CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED MAY 31, 2021 AND 2020

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The following management discussion and analysis ("MD&A") of Canntab Therapeutics Limited ("Canntab" or "the Company") provides a review of corporate developments, results of operations and financial position for the years ended May 31, 2021 and 2020 ("F2021 and "F2020" respectively). This discussion is prepared as of September 28, 2021 and should be read in conjunction with (i) the consolidated financial statements and the accompanying notes for the years ended May 31, 2021 and 2020. Additional information relating to the Company is available on Canntab's SEDAR profile at www.sedar.com and the Company's website at www.canntab.ca. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares, (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision, or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

COMPANY OVERVIEW

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian biopharmaceutical company focused on the manufacturing and distribution of a suite of hard pill cannabinoid formulations in multiple doses and timed-release combinations. Canntab's proprietary hard pill cannabinoid formulations provide doctors, patients and consumers with medical grade solutions which incorporate all the features one would expect from any prescription or over the counter medication sold in pharmacies around the world.

Canntab trades on the Canadian Securities Exchange under the symbol "PILL", the OTCQB Best Market under the symbol "CTABF" and the Frankfurt Stock Exchange under the symbol "TBF1".

The Extended Release Tablet ("XR" or the "XR Tablet") is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems. These challenges include, but are not limited to, accuracy of dosing, onset times, duration of action, bioavailability, discreetness of consumption, ease of spoilage and the reduction of side effects, and are all directly addressed by the unique formulation of the XR Tablet. The XR Tablet is designed to contain either THC, CBD or a combination of THC/CBD (depending on the composition of the medicine), permitting it to meet the demands of a broader patient base than the current synthetic-THC based pills in the market today.

Intellectual property underpins the value of XR Tablets in the form of four international patent applications already filed. Canntab is rapidly moving toward the commercialization phase by partnering with a best-in-class licensed producer of medicinal cannabis in Canada and gearing up for its first series of pre-clinical trials.

CURRENT HIGHLIGHTS

- Signing of Memorandum of Understanding with MediPharm Labs Inc. on September 16, 2021
- Signing of Master Cannabis Supply Agreement with Ontario Cannabis Stores on September 14, 2021
- First commercial shipment to under Australian purchase order

RECENT EVENTS

MediPharm Memorandum of Understanding

During the year ended May 31, 2020, the Company acquired distillate from MediPharm Labs Inc. ("MediPharm"), and recorded this distillate in inventory as the Company controlled the distillate purchase. The total amount acquired in fiscal 2020 was for a pre-HST purchase price of $473,460. During the year ended May 31, 2021, the Company acquired additional distillate for a pre-HST purchase price of $232,980. No amounts have been paid to MediPharm related to these purchases such that the HST-included amount owing as at May 31, 2021 is $797,278 (2020 - $535,009) *(see discussion below on "Change of market penetration strategy")*.

During the year ended May 31, 2021, the Company entered into two sales transactions with MediPharm whereby the Company shipped tablets to MediPharm and initially recognized gross revenue of $967,500, as the Company transferred control of the tablets to MediPharm. The sales orders to MediPharm contained a return provision whereby any unsold tablets could be returned to the Company for the original sales price, for which the Company made an initial provision of $145,125. As required under IFRS 15, the Company is required to revise its estimate of expected returns at each reporting period for contracts that permit customer returns and revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

As at May 31, 2021, it became apparent that there was a high likelihood that most product would be returned as the throughput of sales by MediPharm to its end customers had not been achieved. As such, the Company revised the estimate of the transaction price to zero, reversed all revenue previously recognized, and recorded a right to recover goods returned of $459,038. This estimate was later confirmed by the Memorandum of Understanding ("MOU") detailed below. All the inventory sold to MediPharm remained on hand at their facility as at May 31, 2021.

Subsequent to year end, the Company and MediPharm executed an MOU dated September 16, 2021 whereby MediPharm would return all the tablets purchased from Canntab. Commencing within sixty days after Canntab's first sale of the returned product, Canntab will pay MediPharm $20,000 per month for a period of twelve and a half consecutive months, to a maximum amount of $250,000. Upon MediPharm being paid $250,000 in accordance with the payment terms above, the amounts payable for the distillate will be considered paid in full, which would settle the amounts otherwise due under the distillate purchase orders.

