

Christina Lake Cannabis Corp.
Management Discussion & Analysis
For the six months ended May 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

Christina Lake Cannabis Corp.

Management's Discussion and Analysis For the
six-months ended May 31, 2023

This Management Discussion and Analysis ("MD&A") provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the six months ended May 31, 2023, compared to the six months ended May 31, 2022. This MD&A should be read in conjunction with our condensed interim financial statements (the "Financial Statements") as at May 31, 2023. Readers are also advised to read the audited consolidated financial statements (the "Financial Statements") as at November 30, 2022 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements but does not form part of the Company's consolidated financial statements.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" we mean Christina Lake Cannabis Corp., as it may apply.

This MD&A is dated July 28, 2023

OVERVIEW

Christina Lake Cannabis Corp. (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp. The Company is a licensed producer of cannabis in British Columbia under the Cannabis Act with a standard cultivation, processing and sales license and a research and development license. On October 1, 2020, the Company began trading on the Canadian Securities Exchange under the ticker symbol "CLC." The Company has received approval from OTC Markets Group Inc. ("OTCM") for its shares to trade on the OTCQB® exchange ("OTCQB") beginning at market open on Thursday February 18, 2021

The Company is a reporting Company in British Columbia and Alberta effective as of December 3, 2014. The Company's registered and records office is Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is also responsible for ensuring that information disclosed externally, including financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company is a licensed cannabis producer with licenses for cultivation, processing, research and development, and sales from Health Canada. The Company cultivates on a 32-acre property at the intersection of two valleys in British Columbia Canada. The Company is currently engaged in the processing of its stock of dried Cannabis biomass into various extracts including Distilled & Winterized Oils, Kief, and additional extracted products for sale to other Licensed Producers.

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HIGHLIGHTS**Closed non-brokered private placement of unsecured convertible debentures**

On September 7, 2022, the Company announced it had closed the first tranche of a non-brokered private placement of unsecured convertibles debentures in the principal amount of \$810,000. On October 18, 2022, the Company announced it had closed the second tranche in the principal amount of \$150,000. The Company raised a collective total of \$960,000 between the first and second tranche of the private placement. The debentures will mature thirty-six months from the date of issuance and bear interest at the rate of 15% per annum.

Board and Executive Changes

On March 15, 2022, the Company announced it had appointed Jay McMillan to its Board of Directors. Mr. McMillan's most recent role was as Chief Development Officer with Hexo Corp. a leading Canadian Licensed Producer of Cannabis. Mr. McMillan identified strategic business development opportunities by way of M&A, joint ventures, and key partnerships.

On August 4, 2022, the Company announced that it had appointed Mark Aiken, a seasoned cannabis executive as Chief Executive Officer, pending a mandatory security clearance by Health Canada and approval of the Canadian Securities Exchange. On September 19, 2022, the Company updated the market that upon successful completion of the previously mentioned approvals, Mr. Aiken was officially appointed as Chief Executive Officer. Subsequent to Mr. Aikens appointment, interim-CEO Joel Dumaresq had stepped down from his position as CEO. Mr. Dumaresq remains a member of the Company's Board of Directors.

Convertible Debenture Amendment

On August 18, 2022, the Company also announces that further to the March 15, 2022 news release, it has amended the terms of an additional 12.4 convertible debentures issued on August 20, 2020 in the principal amount of \$62,000 (the "Convertible Debentures"). The Convertible Debentures were set to mature twenty-four (24) months from the date of issuance (August 20, 2022) and bear interest at a rate of 12% per annum. Under the amended terms, the Convertible Debentures will now mature forty-two (42) months from the date of issuance (February 20, 2024) and the debenture holder will have the option to convert unpaid and accrued interest into conversion shares at a price of \$0.20, and, regardless of the date of conversion, such holder will receive interest payable in conversion shares that is an amount equal to the unpaid interest for the period from the issue date (or date of last interest payment, if later) up to and including the maturity date, on a non pro rata basis. All other terms of the Convertible Debentures remain unchanged. Due to the amendment to the terms of the Debentures, the Company is deemed to have extinguished the existing debentures and reissued new debentures with the new terms. The Company valued the liability and conversion feature of the new debentures at \$3,590,918 and \$1,782,428 respectively.

