offset by repayments of $1,016,601.

Borrowings increased by $1,096,055 or 75%, primarily due to $3,409,286 assumed on closing of the Canada House Cannabis Group acquisition and interest expense of $100,230, offset by repayments of $2,413,461.

Convertible debentures increased by $6,371,181 or 100%, primarily due to $6,219,972 assumed on closing of the Canada House Cannabis Group acquisition and interest expense of $169,419, offset by repayments of $18,210.

Financial liabilities increased by $4,358,000 or 100%, due to consideration payable to the shareholders of Montréal Cannabis Médical Inc. prior to the RTO Transaction. The total consideration payable is $5,000,000 if certain revenue targets are achieved in the first twelve and the second twelve month periods immediately following the closing of the RTO Transaction.

Deferred tax liability increased by $2,715,540 or 334%, primarily due to deferred tax liability of $3,198,550 relating to the acquired intangible assets upon closing of the Canada House Cannabis Group acquisition.

Shareholders' equity

For the period ended September 30, 2023 compared to the year ended March 31, 2023

Shareholder's equity increased by $11,337,068 or 736%, primarily due to common shares issued upon closing of the Canada House Cannabis Group acquisition with a value of $10,838,777, financial instrument liabilities of $3,050,000 reclassed to equity, and comprehensive income of $1,806,291. The increases were offset by $4,358,000 payable to the shareholders of Montréal Cannabis Médical Inc. prior to the RTO Transaction and has been recognized in equity as a deemed dividend.

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 September 30, 2023, the Company had cash of $3,258,259 representing a increase of $2,820,708 from March 31, 2023. This increase is primarily due to $7,298,720 of cash provided by operating activities, $162,255 of cash provided by investing activities offset by $4,640,267 of cash used in 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

	Six months ended September 30,	
	2023	**2022**
	$	**$**
Cash	**437,551**	470,559
Net cash provided by (used in):		
Operating activities	**7,298,720**	(1,977,026)
Investing activities	**162,255**	(871,630)
Financing activities	**(4,640,267)**	3,059,862
Net increase in cash	**2,820,708**	211,206

Cash Flows provided by (used in) Operating Activities

Cash provided by operating activities for the six months ended September 30, 2023, was $7,298,720 compared to cash used in operating activities of $1,997,026 for the six months ended September 30, 2022. The increase in cash provided by (used in) operating activities is primarily due an increase in net income less items not affecting cash of $4,728,098 and an increase in non-cash working capital balances of $4,547,648 during the six months ended September 30, 2023, compared to the equivalent period in the prior year.

Cash Flows provided by (used in) Investing Activities

Cash provided by investing activities for the six months ended September 30, 2023, was $162,255 compared to cash used in investing activities of $871,630 for the six months ended September 30, 2022. The increase in cash provided by (used in) investing activities is primarily driven by net cash acquired in the Canada House Cannabis Group acquisition of $955,345.

Cash Flows (used in) provided by Financing Activities

Cash used in financing activities for the six months ended September 30, 2023, was $4,640,267 compared to cash provided by financing activities of $3,059,862 for the six months ended September 30, 2022. The increase in cash used in (provided by) financing activities is primarily driven by net repayment of notes payables and borrowings of $7,280,537 compared to the equivalent period in the prior year.

CONTRACTUAL OBLIGATIONS

We have no significant contractual arrangements other than those noted in our financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements other than those noted in our 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 the RTO Transaction with CHV. With the closing of the first tranche of the RTO 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 resulted in the Company being considered a related party to CHV and its subsidiaries, ICM and Abba Medix Corp.

The second stage of the RTO 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.

Compensation expense which consists of salaries and benefits for the Company’s key management personnel for the three and six months ended September 30, 2023, was $191,736 and $326,355 (2022 – $115,387 and $250,006).

For the three and six months ended September 30, 2023, the Company made sales to related parties totaling $nil and $nil (2022 - $nil and $nil). As of September 30, 2023, the Company had an outstanding receivable balance of $323 (March 31, 2023 – $22,472).

During the three and six months ended September 30, 2023, the Company purchased $302,455 and $1,197,358 (2022 – $791,659 and $955,678) of equipment and services at market rates. As of September 30, 2023, the Company had an outstanding balance of $54,271 (March 31, 2023 – $632,505) recorded in trade and other payables. The Company also made prepayments of $209,498 as of September 30, 2023 (March 31, 2023 – $180,714).

During the three and six months ended September 30, 2023, the Company made rental and lease payments to related parties totaling $623,517 and $1,150,905 (2022 – $396,000 and $792,000).

During the three and six months ended September 30, 2023, the Company accrued interest of $245,054 and $506,337 (2022 – $214,408 and $270,977) on a notes payable balance from a Company controlled by the Chief Cultivation Officer and Chief Operating Officer. The Company repaid $1,016,601 during the six months ended September 30, 2023 (2022 – $1,989,525). As of September 30, 2023, the Company had an outstanding balance payable of $5,647,715 (March 31, 2023 – $6,157,715) recorded in notes payable (Note 11). The balance payable is due on demand. As of September 30, 2022, the note is interest bearing at a rate of 17% per annum. Prior to this period the interest 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 September 30, 2023, one customer represented 46% of the outstanding receivable balance (March 31, 2023 – two customers represented 85%). For the six months ended September 30, 2023, three customers accounted for 73% of the Company’s revenue (2022 – 2 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:

	September 30, 2023	**March 31, 2023**
	$	**$**
Current	**5,794,670**	4,025,695
1 – 30 days past due	**1,699,214**	2,644,388
31 – 60 days past due	**83,673**	177,182
Greater than 60 days past due	**528,834**	141,759
	8,106,391	6,989,024
Less: expected credit losses	**(538,737)**	(734,587)
	7,567,654	6,254,437

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 September 30, 2023:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	$	$	$	$	$	$	$
Trade and other payables	14,093,482	14,093,482	-	-	-	-	14,093,482
Income taxes payable	1,413,344	1,413,344	-	-	-	-	1,413,344
Lease obligations	13,657,905	2,867,783	2,944,415	2,938,455	2,891,243	15,645,988	27,287,884
Notes payable	16,947,535	14,452,510	4,243,151	-	-	-	18,695,661
Borrowings	2,556,055	2,536,055	80,000	-	-	-	2,616,055
Convertible debentures	6,371,181	1,190,000	520,000	520,000	6,940,457	-	9,170,457
Financial liabilities	4,358,000	-	5,000,000	-	-	-	5,000,000
	59,397,502	36,553,174	12,787,566	3,458,455	9,831,700	15,645,988	78,276,883

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 September 30, 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 September 30, 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 September 30, 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	116,997,561
Warrants	5,978,094
Stock options	1,765,000