The return of tablets subsequent to May 31, 2021 corroborates the return provision and right to recover assets recorded as at May 31, 2021. The refund liability to MediPharm has been recorded against the MediPharm accounts receivable as the Company does not expect collection for the amounts receivable related to this sale. However, the legal settlement of the distillate initially purchased in fiscal 2020 of $797,278 (HST included) did not occur until subsequent to May 31, 2021, and as such, the revised obligation of $250,000 has not been adjusted in these consolidated financial statements as the criteria for the liability to be extinguished were not met.

Change of market distribution strategy

Since the second delivery to MediPharm in February, 2021, management had been looking forward to seeing Canntab's tablets available to the public through MediPharm's already established customer network. Unfortunately until now, MediPharm was unsuccessful in obtaining from the Ontario Cannabis Retail Corporation "(OCS") the listing necessary to introduce our tablets to the market. Canntab's management had also been dealing with OCS and received a listing for one of our THC products and expects to receive a listing for a CBD product on OCS's next listing allocation. The Company executed a Master Cannabis Supply Agreement with OCS dated September 14, 2021 and has now been informed that an order for our THC product will be placed with a delivery date of November 9, 2021. The order quantity is unknown, but quantities will be as required by OCS to supply the 1,000 stores it regulates.

Based on the current situation, and after careful consideration, management felt that the introduction of our tablets into the market would be accelerated by Canntab. As a result of the above, Canntab and MediPharm renegotiated our existing agreements. As previously announced, Canntab acquired cannibanoid oil from MediPharm and used some of it to produce the tablets that it delivered to MediPharm. Under the new agreement, Canntab agreed to take back all the tablets it delivered to MediPharm and MediPharm agreed to reduce the purchase price of the oil it sold to Canntab to $250,000.

Australian order

On March 30, 2021, Health Canada granted the Company an export license under which Canntab can now fulfill the initial purchase order of CAD $406,200 received from Cann Global Limited (ASX: CGB) ("CANN Global") of Australia. The products ordered by Cann Global on October 26, 2020 are expected to be distributed, through its management partnership with Medcan Australia Pty Ltd ("Medcan Australia"), throughout Australia to medical distributors, including doctors, pharmacies, and hospitals.

The first part of that order, comprising 10% or approximately $40,000, was successfully shipped in F2022 Q1. The Company has received the required import permits from Australia for the second part of the order, and is currently applying for its corresponding export permits from Health Canada comprising approximately 45% of the total order.

Future sales initiatives

The Company is working on numerous sales initiatives as follows:

(a) Canntab is in the final stages of receiving the required amendment to its Health Canada license application to sell its 12 Health Canada approved SKU's (instant release tablets delivering THC, CBD and a combination of THC/CBD in 12 different strengths) directly to the consumer.

(b) In May 2021, Health Canada conducted a comprehensive operational audit which the Company completed successfully. The Company has since received a preliminary indication from Health Canada that its application to amend its sale license to permit direct sales to the consumer meets all the requirements and is making its way through the regulatory channels. Management expects to receive the formal approval shortly. Receipt of this amendment will allow the Company to complete the testing of our e-commerce web site enabling us to sell directly to the consumer and to specialty providers, such as pain and sleep clinics.

(c) Management is confident of further future listings and significant orders from OCS under the Master Cannabis Supply Agreement. The Company is also actively engaged with other provinces to complete the application process to list our products with their respective regulatory bodies.

(d) The Company is engaged in discussions with marketing agencies to design programs to create awareness of Canntab's products and create/increase demand by consumers and medical and wellness professionals.

(e) Management is in advanced discussion to sell our products to:
Established pharmaceutical and medical groups interested in using our pills in pain reduction;
First Nations Indigenous communities in Ontario interested in using our pills in their opiate use reduction programs; and
Internationally, management is looking to build on its success in Australia through dialogues with England and New Zealand.