Additionally, the Company announced that it has amended the terms of the following unsecured convertible debentures:

- 358 convertible debentures issued on March 13, 2020 in the principal amount of \$1,790,000;
- 158 convertible debentures issued on March 23, 2020 in the principal amount of \$790,000;
- 20 convertible debentures issued on April 7, 2020 in the principal amount of \$100,000;
- 5 convertible debentures issued on May 14, 2020 in the principal amount of \$25,000;
- 50 convertible debentures issued on May 25, 2020 in the principal amount of \$250,000; and
- 38.5 convertible debentures issued on August 20, 2020 in the principal amount of \$192,500.

HIGHLIGHTS (CONTINUED)

Convertible Debenture Amendment (continued)

The convertible debentures mature twenty-four months from the date of issuance and bear interest at a rate of 12% per annum. Under the amended terms, the Convertible Debentures will now mature forty-two months from the date of issuance and the debenture holder will have the option to convert unpaid and accrued interest into conversion shares at a price of \$0.20, and, regardless of the date of conversion, such holder will receive interest payable in conversion shares that is an amount equal to the unpaid interest for the period from the issue date, or date of last interest payment, if later, up to and including the maturity date, on a non pro rata basis. All other terms of the convertible debentures remain unchanged. The total principal amount outstanding under the convertible debentures amendment is \$3,147,500.

Convertible Debentures that have not been extended will remain subject to the original terms from issuance. The amendment to the Convertible Debenture will allow the Company to preserve its capital for operational activities.

Preferred Share Redemption

On March 29, 2022, the Company announced that further to the press release dated March 22, 2022, the Company has closed the redemption of the Class B Preferred Shares in accordance with the redemption notice provided on March 21, 2022.

In connection with the redemption, the preferred holders were issued in aggregate:

- (i) a secured promissory note in the amount of \$2,000,000 which will bear interest at a rate of 8% per annum and mature on October 31, 2024; and
- (ii) 13,000,000 common shares in the capital of the Corporation at a price of \$0.20 per common share.

Following the redemption and payment of the redemption price to the preferred holders, all of the outstanding preferred shares were cancelled. 2260994 Alberta Ltd., the general partner of Excalibur Technologies L.P., is a company controlled by Mervin Boychuk, ultimately received an aggregate of 920,485 common shares in connection with the redemption. Accordingly, the redemption constituted to that extent a related party transaction. In conjunction with the close, the Company elected to repay \$250,000 plus interest of \$48,383.56 to reduce the total amount owing under the Promissory note issued. The remaining balance was \$1,750,000 which will bear interest at a rate of 8% per annum noted above.

On the date of settlement, the fair value of the Class B preferred shares at the transaction date was \$4,976,949 and the Company recorded a change in preferred share fair value of \$118,182. After the issuance of the above noted promissory note and common shares, the Company recorded a gain on settlement in the amount of \$296,416.

BUSINESS DEVELOPMENT – FINANCING

During the year ended November 30, 2022, the Company issued 13,000,000 common shares at a price of \$0.20 and issued a promissory note bearing an interest rate of 8% per annum to fund the redemption and cancellation of preferred shares.

On December 17, 2021, the Company announced an extension of the expiry date of a total of 6,981,299 purchase warrants with an exercise price of \$0.40 per common share extending the maturity date from December 31, 2021 to December 31, 2022. During the period ending February 28, 2023 9,751,301 warrants with fair values ranging from \$0.40 to \$0.50 expired unexercised.

The Company also announced that it had issued 200,000 Restricted Share Units (“RSUs”) and 675,000 Stock Options to directors and employees of the Company in accordance with the Company’s Stock Option & RSU plan. 300,000 Stock Options were granted with an exercise price of \$0.20 per common share for a 5-year term and 375,000 Stock Options with an exercise price of \$0.20 per common share for a 5-year term. During the year 751,000 stock options were exercised for proceeds of \$217,799 and 730,000 warrants with proceeds of \$65,700. There were also 500,000 shares issued in conjunction with vested RSUs that were triggered.

