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 December 31, 2023.

This MD&A for the three and nine months ended December 31, 2023 and 2022 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended December 31, 2023 ad 2022. The financial information presented in this MD&A is derived the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended December 31, 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 February 29, 2024.

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 licenced 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 licene 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 Licence and Processing Licence; 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 Licence; 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, formerly Canada House Group Inc. ("Canada House"), completed its acquisition of all of the issued and outstanding shares of Montréal Medical Cannabis ("Montréal 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 Montréal Cannabis from the Montréal Cannabis 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 Montréal 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 Montréal Cannabis from the Montréal Cannabis shareholders in exchange for 70,713,556 common shares of Canada House, resulting in Montréal Cannabis becoming a wholly owned subsidiary of Canada House. Upon completion of the Tranche Two Closing, the former Montréal Cannabis shareholders held a majority of the Canada House outstanding common shares, constituting a reverse take over of Canada House by the shareholders of Montréal Cannabis. As a result, the comparative information included herein is solely that of Montréal Cannabis, the reverse takeover acquirer. Upon completion of the RTO Transaction, Canada House changed its name to MTL Cannabis Corp.

The Company has the following wholly owned material subsidiaries: Montréal Cannabis, Abba Medix Corp. ("Abba"), Canada House Clinics Inc. ("CHC"), and IsoCanMed Inc. ("IsoCanMed").

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 Licenced 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 licenced 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 in New Brunswick, two in Nova Scotia and five 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 psyhcotherapy. 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 licenced 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 licenced 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 Licenced 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 Licenced Producer and CTE's are first and foremost committed to connecting patients to Licenced 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 Licenced 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 Licenced Producers based on the cannabinoid and terpene profiles best suited for the diagnosis and conditions being treated. Patients can demand Licenced Producers that Canada House does not have a contract with, and Educators may suggest products from an uncontracted Licence Holder if it is a better option for the patient and the Educator sufficiently understands the capabilities of that Licenced Producer.

On May 27, 2021, CHC acquired 100% of the issued and outstanding shares of Margaree Health Group Incorporated "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 veteran 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 Licenced Producers to provide greater capacity and treatment alternatives based on patient needs. In addition to Abba, CHC has over nineteen agreements with Licenced 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 licence from Health Canada, enabling the sale of its own cannabis directly to CHC's and other patients, as well as consumers.

Licenced Producers

Montréal Medical Cannabis Inc. ("Montréal Medical")

Montréal Cannabis is a licenced 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. Montréal Cannabis is concentrated on respecting the cannabis culture and daily consumer by launching modern unique offerings into the Canadian market at a competitive price point.

Montréal Cannabis holds three licences from Health Canada: (i) a Cultivation Licence (defined below); (ii) a Processing Licence (defined below); and (iii) a Sales Licence (defined below). Montréal Cannabis initially received its Licence under section 22(2) of the Access to Cannabis for Medical Purposes Regulations ("ACMPR") on February 7, 2020, authorizing Montréal Cannabis to cultivate and process cannabis and was a transition to Standard Cultivation Licence under the Cannabis Act. (the "Cultivation Licence"). The Licence 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 Montréal Cannabis also received its Standard Processing Licence (the "Processing Licence"). The Processing Licence allows Montréal Cannabis to produce cannabis, other than obtain it by cultivating, propagating or harvesting it (i.e. extract oils).

On February 22, 2022, Montréal Medical's Processing License was amended to allow sales 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 Montréal Medical. As a medical marketplace, Abba sources over 180 SKU's from over 40 brands from more than 20 licenced producers to curate a menu for veterans and other medical patients.

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 licenced seed-to-sale software and equipment from Ample Organics. Abba started a retrofit of the cultivation rooms in October 2023, with the purpose of taking over the cultivation rooms from the previous sublet tenant, Artisanal, who occupied the space from March 2023 to October 2023. The Abba cultivation program started in November 2023, with Abba harvesting a new batch every two weeks and occupying all four flowering rooms at the facility. Additionally, Abba is in the process of retrofitting and licensing additional space in the warehouse to support expanding medical fulfilment operations to keep up with market demand as the medical business line continues to grow.