(f) Discussions are also underway with European and US based groups to license our technology

Although there are no guarantees that these initiatives will be successful, management is confident that we are dealing with parties that are knowledgeable, understand the uniqueness and health value of our products, are financially solid and are genuinely interest in being our partners.

Patent Issuances

On March 9, 2021, the Company announced that the Australian Patent Office ("IP Australia") has granted Australian Patent No. AU 2018210690 to Canntab, related to its proprietary cannabidiol formulations with a priority date of January 23, 2017. The term of the patent expires on January 22, 2038.

On February 1, 2021, the Company announced that the Canadian Intellectual Property Office ("CIPO") has allowed Canadian Patent No. CA 3050150 to Canntab, related to its proprietary cannabidiol formulations with a priority date of January 23, 2017. The term of the patent expires on January 22, 2038.

Convertible Debentures

On December 30, 2020, the Company closed on a private placement of $1,575,000 of secured debentures, issued at a price of $1,000 per debenture with a term of two years and due by December 30, 2022. The proceeds will be used to fund working capital for the Company, and for general corporate purposes. Some of the major terms of the issuance are as follows:

(i) The principal amount will bear interest at a rate of 10% per annum. Interest is to be calculated from the issue date and paid up front in cash (in the amount of $78,250) for the initial 6 months, thereafter payable quarterly in cash on the last business day of each calendar quarter, first interest payment being paid on September 30, 2021. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in common shares at the conversion price at any time following the issue date.

(ii) The debentures are convertible into common shares of the Company at a conversion price of $0.80 per share, and will mature two years from the date of issuance. Beginning on the date that is four months and one day following the closing date of the offering, the Company will have the right to prepay or redeem a part or the entire principal amount of the convertible debentures plus any accrued and unpaid interest at any time by providing a minimum of 20 days and a maximum 60 days of redemption notice prior to the redemption date. The conversion price will be subject to customary adjustments in certain events.

(iii) On closing, the Company issued to the purchasers of the convertible debentures one share purchase warrant for each share underlying the convertible debenture purchased, or 1,968,750 warrants in total. The warrants are exercisable for a period of three years from issuance into shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of $1.00 per share. The warrants are subject to an acceleration right exercisable by the Company at its option if, for the preceding 15 consecutive trading days, the volume weighted average trading price of the shares is greater than $2.00 per share. If the Company provides notice that it intends to exercise its acceleration right, the accelerated expiry date of the warrants will be the 30th calendar day following the date of such notice of exercise.

(iv) There are numerous other conditions with respect to conversion features, ratchet features and/or redemption privileges that caused the conversion feature and warrants to be classified as derivative liabilitiesand revalued each reporting period.

Asset Purchases

On October 19, 2020, the Company closed on a previously announced asset purchase agreement to acquire certain cannabis-processing equipment and leasehold improvements located at its 223 Riviera Drive, Markham, Ontario facility from CMAX Technologies Inc. ("CMAX"), a related party to the Company (as three of the Company's four directors also officers, directors and/or shareholders of CMAX) for a purchase price of $1,018,000. The purchase price was based upon the fair value of the assets purchased, and was satisfied through the issuance of 1,996,078 common shares of the Company at a deemed price of $0.51 per share.

Concurrently, the Company closed on a previously announced asset purchase agreement with Pharmagenerics Solutions Inc. ("Pharma") to purchase cannabis-processing equipment owned by Pharma for a purchase price of $300,000. The purchase price of the Pharma assets was based upon the fair value of the assets purchased, and was satisfied through the issuance of 588,235 common shares of the Company at a deemed price of $0.51 per share. At the time the asset purchase agreement was signed and the sales price determined, Pharma and Canntab were not related parties. However, subsequently, the sole shareholder of Pharma became the Chief Scientific Officer of the Company. The Pharma purchase was approved by the Board of the Directors of the Company.

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COVID-19 PANDEMIC

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and weakness and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The ultimate duration and magnitude of the impact and the efficacy of government and Bank of Canada interventions on the economy and the financial effect on the Company is not known at this time. The extent of such impact will depend on future developments, which are highly uncertain and not in the Company's control, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company has been deemed an "essential service" by the Ontario government, and therefore is permitted to continue full operations. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers, and will take further measures in the future if and as required. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, continue to convert its sales orders into revenue, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements Such adjustments could be material.