HIGHLIGHTS FOR THE PERIOD ENDING MAY 31, 2023

Board and Executive Changes

On December 12, 2022 the Company announced the appointment of Jay McMillian as the Chairman of the Board of Directors and the transition of Mervin Boychuk to Director. Also announced was the retirement of Rob Jones from his role as President, and the promotion of Milan Stefancik to Vice President of Sales & Marketing subject to a mandatory security clearance by Health Canada and required approvals by the Canadian Securities Exchange.

International Supply Agreement

On March 23, 2023 the Company announced it had signed a supply agreement with MG BioTech Ventures (PTY) Limited, to supply custom formulations of medical cannabis oils into the South African medical cannabis market.

BUSINESS OBJECTIVES AND OUTLOOK

The Company achieved several key milestones during the year ended November 30, 2022 and during the year ended November 30, 2021, including establishing a sales department and building upon its customer base for its cannabis products. The Company was able to optimize processing techniques which lead to consistent production of high potency distilled oils and other extracts, while adding additional processing capacity. Fiscal 2021 was the first year the Company established a commercial inventory for the sale of premium extracts and cannabis products. It was also the first year engaging in sales of those products, and year to date the Company has demonstrated significant quarter over quarter revenue growth. As markets open up and restrictions ease, the sales team is poised to expand the Company’s reach across all provinces in Canada, and is also looking to penetrate markets abroad.

Christina Lake Cannabis Corp.Management's Discussion and Analysis For the
six-months ended May 31, 2023**OPERATIONAL AND FINANCIAL HIGHLIGHTS**

	May 31, 2023	May 31, 2022	\$ Change	% Change
Revenue from the sale of goods	\$ 5,393,905	\$ 3,973,811	\$ 1,420,094	36%
Costs of sales	(3,085,255)	(1,772,279)	1,312,976	74%
Gross profit before fair value adjustment	2,308,650	2,201,532	107,118	5%
Changes in fair value of inventory sold	(1,681,269)	(669,282)	1,011,987	151%
Gross profit	627,381	1,532,250	(904,869)	(59%)
General and administrative expenses	(2,097,451)	(2,286,208)	(188,757)	(8%)
Other items	(514,060)	(40,184)	473,876	1179%
Income (loss)	(1,984,130)	(794,142)	(1,189,988)	150%
Income (loss) per share	(0.02)	(0.01)		
Gross margin %	42.8%	55.4%		
Financial Position				
Working capital	1,715,664	7,576,188		
Inventory	4,144,802	6,273,722		
Total assets	16,991,415	17,986,504		
Total liabilities	7,765,284	6,126,917		

RESULTS OF OPERATIONS

For the six-month period ended May 31, 2023 compared to the period ended May 31, 2022.

Revenue

The Company reported revenue from sale of goods of \$5,393,905 (2022 - \$3,973,811) which was an increase of \$1,420,094 from the comparative period in 2022. The gross margin percentage for the six months ended May 31, 2023 was 42.8% (2022 – 55.4%) before fair value adjustment. Sales in the period were primarily derived from distillate. The decline in gross margin percentage was due to price compression in the wholesale distillate market. Overall distillate volumes sold were up 118% from comparative period in 2022.

Cost of sales

The Company reported cost of goods sold of \$3,085,255 (2022-\$1,772,279) which was an increase of \$1,312,976 from the prior year end. The increase in cost of goods sold was tied to the above noted increase in sales and a slight increase in input biomass cost as well as capitalized depreciation expense.

Changes in fair value of inventory sold

The Company reported changes in fair value of inventory sold as negative \$1,681,269 (2022- \$669,282) an increase of \$1,011,987. The increase in change in fair value of inventory sold was tied to the above noted increase in sales and inventory primarily comprised of 2022 product which had a higher fair value than the inventory in the comparative period which was subject to a larger year-end inventory write down.

