Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended
August 31, 2022

November 24, 2022

CANNARA BIOTECH INC.

TSXV: LOVE.V OTCQB: LOVFF FRA: 8CB

This Management Discussion and Analysis ("MD&A") of Cannara Biotech Inc. ("Cannara" or the "Company") has been prepared by management as of November 24, 2022, and should be read in conjunction with the consolidated financial statements and related notes thereto of the Company for the years ended August 31, 2022 and 2021. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless indicated otherwise.

All references in this MD&A to "Q4 2022" and "fourth quarter of 2022" are to Cannara's fiscal quarter ended August 31, 2022. "Q4 2021" and "fourth quarter of 2021" are to Cannara's fiscal quarter ended August 31, 2021. All references in this MD&A to "YTD 2022" and "YTD 2021" are to Cannara's twelve-month periods ended August 31, 2022, and 2021, respectively.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and other material contracts can be found on-line at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance, and the Company's ability to become a leader in the field of cannabis cultivation, production and sales.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature, 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 expressed or implied by the forward-looking statements.

Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and the related MD&A of those statements. 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.

The Company provides 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. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

NON-GAAP MEASURES

Management has included certain financial performance measures that are not recognized or defined under IFRS (“non-GAAP measures”). There are no standardized methods of calculating these non-GAAP measures, management’s methods may differ from those used by others, and accordingly, these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Management employs these measures internally to measure operating and financial performance. Management believes these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors and analysts to evaluate the Company’s operating results, underlying performance and future prospects in a manner similar to management.

The Company has identified Adjusted Earnings (Loss) before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) as a non-GAAP measure. Management defines Adjusted EBITDA as net income (loss) before net finance expense, tax, depreciation, amortization, impairment, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, gain on sublease on initial recognition and gains and losses on disposal of property, plant, and equipment. The exclusion of net finance expense eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization, impairment, share-based compensation, changes in fair value of inventory sold, unrealized gains and losses on changes in fair value of biological assets, gain on sublease on initial recognition and gains and losses on disposal of property, plant and equipment eliminates the non-cash impact of these items.

The Company believes that the use of Adjusted EBITDA allows investors and analysts to understand the results of operations of the Company by excluding the non-operational activities and non-cash items for the period. Although Adjusted EBITDA is frequently used by securities analysts, lenders, and others in their evaluation of companies, it has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Company’s results as reported under IFRS. Adjusted EBITDA should not be considered either as discretionary cash available to invest in the growth of the business or as a measure of cash that will be available to meet the Company’s obligations. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

In order to provide additional information, we believe it is appropriate to measure free cash flow that is generated by our operations. Free cash flow is a non-GAAP measure and is defined as cash flow from operations excluding changes in non-cash operating working capital.

COMPANY PROFILE

Cannara was incorporated under the laws of British Columbia on October 19, 2017, and is currently listed and publicly traded on the TSX Venture Exchange (“TSXV”) under the symbol “LOVE.V”, the OTCQB under the symbol “LOVFF” and the Frankfurt Stock Exchange under the symbol “8CB”. The Company’s headquarters are located in Montreal, Quebec.

Cannara Biotech Inc. is a vertically integrated producer of premium-grade cannabis and cannabis-derivative products for the Quebec and Canadian markets. The Company’s main focus is to deliver premium quality “AAAA” products at disruptive retail pricing. Leveraging the province’s low electricity costs, Cannara owns and operates two Quebec-based facilities spanning over 1,650,000 square feet. Cannara’s first purpose-built, modern indoor cultivation facility is located in Farnham, Quebec, and measures 625,000 square feet, comprising 170,000 square feet of operational licensed cultivation area and 455,000 square feet of leased warehouse space ("Farnham Facility"). The second indoor facility is a former massive purpose-built cannabis hybrid greenhouse that is being redesigned into an indoor facility zone by zone to ensure consistent and premium flower cultivation. The second facility is over a million square feet in size comprised of 24 independent growing zones totaling 600,000 square feet, a 225,000 square feet cannabis 2.0 processing center and a 200,000 square feet rooftop greenhouse located in Valleyfield, Quebec (“Valleyfield Facility”). Cannara operates through its wholly owned subsidiaries, Cannara Biotech (Quebec) Inc. and Cannara Biotech (Valleyfield) Inc., both holding active licenses issued by Health Canada under the Cannabis Act.

COMPANY PROFILE *(continued)*

Cannara is a leading producer of premium "AAAA" quality cannabis. Cannara is transforming the cannabis buying experience by offering consumers what they have been asking for—high quality at great value, rotating genetics, transparent harvest data, unique air-sealed packaging, attention to detail, and community responsiveness, all of which have had a compounded effect on product demand and market penetration.

Cannara promises a better value proposition for consumers, retailers, and investors alike—consumers save money when purchasing premium Cannara cannabis products, retailers experience a higher volume and velocity of sales, and investors benefit from a sustainable operation generating high gross margins. The Cannara platform consists of 2 mega facilities in Quebec, a lean labour force, and a management team dedicated to product innovation, thought leadership, and maintaining a low cost-structure, all designed to allow for the highest quality products at some of the most disruptive prices in retail. Resulting from the Cannara model is a grassroots following in Quebec, significant brand awareness and affinity amongst Ontario retailers and consumers, and additional inquiries for product distribution across all parts of Canada.