As at May 31, 2021, the Company had an accumulated deficit of $13,010,269 (May 31, 2020 - $8,590,487). Working capital as at May 31, 2021 was $1,849,825 compared to $2,029,009 as at May 31, 2020. For the year ended May 31, 2021, net loss and comprehensive loss was $4,419,782 (2020 - $2,607,244). Other than some initial licensing fees received, operations since inception have been funded from the issuance of shares and convertible debentures and exercise of stock options and warrants.

As evidenced by its accumulated deficit, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and dales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

The Company closed a convertible debenture offering for gross proceeds of $1,575,000 on December 30, 2020 and raised a further $1,098,750 from exercise of share purchase warrants in April, 2021 and May, 2021. The Company anticipates that it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, but there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, if required, it could continue as a going concern for the foreseeable future. To achieve that, the Company will need to (i) finalize delivery on existing purchase orders and continue to develop its marketing opportunities into further revenue generating transactions, and (ii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base. Management will need to continue assessing its financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage. However, there can be no assurance that management's fund raising plans will be successful. While the Company was successful in receiving cash of $224,250 through the exercise of share purchase warrants subsequent to year end, there can be no assurance that additional funds could be raised in the future. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

PRODUCTS

The Company has developed the formulation and prototype for its first product, the Extended Release Tablet ("XR Tablet"), which delivers standardized medical cannabis extract from selective strains in a solid, extended release pharmaceutical dosage. The XR Tablet is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems, including, but not limited to, accuracy of dosing, onset times, duration of action, bioavailability, ease of spoilage, and the reduction of side effects. The Company is rapidly moving toward the commercialization phase and gearing up for its first series of pre-clinical trials. The Company plans to manufacture and distribute the XR Tablet in legal medical cannabis jurisdictions including Canada, select states within the United States, Australia, and Germany.

Canntab holds a Cannabis Standard Processing and Sales for Medical Purposes Licence and a Cannabis Research Licence from Health Canada. As part of its overall business plan and strategy, the Company will continue to seek Health Canada approval for its formulations of cannabinoid medications. The Company has plans to apply to Health Canada to add the XR Tablet to the approved list under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The XR Tablets use pharmaceutical grade excipients, all approved by Health Canada, and, in order to facilitate the approval process, the Company intends to present to Health Canada the similarities of the XR Tablet to existing room temperature oils inside gel capsules which have been approved under the ACMPR.

INTELLECTUAL PROPERTY

The success of the Company's business depends in part on its ability to protect its technology and formulations related to pharmaceutical preparations containing natural or synthetic cannabinoids. In recognition of this, the Company continues to expand its intellectual property portfolio, which includes patent and trademark applications in the United States and Canada. On September 21, 2020, the Company announced it had been awarded a US patent titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations" *(see discussion under "Recent Events" section above)*. The Company's intellectual property portfolio includes numerous patent applications in Canada, the United States and internationally.

The Canadian patents/patent applications that were filed pertain to a variety of Canntab's innovative technologies related to oral dosage formulations of pharmaceutical cannabis, including Sustained Release Cannabinoid Formulations and Sustained Release Cannabinoid Pellets, Immediate Release Cannabidiol Formulations; Modified-Release Multi-Layer Cannabinoid Formulations; Flash-Melt Cannabinoid Formulations; and Bi-layer Cannabinoid Tablets.

These patent applications are part of Canntab's continuing strategy to develop a comprehensive intellectual property portfolio which covers the company's technology and formulations related to pharmaceutical preparations which contain natural or synthetic cannabinoids. Canntab is currently developing a number of products which utilize this technology, including a variety of extended released tablets containing a mixture of THC (Tetrahydrocannabinol) and CBD (Cannabidiol) that may be helpful in the treatment of a number of ailments, such as sleep disorders, post-traumatic stress disorder (PTSD), social anxiety, addiction, arthritis, general pain, pain management and appetite loss associated with cancer treatments, and addiction treatment therapy of opioids and other painkillers.