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General and administrative expenses

	<u>May 31, 2023</u>	<u>May 31, 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Consulting fees	88,056	104,829	(16,773)	(16%)
Communication expense	60,692	49,400	11,292	23%
Corporate development	-	8,864	(8,864)	(100%)
Depreciation	211,845	210,537	1,308	1%
Insurance	40,180	80,165	(39,985)	(50%)
Management fees	60,952	139,821	(78,869)	(56%)
Marketing	2,385	44,966	(42,581)	(95%)
Office and miscellaneous	235,413	251,785	(16,372)	(7%)
Professional fees	206,316	190,569	15,747	8%
Research and development	20,312	-	20,312	100%
Salaries	915,638	759,458	156,180	21%
Share based compensation	49,850	246,950	(197,100)	(80%)
Repairs and maintenance	54,513	110,089	(55,576)	(50%)
Regulatory fees	145,380	54,635	90,745	166%
Total general and administrative expenses	2,097,451	2,286,208	(188,757)	(8%)

Consulting fees

Consulting fees of \$88,056 (2022 - \$104,829) decreased \$16,773 from prior comparative period as some consultants shifted to full time salaried positions.

Corporate Development

Corporate development expense of \$Nil (2022 - \$8,864) decreased \$8,864 due to cost cutting strategies.

Marketing

Marketing fees of \$2,385 (2022 - \$44,966) decreased by \$42,581 as the Company is preserving cash for operations.

Professional fees

Professional fees of \$206,316 (2022 - \$190,569) increase \$15,747 from comparative period as the Company due to increased legal and accounting fees related to expanded operations.

Salaries

Salaries of \$915,638 (2022 - \$759,458) increased from the comparative financial period, as the Company continued to hire full-time employees to support growing operations.

Share based compensation

Share based compensation of \$49,850 (2022 - \$246,950) was a significant decrease from prior comparative period as less equity was required for new hire incentives during the period.

Other items	May 31, 2023	May 31, 2022	\$ Change	% Change
Accretion	(144,505)	(84,046)	60,459	72%
Interest expense	(369,555)	(214,905)	154,650	72%
Gain on settlement	-	258,767	(258,767)	(100%)
Total other items	(514,060)	(40,184)	473,876	1179%

SUMMARY OF QUARTERLY RESULTS

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Q2'F23	Q1'F23	Q4'F22	Q3'F22	Q2'F22	Q1'F22	Q4'F21	Q3'F21
			\$	\$	\$	\$	\$	\$
Revenue from sale of goods	3,476,470	1,917,165	3,187,087	2,912,157	2,321,010	1,652,801	2,063,569	1,290,722
Net income (loss)	(774,751)	(1,209,379)	(3,755,004)	2,521,425	(24,577)	(769,565)	(6,792,741)	3,779,843
)					
Basic and diluted income (loss) per share	(0.01)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)	(0.07)	0.03
Balance sheet								
Total assets	16,991,415	17,209,168	18,794,418	21,483,084	17,986,504	18,422,014	19,043,713	24,808,196

During the three months ending May 31, 2023, The Company reported revenue from the sale of goods of \$3,476,740. There was a net loss of \$774,751 compared to a gain of \$21,671 during the same quarter in the prior year. The loss is primarily attributed to changes in fair value of inventory sold due to margin compression. There was a gain of \$258,767 in the prior year comparative quarter for the settlement of Preferred Shares. Total assets are \$16,991,415 compared to \$17,986,504 during the same quarter the prior year. The reduction in assets is tied to reduced fair value of inventory post write down at year end and depreciation of fixed assets.

During the three months ending February 28, 2023, The Company reported revenue from the sale of goods of \$1,917,165. There was a net loss of \$1,209,379 compared to a loss of \$769,565 during the same quarter in the prior year. The loss is primarily attributed to changes in fair value of inventory sold due to margin compression. Total assets are \$17,209,168 compared to \$18,422,014 during the same quarter the prior year. The reduction in assets is tied to reduced fair value of inventory post write down at year end and a decrease in accounts receivable.

During the three months ending November 30, 2022, The Company reported revenue from the sale of goods of \$3,187,087. There was a net loss of \$3,755,004 compared to a loss of \$6,792,741 during the same quarter in the prior year. The loss is primarily attributed to the Inventory write down of \$2,471,436. Total assets remained relatively consistent at \$18,794,418 compared to \$19,043,713 during the same quarter the prior year.

During the three months ending August 31, 2022, The Company reported revenue from the sale of goods of \$2,912,157. There was a net gain of \$2,521,425 compared to a gain of \$3,779,843 during the same quarter in the prior year. The gain is primarily attributed to fair value changes in biological assets. Total assets decreased to \$21,483,084 compared to \$24,808,196 during the same quarter the prior year due to depreciation of fixed assets, fair value changes in biological assets, and sale of inventory.