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

Date	Description
September 01, 2017 Licence No 10-MM0264/2017	Cannabis Cultivation Licence Sales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited This licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.
September 29, 2017 Licence No 10-MM0264/2017	Destruction room -included as Sub div C room Still under ACMPR sub sec 22 (2)-limited. This licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.

April 20, 2018 Licence 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 licence Sale is Still under ACMPR sub sec 22 (2)-limited. This licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.
July 20, 2018 Licence No 10-MM0264/2018	Selling seeds to Licenced Producers Still under ACMPR sub sec 22 (2)-limited. This licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.
July 31, 2018 Licence No 10-MM0264/2018	Production of Fresh Cannabis Sale Still governed by the section 22 (2) limited version
November 10, 2018 Licence No. LIC-MZPK573ALN-2018-1	Updated Licence under Cannabis regulations Standard cultivation licence Standard Processing licence (including sales of seeds and planting materials)
December 21, 2018 Licence No. LIC-MZPK573ALN-2018-1	Sales (Medical) -Dried cannabis Licence with condition.
August 30, 2019 Licence No. LIC-MZPK573ALN-2018-2	Amended Sales Licence – Abba can start legally selling its own branded dry flower and fresh cannabis.
August 21, 2020 Licence No. LIC-MZPK573ALN-2020	Amended sales licence – Abba can start selling cannabis oil, concentrate, topical and edible products.
August 21, 2023 (sales licence renewal approved May 26, 2023) Licence No. LIC-MZPK573ALN-2023	Renewal of Amended sales licence (prior was LIC-MZPK573ALN-2020). Two-year renewal.
August 21, 2023 (medical sales licence renewal approved May 26, 2023) Licence No. LIC-MZPK573ALN-2023	Renewal of medical sales licence (prior was LIC-MZPK573ALN-2018-1). Two-year renewal.
August 21, 2023 (cultivation and processing renewal approved May 26, 2023) Licence No. LIC-MZPK573ALN-2023	Renewal of standard cultivation and processing licence (prior was LIC-MZPK573ALN-2018-1). Two-year renewal.

IsoCanMed Inc. (“ICM”)

ICM has invested approximately $4 million in a state-of-the-art 64,000-square-foot production facility, including its recently completed retrofit under the oversight of Montréal Cannabis to deploy Montréal 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 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 licences:

Date	Description
January 12, 2018 Licence No 10-MM0766/2018	Cannabis Cultivation Licence Sales or Provision of 1. dried marijuana 2. marijuana plants 3. marijuana seed Under ACMPR sub sec 22 (2)-limited

	This licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.
May 11, 2018 Licence 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 licenced producer may sell, provide, ship, transport and deliver substances authorized for sales or provision on this licenced to licence dealer solely for the purpose of conducting analytical testing.
November 8, 2018 Licence No. LIC-5EFG9AFN3H-2018	Updated Licence under Cannabis regulations Standard cultivation licence
May 10, 2019 Licence No. LIC-5EFG9AFN3H-2018-1	Amended Standard cultivation licence – Addition of mother rooms M2A/M2B
September 6, 2019 Licence No. LIC-5EFG9AFN3H-2018-2	Amended Standard cultivation licence – Addition of clone room C2 ; addition of flowering rooms F4, F5, F6 ; Addition of room 125.
January 10, 2020 Licence No. LIC-5EFG9AFN3H-2018-3	Amended Standard cultivation licence – Addition of room SC (trimming).
August 21, 2020 Licence 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 nine months ended December 31, 2023 and 2022:

	Three months ended December31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Revenue	**19,331,624**	6,722,820	12,608,804	188%	**51,101,775**	16,375,734	34,726,041	212%
Gross profit	**8,994,030**	2,305,404	6,688,626	290%	**18,565,107**	6,226,650	12,338,457	198%
General and administrative	**5,345,090**	3,475,344	1,869,746	54%	**11,981,597**	5,820,497	6,161,100	106%
Sales and marketing	**434,644**	174,624	260,020	149%	**739,436**	768,734	(29,298)	-4%
Amortization and depreciation	**1,337,406**	286,497	1,050,909	367%	**2,462,449**	553,473	1,908,976	345%
Share-based compensation	**—**	—	—	100%	**61,777**	—	61,777	100%
Total operating expenses	**7,117,140**	3,936,465	3,180,675	81%	**15,245,259**	7,142,704	8,102,555	113%
Operating income (loss)	**1,876,890**	(1,631,061)	3,507,951	-215%	**3,319,848**	(916,054)	4,235,902	-462%