In addition to patents, the Company also has numerous trademark applications in the United States and Canada that cover four potential trade names for the XR Tablet.

SELECT FINANCIAL INFORMATION

	Years ended May 31		
	2021	2020	2019
	$	$	$
Cash and cash equivalents and short-term investment	**1,490,863**	2,090,438	1,588,978
Working capital	**1,849,825**	2,029,009	1,671,880
Shareholders' equity	**2,268,758**	3,528,742	2,267,857
Revenue	**-**	133,334	239,999
Operating expenses	**2,151,645**	2,003,628	2,257,583
Net loss and comprehensive loss	**(4,419,782)**	(2,607,244)	(2,458,578)
Loss per share	**(0.13)**	(0.10)	(0.10)

(Operating expenses defined as total expenses less interest and non-cash items including depreciation and amortization, share based compensation)

QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	May-2021 2021 Q4 $	Feb-2021 2021 Q3 $	Nov-2020 2021 Q2 $	Aug-2020 2021 Q1 $	May-2020 2020 Q4 $	Feb-2020 2020 Q3 $	Nov-2019 2020 Q2 $	Aug-2019 2020 Q1 $
Balance sheet								
Cash and cash equivalents	1,490,863	1,434,375	397,536	1,058,809	2,090,438	1,496,723	182,844	612,564
Working capital	1,849,824	2,181,522	934,139	1,565,548	2,029,007	2,348,962	34,770	737,707
Shareholders' equity	1,455,006	3,370,490	3,747,016	3,068,459	3,528,742	3,585,731	1,278,896	1,852,652
Income statement								
Sales and licensing revenue	(843,375)	465,375	378,000	-	-	-	-	133,334
Operating expenses	671,349	418,850	536,055	525,391	438,771	560,348	513,156	491,353
Net loss and comprehensive loss	(2,304,324)	(604,697)	(609,769)	(900,992)	(873,361)	(670,904)	(623,102)	(439,877)

RESULTS OF OPERATIONS

Year ended May 31, 2021 compared to May 31, 2020

The Company had a net loss of $4,419,782 for F2021 compared to $2,607,244 for F2020.

As a result of the provisions of the MediPharm MOU *(see discussion under "MediPharm Memorandum of Understanding" section above)*, the Company did not record sales revenue during F2021. During F2020, the Company recognized as revenue the remainder of the balance in contract liability of $133,334 following the termination on June 24, 2019 of the agreement with Aleafia Health Inc., parent company of Emblem Corp., for non-performance.

As the Company has become active operationally, operating expenses in F2021 of $2,151,645 increased by $148,017 compared to F2020 of $2,003,628. The major components of the operating expenses (defined as total expenses less interest and non-cash items such as share based compensation, depreciation and amortization, impairment losses and losses on derivatives) are as follows:

- Employee compensation and benefits were $785,637 in F2021 compared to $757,773 in F2020, an increase of $27,864. The headcount increased in F2021 as the Company hired a new Chief Executive Officer, a new Chief Scientific Officer and higher level staffing as commercial production has now started. Gross personnel costs for F2021 were $928,066, after adjusting for labor costs capitalized into inventory and the receipt of $142,429 under the federal government's Canadian Employment Wage Subsidy ("CEWS") program.
- Marketing and regulatory expenses in F2021 were $128,175 compared to $168,507 in F2020, a decrease of $40,332, largely attributable to a decline in investor promotional activity.

- Professional and consulting fees increased by $185,314 from $773,194 in F2020 to $958,508 in F2021, mostly related to the engagement of contract finance staff and increased legal and audit fees.
- General and administrative expenses in F2021 of $198,969 were flat compared to $198,408 in F2020

Share based compensation totalled $632,772 in F2021 compared to $414,753 in F2020, largely related to the issuance of 882,926 stock options in F2021 *(see details in "Capitalization" section below).*

Depreciation of plant and equipment and right-of-use assets totalled $510,604 in F2021 compared to $266,788, an increase of $243,816, largely due to the expansion in the Company's production capacity during F2021.