During the three months ending May 31, 2022, The Company reported revenue from the sale of goods of \$2,321,010. There was a net loss of \$24,577 compared to a loss of \$1,808,061 during the same quarter in the prior year. Total assets decreased to \$17,986,504 compared to \$18,862,019 during the same quarter the prior year due to depreciation of fixed assets and sale of inventory.

During the three months ending February 28, 2022, The Company reported revenue from the sale of goods of \$1,652,801. The net loss decreased to \$769,565 from \$6,792,741 the prior quarter and \$1,774,638 during the same quarter, the prior year. Total assets remained relatively constant at \$18,422,014 compared to \$18,484,781 during the same quarter the prior year.

During the three months ending November 30, 2021, the Company reported revenue from sale of goods of \$2,063,569, compared to the revenue of \$1,290,722 reported the prior quarter. Sales in the quarter were primarily derived from the sale of distillate and kief as production continued to ramp up for both product lines. The gross margin percentage for the three-month period was 61% before fair value adjustment.

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SUMMARY OF QUARTERLY RESULTS (CONTINUED)

During the three months ending August 31, 2021 revenue from sales of goods totaled \$1,290,722 (2020 - \$Nil), which was an increase of \$1,073,984 from the prior quarter. Total direct costs before change in fair value were \$532,428, changes in fair value of inventory sold were \$742,593, and \$1,666,031 in general and administrative expenses of which share based compensation attributed a large portion of that expense of \$372,531 for shares issued to directors and officers. \$318,237 in Salaries are related to the growing and processing teams as operations ramped up. The Company recorded a biological asset fair value gain of \$5,430,173.

LIQUIDITY AND CAPITAL RESOURCES

The financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. Continuing operations, as intended, are dependent on management's ability to raise required funding through future equity issuances, its ability to acquire resource property or business interests and develop profitable operations or a combination thereof, which is not assured, given today's volatile and uncertain financial markets. The Company may revise programs depending on its working capital position.

As at May 31, 2023, the Company had working capital of \$1,715,664 (November 30, 2022 - \$3,683,558) which consisted of cash of \$1,531,378 (November 30, 2022 - \$1,810,639), receivables of \$2,183,575 (November 30, 2022 - \$1,906,820), prepaid expenses of \$19,432 (November 30, 2022 - \$3,885), inventory of \$4,144,802 (November 30, 2022 - \$5,766,418). Current liabilities, being accounts payable and accrued liabilities, current portion of loan and current portion of convertible debentures, \$6,163,533 (November 30, 2022 - \$5,832,954).

Cash flows provided by operating activities were \$407,861 compared to \$681,596 used in the same period of 2022 see also results of operations.

Cash used in investing activities for the six months ended May 31, 2023 was (\$237,000) compared to \$22,994 inflows for the same period in 2022. The Company increased the amount of investment from the prior year with acquisition of additional equipment to support growing sales demand and production needs.

Cash from financing activities for the three months ended May 31, 2023 was (\$450,122) down from (\$520,270) in the comparative quarter in 2022. The change was primarily attributed to the repayment of the existing promissory note that began in the second quarter of 2022.

Non-current liabilities for the six months ended May 31, 2023, were \$1,601,751 compared to \$1,823,504 for the year ended November 30, 2022. Convertible debentures formed the bulk of this liability. The non-current portion of the promissory note mentioned above is \$190,923.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Other than the above-mentioned current liabilities, the Company has no short-term capital spending requirements and future plans and expectations are based on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Executive Officers and Directors of the Company are as follows:

Mervin Boychuk	Director
Nicco Dehaan	COO and Director
Joel Dumaresq	Former CEO and Director (Resigned as CEO September, 16 2022)
Jay McMillan	Director, non-executive chairman of BOD
Salvatore Milia	Director
Gil Playford	Director
Ray Baterina	Corporate Secretary
Robert Jones	President (Resigned as President December 12, 2022)
Ryan Smith	CFO
Mark Aiken	CEO (Appointed as CEO September 16, 2022)

The Company has identified its directors and certain senior officers as its key management personnel. The Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following period ended May 31, 2023 and May 31, 2022:

	May 31, 2023	May 31, 2022
	\$	\$
Consulting fees paid to an officer of the Company	60,952	77,143
Equipment purchase/lease to a company controlled by a director	55,650	13,000
Management fees paid to the CFO	-	51,250
Management fees and rent paid to former CEO	-	72,000
Salaries and bonus paid to key management	219,501	53,308
Share based payments	36,733	49,307
	<u>372,836</u>	<u>316,008</u>

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

As at May 31, 2023, there was \$83,882 (2022 - \$348,035) included in accounts payable and accrued liabilities for related parties of the Company. The balances are unsecured, due on demand and are non-interest bearing.