OVERALL FINANCIAL PERFORMANCE

Revenue, net of excise tax, for the three months ended December 31, 2023, was $19,331,624, an increase of $12,608,804 or 188%, compared to the equivalent period in the prior year. Revenue, net of excise tax, for the nine months ended December 31, 2023 was $51,101,775, an increase of $34,726,041 or 212%, compared to the equivalent period in the prior year. In both periods, the increase is primarily due to increased revenue related to the RTO Transaction.

Gross profit after fair value adjustments for the three months ended December 31, 2023, was $8,994,030, an increase of $6,688,626 or 290%, compared to the equivalent period in the prior year. Gross profit after fair value adjustments for the nine months ended December 31, 2023, was $18,565,107, an increase of $12,338,457 or 198%, 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 December 31, 2023	As at March 31, 2023	Change	
	$	$	$	%
Cash	**1,054,591**	437,551	617,040	141%
Total assets	**74,887,020**	31,745,101	43,141,919	136%
Total liabilities	**60,620,383**	30,204,259	30,416,124	101%

The Company concluded the period ended December 31, 2023, with cash of $1,054,591 (March 31, 2023 - $437,551).

RESULTS OF OPERATIONS

Analysis of the Three and Nine Months Ended December 31, 2023 and 2022

	Three months ended December 31,				Nine months ended December 31,			
	2023	**2022**	**Change**		**2023**	**2022**	**Change**	
	$	$	$	%	**$**	$	$	%
Revenue								
Product revenue	**22,395,199**	8,695,241	13,699,958	158%	**62,405,421**	20,533,045	41,872,376	204%
Referral revenue	**1,310,755**	—	1,310,755	100%	**2,209,791**	—	2,209,791	100%
Excise tax	**(4,374,330)**	(1,972,421)	(2,401,909)	122%	**(13,513,437)**	(4,157,311)	(9,356,126)	225%
Net Revenue	**19,331,624**	6,722,820	12,608,804	188%	**51,101,775**	16,375,734	34,726,041	212%
Cost of sales	**9,515,713**	4,249,846	5,265,867	124%	**29,497,691**	9,097,561	20,400,130	224%
Gross profit before fair value adjustments	**9,815,911**	2,472,974	7,342,937	297%	**21,604,084**	7,278,173	14,325,911	197%
Fair value adjustments on biological assets	**1,335,372**	1,247,445	87,927	7%	**2,637,938**	4,934,096	(2,296,158)	-47%
Fair value adjustments on sale of inventory	**(2,157,253)**	(1,415,015)	(742,238)	52%	**(5,676,915)**	(5,985,619)	308,704	-5%
Gross profit	**8,994,030**	2,305,404	6,688,626	290%	**18,565,107**	6,226,650	12,338,457	198%
Operating expenses								
General and administrative	**5,345,090**	3,475,344	1,869,746	54%	**11,981,597**	5,820,497	6,161,100	106%
Sales and marketing	**434,644**	174,624	260,020	149%	**739,436**	768,734	(29,298)	-4%
Amortization and depreciation	**1,337,406**	286,497	1,050,909	367%	**2,462,449**	553,473	1,908,976	345%
Share-based compensation	**—**	—	—	100%	**61,777**	—	61,777	100%
Total operating expenses	**7,117,140**	3,936,465	3,180,675	670%	**15,245,259**	7,142,704	8,102,555	547%
Operating income (loss)	**1,876,890**	(1,631,061)	3,507,951	-215%	**3,319,848**	(916,054)	4,235,902	-462%
Finance expense, net	**1,755,558**	532,920	1,222,638	229%	**1,501,626**	1,418,162	83,464	6%
Other income	**(240,439)**	(185,286)	(55,153)	30%	**(491,480)**	(216,486)	(274,994)	127%
Foreign exchange loss	**—**	—	—	100%	**7,602**	—	7,602	100%
Income (loss) before income taxes	**361,771**	(1,978,695)	2,340,466	-118%	**2,302,100**	(2,117,730)	4,419,830	-209%
Income tax expense (recovery)	**610,057**	(237,219)	847,276	-357%	**744,095**	(237,219)	981,314	-414%
Net income (loss) and comprehensive income (loss) for the year	**(248,286)**	**(1,741,476)**	1,493,190	-86%	**1,558,005**	**(1,880,511)**	3,438,516	-183%