The Company recorded impairment provisions in F2021 of $166,667 related to collectibility of an advance to a supplier in F2019 and $263,312 against inventory. The Company recorded a non-cash loss on derivatives of $470,321 reflecting the change in fair value of two derivative liabilities that arose from the convertible debenture issuance in December, 2020 *(see discussion under "Liquidity and Capital Resources" section below).*

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by $599,575 to $1,490,863 as at May 31, 2021 from $2,090,438 as at May 31, 2020. Working capital as at May 31, 2021 was $1,849,825 compared $2,029,009 as at May 31, 2020, a decrease of $179,184. The major components of the decrease in cash and cash equivalents were the net of the following major transaction flows:

(1) net proceeds from the debenture offering of $1,491,519,
(2) proceeds from exercise of share purchase warrants in April, 2021 and May, 2021 of $1,098,750, less
(3) operating expenses in F2021 of $2,151,645 *(see "Results of Operations" section above)*, and
(4) the purchase of plant and equipment and intangible assets in F2021 for $345,089.

Accounts receivable as at May 31, 2021 of $207,363 (May 31, 2020 - $161,339) is comprised mostly of recoverable HST ITC's.

Inventory as at May 31, 2021 increased by $814,881 to $1,720,646, compared to $905,765 at May 31, 2020. The increase reflects the addition back into inventory of the product previously sold to MediPharm (*see further discussion under "MediPharm Memorandum of Understanding" section above).*

Additions to plant and equipment in F2021 funded from working capital totalled $271,955, consisting mostly of production equipment purchases and leasehold improvements. The Company also closed on non-cash related party asset purchase agreements during F2021 totalling $1,318,000 *(see details under "Asset Purchases" section above).*

Accounts payable as at May 31, 2021 nominally increased by $167,155 to $1,421,108, compared to $1,253,953 at May 31, 2020. Trade accounts payable includes $797,278 due to MediPharm (*see further discussion under "MediPharm Memorandum of Understanding" section above).*

On December 30, 2020, the Company closed on a private placement of $1,575,000 of secured debentures *(see further discussion under "Recent Events" section above)*. Of that amount, a total of $634,744 was given initial accounting recognition as derivative liabilities (re the conversion feature and the share purchase warrants). The remaining balance of the debenture, net of transaction costs, was accreted to its carrying value as at May 31, 2021 of $968,032. The derivative liabilities were revalued on a mark-to-market basis to their carrying value as at May 31, 2021 of $1,105,065.

CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	May 31, 2021	May 31, 2020	Change in reporting period
Common shares	35,938,437	32,757,601	3,180,836
Common share purchase warrants	9,039,750	7,451,000	1,588,750
Stock options	2,417,926	1,495,000	922,926
Special warrants	2,687,500	2,847,500	(160,000)
Broker compensation warrants	401,480	470,190	(68,710)
Total equity instruments	50,485,093	45,021,291	5,463,802

The details of the major changes in each equity category over F2021 are as follows:

Common shares

- During F2021, a total of 116,523 broker compensation warrants were exercised for cash proceeds of $58,261, resulting in the issuance of 116,523 common shares.
- On October 19, 2020, a total of 2,384,313 common shares were issued to CMAX and Pharmagenerics to close on previously announced related party asset acquisitions *(see details under "Asset Purchases" section above)*. On August 19, 2020, 200,000 common shares had been issued as a deposit on the CMAX asset purchase. In total, 2,584,313 common shares were issued at a deemed price of $0.51 per share amounting to $1,318,000 of consideration to close these two transactions.
- On December 30, 2020, 100,000 stock options were exercised for cash proceeds of $25,000, resulting in the issuance of 100,000 common shares.
- In April, 2021 and May, 2021, 380,000 share purchase warrants were exercised for cash proceeds of $285,000, resulting in the issuance of 380,000 common shares.

Common share purchase warrants

- As part of the convertible debenture offering, a total of 1,968,750 common share purchase warrants were issued. Each warrant entitles the holder thereof to acquire one share at an exercise price of $1.00 per share expiring in 3 years.