As at May 31, 2023, the Company has an obligation to issue 500,000 shares (2022 – 500,000 shares) to the former CEO in lieu of cash for consulting fees in the amount of \$113,250 (2022 - \$113,250) earned in prior years (Note 12).

PROPOSED TRANSACTIONS

As at the date of this MD&A, there are no proposed transactions.

CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

Significant estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments and biological assets, discount rate on lease liability, convertible debentures and preferred shares, assumptions used in the cash flow projection for preferred shares, useful lives and valuation of property, plant and equipment, valuation of inventory and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Management is required to make a number of estimates in calculating the fair value less costs to sell of biological assets. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sales price, and expected yields.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

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FINANCIAL INSTRUMENTS AND RISKS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Price risk

Price risk is the risk that the future cash flows of cannabis related derivatives will fluctuate because of changes in market prices. Fluctuation in price will significantly impact the demand for the Company's products and the Company's ability to generate cash inflow for its sustainable operation. Sensitivity analysis in Financial statement note 4 illustrates the impact of price changes in the fair value of biological assets, which in the end effects the value of the Company's cannabis related derivatives.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and accounts receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

The Company provides credit to certain customers in the normal course of operations. Credit risk is generally limited to receivables from arm's length customers. The Company's credit risk related to its receivables as moderate. At May 31, 2023, the Company had no material receivable balances past due and the balances were collected subsequent to November 30, 2022. The Company has established monitoring processes to mitigate credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of May 31, 2023, the Company has cash of \$1,531,378 (2022 - \$1,810,639) to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties, convertible debentures, preferred share financings and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

The Company has the following contractual obligations as at May 31, 2023, which are expected to be payable in the following respective periods:

	Total	≤ 1 year	Over 1 year – 3 years
Accounts payable	\$ 1,300,378	\$ 1,300,378	\$ -
GST payable	39,713	39,713	-
Loan payable	1,084,540	893,617	190,923
Government loan	37,360	-	37,360
Convertible debentures	5,303,293	3,929,825	1,373,468
Total	\$ 7,765,284	\$ 6,163,533	\$ 1,601,751

FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at May 31, 2023, the Company has convertible debentures of \$5,137,053 (November 30, 2022 - \$4,933,652), government loans of \$36,120 (November 30, 2022 - \$34,947), and a secured loan \$1,276,671 (November 30, 2022 – \$1,478,961) which bears fixed interest rates and a nil interest rate for the government loan, respectively. As such, the Company's interest rate risk is low.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

ADDITIONAL SHARE INFORMATION

As at the date of this MD&A, the Company had 131,122,173 common shares issued and outstanding. The Company has 3,818,176 warrants outstanding, 200,000 restricted stock units, and 11,483,400 stock options outstanding.

CONTINGENCIES

The Company is not aware of any other contingencies or pending legal proceedings as of the date of this report.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

RISK FACTORS

The following are certain risk factors relating to the business carried on by the Company that prospective holder of shares should carefully consider.

Warrants are Speculative in Nature and may not have any Value

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Moreover, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise their Warrants.

Volatility of Stock Price and Market Conditions

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Risk Factors Associated with the Company's Business

The following are certain risk factors relating to the business carried on by the Company that prospective holder of shares should carefully consider.