Revenue

Revenue, net of excise tax, increased from $6,722,820 to $19,331,624 or 188% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Revenue, net of excise tax, increased from $16,375,734 to $51,101,775 or 212% for the nine months ended December 31, 2023, compared to the equivalent period in the prior year. In both periods, the increase in revenue is primarily due to an increase in revenue related to the RTO Transaction.

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 $4,249,846 to $9,515,713 or 124% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Cost of sales increased from $9,097,561 to $29,497,691 or 224% for the nine months ended December 31, 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 income (loss) and comprehensive income (loss) 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 income (loss) and comprehensive income (loss) for the related period.

Fair value adjustments on biological assets increased from $1,247,445 to $1,335,372 or 7% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Fair value adjustments on biological assets decreased from $4,934,096 to $2,637,938 or 47% for the nine months ended December 31, 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 nine months ended December 31, 2023 and 2022 are comprised of:

	For the three months ended December 31,				**For the nine months ended December 31,**			
	2023	**2022**	**Change**		**2023**	**2022**	**Change**	
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Salaries, wages and benefits	**3,581,507**	3,996,252	(414,745)	-10%	**6,558,675**	5,506,942	1,051,733	19%
General operating costs	**1,137,206**	(890,315)	2,027,521	228%	**3,179,866**	(590,471)	3,770,337	-639%
Occupancy expense (recovery)	**95,163**	—	95,163	-100%	**(108,571)**	—	(108,571)	-100%
Professional fees	**531,214**	369,407	161,807	44%	**2,351,627**	904,026	1,447,601	160%
	5,345,090	3,475,344	1,869,746	54%	**11,981,597**	5,820,497	6,161,100	106%

Salaries, wages and benefits decreased from $3,996,252 to $3,581,507 or 10% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Salaries, wages and benefits increased from $5,506,942 to $6,558,675 or 19% for the nine months ended December 31, 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. For the three months ended December 31, 2023, the decrease in salaries, wages and benefits, compared to the equivalent period in the prior year, is due primarily to minor headcount reduction efforts. For the nine months ended December 31, 2023, the increase in salaries, wages and benefits, compared to the equivalent periods in the prior year, is due to severance paid to employees due to the Canada House Cannabis Group acquisition.

General operating costs increased from $(890,315) to $1,137,206 or 228% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. General operating costs increased from $(590,471) to $3,179,866 or 639% for the nine months ended December 31, 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 expense increased from $nil to $95,163 for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Occupancy recovery increased from $nil to $(108,571) for the nine months ended December 31, 2023, compared to the equivalent period in the prior year. For the three months ended December 31, 2023, the occupancy expense is due to an increase in rent payments. For the nine months ended December 31, 2023, the 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 $369,407 to $531,214 or 44% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Professional fees increased from $904,026 to $2,351,627 or 160% for the nine months ended December 31, 2023, compared to the equivalent period in the prior year. In both periods, the increase is primarily driven the legal and accounting fees associated with the RTO Transaction.

Sales and marketing

Sales and marketing increased from $174,624 to $434,644 or 149% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Sales and marketing decreased from $768,734 to $739,436 or 4% for the nine months ended December 31, 2023, compared to the equivalent period in the prior year. For the three months ended December 31, 2023, the increase, compared to the equivalent period in the prior year, was due to increased sales and promotional efforts. For the nine months ended December 31, 2023, the decrease is primarily due to no sales commissions paid in nine months ended December 31, 2023, which were previously paid in the equivalent periods in the prior year offset by additional expenses from the RTO Transaction.