Stock options

- On June 8, 2020, the Company granted 150,000 options to certain employees and consultants. Each option entitles the holder thereof to purchase one common share of the Company at a price of $1.00 per share expiring in 2 years and vested immediately.
- On July 13, 2020, the Company granted 275,000 options to certain employees and a director. Each option entitles the holder thereof to purchase one common share of the Company at a price of $0.80 per share expiring in 2 years and vested immediately.
- On November 13, 2020, the Company granted 500,000 options to its CEO. Each option entitles the holder to purchase one common share of the Company at a price of $0.70 per shares. The options vesting in various quantities on a semi-annual basis until expiry by June 30, 2023.
- On December 30, 2020, the Company granted 182,926 options to an individual who is both an officer and director of the Company. Each option entitles the holder to purchase one common share of the Company at a price of $0.80 per share expiring in 3 years and vested immediately.
- On February 3, 2021, the Company granted 50,000 options to a consultant. Each option entitles the holder to purchase one common share of the Company at a price of $0.80 per share expiring in 2 years and vested immediately.
- Over the course of F2021, 135,000 options expired unexercised on the holders' departure from the Company.

Special warrants

- Over the course of F2021, 160,000 special warrants expired unexercised on the holders' departure from the Company.

Broker compensation warrants

- In December, 2020, in connection with the convertible debenture placement, the Company issued 47,813 broker compensation warrants that are exercisable at $0.80 each, expire in 2 years and vested fully on issuance.

RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended May 31, 2021 and 2020, the Company had the following related party transactions:

	F2021	F2020
	$	$
Salary	**245,067**	62,500
Consulting fees	**310,500**	212,500
Car allowances	**19,200**	19,200
Legal fees	**43,736**	76,002
Share based compensation	**338,173**	-

(a) The Company is related to CMAX Technologies Inc. by virtue of common ownership and management. The Company entered into a lease renewal agreement with CMAX in fiscal 2020 under which it is obligated to make monthly rental payments of $10,000 until expiry on December 31, 2022. During the year ended May 31, 2021, the Company made payments of $120,000 (2020 - $120,000).

(b) During the year ended May 31, 2020, an entity that is a related party to an officer and director received financing compensation from the Company in connection with the private placement that closed in March, 2020 as follows: 153,222 broker compensation warrants were granted, for which the fair value was $38,045. Total cash payments of $80,111 were also made with respect to commissions.

(c) Included in the debenture financing that closed in December 2020 are subscriptions from related parties for $250,000. Included in the private placement that closed in March, 2020 are subscriptions from related parties for 610,000 units at $0.50 per unit for cash proceeds of $305,000.

(d) In October, 2020, the Company closed on related party asset acquisitions valued at $1,318,000 *(see details under "Asset Purchases" section above).*

(e) Accounts payable and accrued liabilities as at May 31, 2021 includes $164,624 (May 31, 2020 - $84,490) with respect to balances owing to related parties for the transactions disclosed above.

SUBSEQUENT EVENTS

- In June, 2021, 1,384,000 common shares were issued for gross proceeds of $1,038,000 upon exercise of share purchase warrants issued in connection with the private placement that closed in March, 2020. Of the total proceeds, $813,750 were received prior to May 31, 2021 and have been presented as shares to be issued on the consolidated statement of financial position.
- In September, 2021, the Board of Directors approved the issuance of 465,000 stock options to certain employees of the Company. The options are exercisable at a price $0.80 per option, expire by September 1, 2025, and vest as to 1/6 immediately, and 1/6 for each subsequent six month period., such that they are fully vested by March 1, 2024.

- On September 16, 2021, the Company entered into the MediPharm MOU (*see discussion under "MediPharm Memorandum of Understanding" section above).*
- On July 30, 2021, Canntab Therapeutics Limited amalgamated with its 100% subsidiary, Canntab Therapeutics Subsidiary Limited, and will be continued as Canntab Therapeutics Limited.
- The Company has executed a Master Cannabis Supply Agreement dated September 14, 2021 with the Ontario Cannabis Retail Corporation o/a Ontario Cannabis Stores.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

IFRS 16, Leases

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the consolidated financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures. The amendments are effective for annual periods beginning on or after January l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify the classification of liabilities as current or non-current. This amendment is effective for annual periods beginning on or after January 1, 2022. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to develop its resources properties so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

RISKS AND UNCERTAINTIES

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect its business.