Negative Cash Flow from Operations

During the six months ended May 31, 2023, and period ended May 31, 2022, the Company recorded a positive cash flow from operations totaling \$407,861 (May 31, 2022 - \$681,596). The Company's cash as at May 31, 2023 was approximately \$1,531,378 (November 30, 2022 - \$1,810,639). Although the Company anticipates it will have positive cash flow from operating activities in future periods, it is possible the Company may have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

Reliance on Licenses

The Company will be dependent on the Licenses, which is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licenses or any failure to obtain or maintain those licenses could have a material adverse impact on the business, financial condition and operating results of the Corporation. There can be no guarantee that a license will be issued, extended or renewed or, if issued, extended or renewed, that it will be issued, extended or renewed on terms that are favorable to the Company.

In Canada, few applicants for a license from Health Canada ultimately receive a license to produce and sell cannabis. Major expenditures may be required in pursuit of a license and it is impossible to ensure that the expenditures will result in receipt of a license and a profitable operation. There can be no assurances that the Company will maintain a license to produce and sell cannabis and be brought into a state of commercial production. Should a license not be extended or renewed or should it be issued or renewed on terms that are less favorable to the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

RISK FACTORS (CONTINUED)

Environmental Regulations and Risks

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

Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Early Stage of Development

The Company, while incorporated in 2014, began carrying on business in 2018 and has started to generate profits from the sale of products late in 2021. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the 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.

Cultivation Risks

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

Legislative or Regulatory Reform and Compliance

The commercial cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action. The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

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Changes in Laws, Regulations and Guidelines

On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the Cannabis Act. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant 27 to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licenses including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, when the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis.

Customer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical or recreational purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

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Constraints on Marketing Products

In view of the restrictions on marketing, advertising and promotional activities set forth in the Cannabis Act and related regulations, the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Reliance on Receiving a Research and Development License and subsequent Cultivation and Processors License

The Company's ability to set up its Facility for the purposes of research and development and to grow, store and sell cannabis in Canada is dependent on Health Canada's approval of the Company's RDL and subsequent cultivation and processor licenses (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believe they will meet the requirements for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected

New product Development

The Company's ability to sell cannabis in Canada is dependent on the Company's ability to develop product that exceeds the standards set by Health Canada. Although the Company believes management has the expertise to develop such products, there is no assurance that the Company will successfully develop new products.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While most laws and regulations seemingly deter this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk. Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support.

Liability, Enforcement Complaints, etc.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

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Additional Financing

The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and employees. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Operation Permits and Authorizations

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Product Liability

Certain of the Company's proposed manufacture, process and/or distribute of cannabis products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dividends

The Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Resale of Shares

There can be no assurance that there will be an active and liquid market for the Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained after the completion of the listing. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Intellectual Property

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

Insurance Coverage

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

Costs of Maintaining a Public Listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. 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.

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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 determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

Difficulty Implementing Business Strategy

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Operational Risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors' and officers' conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests.

However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

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Ability to Maintain Bank Accounts

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

Cautionary Statement

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- treatment under government regulatory and taxation regimes;
- expectations regarding the Company's ability to raise capital;
- the Company's business strategies, intentions to develop its business and operations, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facility and its costs;
- the suitability of the Facility;
- expectations regarding production costs, capacity and yields of the Company's business and growth thereof;
- the Company's estimates of the size of the potential markets for its products and the rate and degree of market acceptance of such products and its competitive positions in relation thereto;
- projections of market prices and costs and the future market for the Company's products and conditions affecting same;
- estimates of the Company's future revenues and profits;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company after the date of this Listing Statement and thereafter; and
- liquidity of the Common Shares following listing of the Shares.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- treatment under government regulatory and taxation regimes and potential changes thereto;
- limited operating history and negative operating cash flow;
- reliance by the Company on a single production facility and factors relating to the development of the Facility;
- expansion plans for the Facility being subject to Health Canada regulatory approvals;
- dependence on management and conflicts of interest;
- restrictions on marketing activities in the medical cannabis industry;

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- competition for, among other things, customers, land and greenhouses, supply, capital, capital acquisitions of products and skilled personnel;
- consumer acquisition and retention;
- risks and liabilities inherent in medical cannabis and agricultural operations;
- unfavorable publicity or consumer perception;
- product liability and recall risks as well as general operating risks;
- environmental risks;
- availability of financing opportunities;
- risks relating to global financial and economic conditions;
- future liquidity and financial capacity; and
- other factors discussed under "*Risk Factors*".

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at the date of this report and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward looking statements. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking 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. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.