Amortization and depreciation

Amortization and depreciation expense increased from $286,497 to $1,337,406 or 367% for the three months ended December 31, 2023, compared to the equivalent period in the prior year. Amortization and depreciation expense increased from $553,473 to $2,462,449 or 345% for the nine months ended December 31, 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 pursuant to the RTO Transaction.

Finance expense

Finance expense for the three and nine months ended December 31, 2023 and 2022 consists of the following:

	For the three months ended December 31,		**For the nine months ended December 31,**	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Interest on lease obligations	**577,633**	234,618	**1,629,362**	721,111
Interest on notes payable	**838,850**	227,694	**1,769,435**	537,854
Interest on borrowings	**71,059**	45,197	**194,623**	133,786
Interest on convertible debentures	**268,236**	—	**437,655**	—
Fair value gain on financial liabilities	**—**	—	**(2,378,000)**	—
Other finance (income) expenses	**(220)**	25,411	**(151,449)**	—
	1,755,558	532,920	**1,501,626**	1,418,162

FINANCIAL POSITION

As at	December 31, 2023	March 31, 2023	Change	
	$	$	$	%
ASSETS				
Current assets				
Cash	**1,054,591**	437,551	617,040	141%
Trade and other receivables	**7,692,427**	6,328,531	1,363,896	22%
Inventory	**8,310,789**	9,169,875	(859,086)	-9%
Biological assets	**1,878,636**	1,260,189	618,447	49%
Prepaid expenses and deposits	**1,793,296**	351,038	1,442,258	411%
Total current assets	**20,729,739**	17,547,184	3,182,555	18%
Non-current assets				
Right-of-use assets, net	**11,662,166**	10,643,541	1,018,625	10%
Property, plant and equipment	**17,851,253**	3,554,376	14,296,877	402%
Intangible assets and goodwill, net	**24,643,862**	—	24,643,862	100%
Total non-current assets	**54,157,281**	14,197,917	39,959,364	281%
TOTAL ASSETS	**74,887,020**	31,745,101	43,141,919	136%
LIABILITIES				
Current liabilities				
Trade and other payables	**13,155,559**	9,023,669	4,131,890	46%
Income taxes payable	**1,298,132**	987,578	310,554	31%
Lease obligations	**653,257**	185,804	467,453	252%
Notes payable	**15,868,911**	6,157,979	9,710,932	158%
Borrowings	**481,595**	1,460,000	(978,405)	-67%
Convertible debentures	**2,179,999**	—	2,179,999	100%
Total current liabilities	**33,637,453**	17,815,030	15,822,423	89%
Non-current liabilities				
Lease obligations	**12,875,891**	11,576,866	1,299,025	11%
Borrowings	**2,129,124**	—	2,129,124	100%
Convertible debentures	**3,903,862**	—	3,903,862	100%
Financial liabilities	**4,358,000**	—	4,358,000	100%
Deferred tax liability	**3,716,053**	812,363	2,903,690	357%
Total liabilities	**60,620,383**	30,204,259	30,416,124	101%
SHAREHOLDERS' EQUITY				
Share capital	**61,877**	100	61,777	61777%
Contributed surplus	**15,575,443**	111,430	15,464,013	13878%
Retained earnings	**(1,370,683)**	1,429,312	(2,799,995)	-196%
Total shareholders' equity	**14,266,637**	1,540,842	12,725,795	826%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**74,887,020**	31,745,101	43,141,919	136%

Assets

For the period ended December 31, 2023 compared to the year ended March 31, 2023

Trade and other receivables increased by $1,363,896 or 22% primarily due to increased sales following the acquisition of Canada House. The increase is broken down into:

(i) An increase of $445,065 in trade receivables;
(ii) An increase of $324,605 in SR&ED receivables;
(iii) An increase in sales tax receivable of $149,667;
(iv) An increase in other receivables of $309,528; and
(v) A decrease in expected credit losses of $135,031.

Inventory decreased by $859,086 or 9%, primarily due to a decrease in work in process of $3,154,461, and a decrease in carrying value of $977,554, offset by an increase in finished goods of $2,160,963 and a decrease in inventory provision of $118,468.