Risks related to the Company's business

The Company has a history of operating losses and may never achieve profitability. The Company is an early stage product development company, and accordingly, it has not yet generated any revenues.

The Company expects to be involved in research and development to create several oral cannabis products and then performing extensive trial testing and conducting research studies with such products prior to determining their commercial viability. This process may take several years and require significant financial resources without revenue. The Company expects these expenses to result in continuing operating losses for the foreseeable future.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

Protection of patents and trademarks

The Company's success will depend in part upon its ability to obtain maintain current patents and trademarks (as well as successfully file future patents and trademarks) for its current and future product lines. Obtaining such patent and trademark protection can be costly and the outcome of any application for such can be unpredictable. In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent and trademark protection, thereby affecting the development and commercial value of the Company's technology and products.

Regulatory proceedings, investigations and audits

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

Insurance and uninsurable risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on our financial position. The Company currently maintains no insurance other than director and officer liability insurance. The Company may, however, acquire insurance in the future to protect against certain risks in such amounts as management considers reasonable. While it may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. Even after acquiring insurance, such insurance may not cover all the potential risks associated with product liability. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Product liability

As a cannabis oral dosage formulation company engaged in the research and development of advanced pharmaceutical grade formulations of cannabinoids designed to be ingested by humans, the Company, upon commercial launch, faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. This scenario could prevent or inhibit the commercialization of the Company's potential products. To date, there have been no product related issues.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be decided against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand. At this time, there is no outstanding litigation against the Company.

Competition

The medical cannabis industry in which the Company operates is, and is expected to continue to be, very competitive, and as such there is there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Our competitors may vary in size, from well capitalized businesses with substantial operations and revenues to smaller and earlier stage companies. Competitors with ACMPR licenses, or that may obtain ACMPR licenses sooner than the Company, may also be able to devote greater resources to develop and market competing products and establish broad customer bases sooner than the Company.

Conflicts of interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that could compete with its products and services. Business opportunities for the Company may create circumstances in which outside interests of directors and officers conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that directors and officers may owe similar consideration to another organization(s). If these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company, the Company will take the necessary steps to protect its interests.

Dependence on key personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that we will be able to attract or retain the quality of personnel required in the future.

Financial liquidity

The Company has not yet generated meaningful revenue and will likely operate at a loss until its first product gets to market. It may require additional financing in order to execute its business plan. Its ability to secure required financing will depend in part upon on investor perception of the ability to create a successful business. Capital market conditions and other factors beyond the Company's control may also play important roles in its ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts felt required, or unavailable on acceptable terms, the Company may be required to cease operating or modify our business plans in a manner that undermines our ability to achieve our business objectives.

Costs of maintaining a public listing

As a result of obtaining a public listing, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the existing shareholders.

Financial market turmoil

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

Dividends

No dividends on the common shares have been paid by the Company to date. The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Company's Board of Directors after considering account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

Share price volatility and speculative nature of share ownership

The Company is listed for trading on the CSE, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which shares trade, and the volatility of the share price. Quarterly operating results and material developments reported by the Company can, and likely will, influence the price of our shares.

Sentiment toward cannabis stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Company's shares. The Company is a relatively young company that is not generating revenue and does not possess significant cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed or maintained for the Company's shares.

Risks relating to the Company's common stock

A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations. A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations.

Limited operating history

The Company has not generated significant profits or revenues in the periods covered by its most recent financial statements, and as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. The Company is therefore subject to many of the risks common to early-stage enterprises, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that The Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Lack of operational liquidity

The expenses of the Company will be funded from cash on hand from the remaining proceeds of the previous offerings. Once such cash has been expended, the Company will be required to seek additional financing. There is no guarantee that any debt or additional equity or equity related offering of securities will be available on terms acceptable to the Company or available at all or that it will be able to locate or sell mineral resources in a timely or profitable manner.