Right-of-use assets increased by $1,018,625 or 10%, primarily due to $2,035,501 acquired on closing of the acquisition of Canada House, offset by $1,016,876 of depreciation expense.

Property, plant and equipment increased by $14,296,877 or 402%, primarily due to $13,025,164 acquired on closing of the acquisition of Canada House, and additions of $2,724,561. The increases were offset by $1,458,587 of depreciation expense, and $5,739 in disposals.

Intangible assets and goodwill, net, increased by $24,643,862 or 100%. The increase is due to $25,696,007 intangible assets and goodwill acquired upon closing of the RTO Transaction offset by $1,052,145 of amortization expense.

Liabilities

For the period ended December 31, 2023 compared to the year ended March 31, 2023

Trade and other payables increased by $4,131,890 or 46%, primarily due to assumed trade and other payables of $6,784,327 upon closing of the RTO Transaction, offset by the timing of invoices and payments.

Income taxes payable decreased by $310,554 or 31%, primarily due to timing of payments.

Lease obligations increased by $1,766,478 or 15%, primarily due to $2,035,501 assumed on closing of the RTO Transaction, and interest expense of $1,629,362, offset by repayments of $1,898,385.

Notes payable increased by $9,710,932 or 158%, primarily due to $10,875,572 assumed on closing of the RTO Transaction and interest expense of $1,769,435, offset by repayments of $2,746,138.

Borrowings increased by $1,150,719 or 79%, primarily due to $3,409,286 assumed on closing of the Canada House Cannabis Group acquisition, interest expense of $194,623, and a loss on modification of $158,604, offset by repayments of $2,513,461 and loan forgiveness of $40,000.

Convertible debentures increased by $6,084,861 or 100%, primarily due to $6,219,972 assumed on closing of the RTO Transaction and interest expense of $437,655, offset by repayments of $573,766.

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 $2,903,690 or 357%, primarily due to deferred tax liability of $3,386,700 relating to the acquired intangible assets upon closing of the Canada House Cannabis Group acquisition.

Shareholders' equity

For the period ended December 31, 2023 compared to the year ended March 31, 2023

Shareholder's equity increased by $12,725,795 or 826%, primarily due to common shares issued upon closing of the Canada House Cannabis Group acquisition with a value of $12,452,777 financial instrument liabilities of $3,050,000 reclassed to equity, and comprehensive income of $1,558,005. The increases were offset by $4,358,000 payable to the shareholders of Montréal 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 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. 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 December 31, 2023, the Company had cash of $1,054,591 representing an increase of $617,040 from March 31, 2023. This increase is primarily due to $10,076,585 of cash provided by operating activities, offset by $1,769,216 of cash used in investing activities and $7,690,329 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

	Nine months ended December 31,	
	2023	**2022**
	$	**$**
Cash	**437,551**	470,559
Net cash provided by (used in):		
Operating activities	**10,076,585**	(1,023,979)
Investing activities	**(1,769,216)**	(975,204)
Financing activities	**(7,690,329)**	2,508,372
Net increase in cash	**617,040**	509,189

Cash Flows provided by (used in) Operating Activities

Cash provided by operating activities for the nine months ended December 31, 2023, was $10,076,585 compared to cash used in operating activities of $1,023,979 for the nine months ended December 31, 2022. The increase in cash provided by (used in) operating activities is primarily due an increase in net income of $3,438,516, an increase in items not affecting cash of $5,572,709 and an increase in non-cash working capital balances of $2,089,339 during the nine months ended December 31, 2023, compared to the equivalent period in the prior year.

Cash Flows used in Investing Activities

Cash used in investing activities for the nine months ended December 31, 2023, was $1,769,216 compared to cash used in investing activities of $975,204 for the nine months ended December 31, 2022. The increase in cash used in investing activities is primarily due to purchase of equipment of $2,724,561 compared to $478,745 in the equivalent period in the prior year, and net cash acquired in the RTO Transaction of $955,345, offset by a reduction in loans receivable of $496,459 during the equivalent period in the prior year.

Cash Flows (used in) provided by Financing Activities

Cash used in financing activities for the nine months ended December 31, 2023, was $7,690,329 compared to cash provided by financing activities of $2,508,372 the nine months ended December 31, 2022. The increase in cash used in (provided by) financing activities is primarily driven by net repayment of notes payables and borrowings of $5,791,944 and repayment of lease obligations of $1,898,385 compared to net proceeds of $3,700,119 offset by repayments of lease obligations of $1,191,747 in the equivalent period in the prior year.

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 completed The Tranche One Closing of the RTO Transaction with Canda House. With the Tranche One of the RTO Transaction (the "Initial Closing") Canada House acquired 24.99% of the issued and outstanding shares of Montréal Cannabis in exchange for 49.99% of the issued and outstanding common shares of Canada House being issued to the shareholders of Montréal Cannabis on the Initial Closing. This resulted in Montréal Cannabis being considered a related party to Canada House and its subsidiaries, including ICM and Abba.

The Tranche Two Closing of the RTO Transaction was completed on July 28, 2023. The Tranche Two Closing resulted in Canada House acquiring the remaining 75.01% of the issued and outstanding shares of Montréal 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 nine months ended December 31, 2023, was $203,348 and $529,703 (2022 – $193,925 and $443,931).

As of December 31, 2023, the Company had an outstanding receivable balance of $49,100 (March 31, 2023 – $22,472).

During the three and nine months ended December 31, 2023, the Company purchased $76,617 and $1,273,976 (2022 – $736,906 and $1,692,583) of equipment and services at market rates. As of December 31, 2023, the Company had an outstanding balance of $2,602 (March 31, 2023 – $632,505) recorded in trade and other payables. The Company also made prepayments of $201,992 as of December 31, 2023 (March 31, 2023 – $180,714).

During the three and nine months ended December 31, 2023, the Company made rental and lease payments to related parties totaling $532,720 and $1,683,625 (2022 – $387,165 and $1,179,165).

During the three and nine months ended December 31, 2023, the Company accrued interest of $229,465 and $735,802 (2022 – $214,194 and $454,847) on a notes payable balance from a company controlled by the Chief Cultivation Officer and Chief Operating Officer. The Company repaid $1,746,138 during the nine months ended December 31, 2023 (2022 – $2,189,525). As of December 31, 2023, the Company had an outstanding balance payable of $5,152,181 (March 31, 2023 – $6,157,979) recorded in notes payable. 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 December 31, 2023, one customer represented 42% of the outstanding receivable balance (March 31, 2023 – two customers represented 85%). For the nine months ended December 31, 2023, three customers accounted for 57% of the Company’s revenue (2022 – two customers represented 68%). 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:

	December 31, 2023	March 31, 2023
	$	**$**
Current	**772,495**	4,026,139
1 – 30 days past due	**4,370,229**	2,644,388
31 – 60 days past due	**1,139,971**	177,182
Greater than 60 days past due	**1,151,838**	141,759
	7,434,533	6,989,468
Less: expected credit losses	**(600,000)**	(735,031)
	6,834,533	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 December 31, 2023:

	Carrying amount	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	$	$	$	$	$	$	$
Trade and other payables	13,155,559	13,155,559	—	—	—	—	13,155,559
Income taxes payable	1,298,132	1,298,132	—	—	—	—	1,298,132
Lease obligations	13,529,148	2,888,045	2,953,548	2,924,952	2,891,958	14,922,990	26,581,493
Notes payable	15,868,911	17,258,356	—	—	—	—	17,258,356
Borrowings	2,610,719	598,406	2,129,124	—	—	—	2,727,530
Convertible debentures	6,083,861	1,127,000	520,000	520,000	6,810,457	—	8,977,457
Financial liabilities	4,358,000	—	5,000,000	—	—	—	5,000,000
	56,904,330	36,325,498	10,602,672	3,444,952	9,702,415	14,922,990	74,998,527

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 December 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 December 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 December 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	116,997,561
Share options	1,765,000
Warrants	5,978,094

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements: and (ii) the consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non venture issuers under National Instrument 52-109 - Certification of Disclosure in issuers' Annual and Interim filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation: and

(ii) a process to provide reasonable assurance regarding the reliability of financial reposting and the preparation of the unaudited condensed interim consolidated financial statements for external purposed in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.