The Company officially launched its cannabis products into the retail market in February 2021 and completed its first fiscal year of cannabis retail operations on August 31, 2021, with $14 million in revenues from its cannabis operations. In 2022, the Company generated $32.6 million from its cannabis operations at a 34% gross margin before fair value adjustments, exceeding its prior fiscal year revenues by $18.6 million or an increase of 133%. The Company acquired the Valleyfield Facility in June 2021 and received its license to begin cultivation in September 2021. Since the beginning of 2022, the Company has increased its staff, incurred start-up costs, and adjusted its production capacity at the Farnham Facility to support the Valleyfield start-up plan, effectively reducing gross margin until products produced from the Valleyfield Facility are sold. The Valleyfield Facility provides Cannara with over 20 times more cultivation capacity than its Farnham Facility. The effect of the Valleyfield production on the Company's revenues started to show during the third quarter of 2022. As of August 31, 2022, 6 out of 24 growing zones are now redesigned and operational, in line with the Company objective to activate 6 growing zones by end of August 2022. Revenues are expected to continue to increase as more growing zones become active and generate additional harvests per quarter. The Company expects to methodically activate more growing zones in 2023 to ensure maintenance of high production quality and consistency, using the increased production to fulfill current customer demand along with growing demand from new provincial markets.

On May 31, 2022, the Company entered into a new a credit facility agreement with BMO Commercial Banking ("BMO") for a total of $50 million plus a potential accordion facility for up to an additional $10 million of credit availability. The credit facility is comprised of a three-year term loan for $39.3 million, a $5 million line of credit and a $5.7 million for the issuance of a letter of credit.

As of August 31, 2022, Cannara's distribution network services 3 provinces (Quebec, Ontario, Saskatchewan) with an estimated 600 retailers reselling its products. Subsequent to year-end, Cannara also entered the British Colombian market making its first product shipments to the B.C. in September 2022.The Company will continue to expand its sales and distribution network and enter new Provincial markets in lockstep with increased production coming from the Valleyfield Facility. The company's products are currently sold-out week over week all while being in only 4 provincial markets.

Additional information about Cannara may be found at www.cannara.ca.
Investor information may be found at www.investors.cannara.ca.

CANNARA FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	Licensed area (phase 1): 170 000 sf Site: 625,000 sf Land: 1,430,000 sf	8,000 kg phase 1 capacity Active Grow Area: 36,000 sf	Indoor	Power rate of approx. $0.065/kw	• Phase 1 completed in 2019 • State-of-the-art biomonitoring • 18 independent grow rooms • Automated cultivation systems
VALLEYFIELD, QUEBEC	Licensed area: 600,000 sf Roof top greenhouse: 200,000 sf Processing and cannabis 2.0 processing center: 225,000 sf Site: 1,030,000 sf Land: 3,130,000 sf	117,000 kg at full capacity *Active Grow Area:* *150,000 sf* *(6 zones)*	Indoor	Preferential contracted power rate of approx. $0.035/kw	• Built in 2020 • Onsite Hydro Quebec substation • Fully outfitted and automated • 24 independent grow rooms • Blackout & shading systems • Tempered smart glass • Former purpose-built cannabis greenhouse converted to replicate indoor conditions

CANNARA BRAND PORTFOLIO

Our portfolio consists of three flagship brands with distinctive identity and purpose, each filling a white space in Canada's current cannabis market. All three brands offer premium-grade cannabis, hang-dried, slow cured and trimmed perfectly to preserve the flower's natural properties. Our brand portfolio includes:

BRAND	STORY	PRODUCT MIX	MARKETS
TRIBAL	Tribal delivers uncompromised premium grade cannabis to consumers who have a deep relationship with cannabis. From pheno-hunting rare genetics to unfolding each strain's lineage and flavour profiles, Tribal offers a continuous rotation of "AAAA" genetic strains at entry level pricing.	• Dried Flower • Pre-Rolls • Live Resin Full Spectrum Extract* • Live Resin Vape Cartridges	Quebec Ontario Saskatchewan British Columbia**
Nugz	Nugz is a cult-worthy movement committed to abundance, quality, and value. Nugz offers an exceptional product at disruptive retail prices specifically designed for long-time cannabis enthusiasts who have a sharp sense for quality but are looking for a price break that aligns with consuming habits.	• Dried Flower • Pre-Rolls • Old School Hash • Ice Water Hash • Fresh Frozen Hash Rosin	Quebec Ontario Saskatchewan British Columbia**
ORCHID CBD	Orchid CBD is a wellness brand dedicated to providing premium CBD-dominant cannabis. Orchid CBD offers award winning strains of terpene-rich, trichome covered, oversized dried flowers that deliver softer blissful experiences with no compromise on quality and flavours.	• Dried Flower • Pre-Rolls • Oils*	Quebec Ontario Saskatchewan British Columbia**

**New products released subsequent to year-end*
***In September 2022*

CANNARA GENETIC PORTFOLIO

Cannara has established an extensive bank of genetics which includes some of the rarest strains available in Canada. By undergoing pheno-hunting selection methods, Cannara has the ability to further broaden the product mix for each one of its brands by providing users with dedicated cannabis experiences from carefully selected cultivars for years to come. Our lineup of unique genetics available in the retail market as at August 31, 2022, include:

GENETIC	BRAND	LAUNCH DATE	THC – CBD	TYPE	AROMAS & FLAVOURS
GELATO MINT Pheno #5	Tribal	Feb 2021	THC 24% CBD 1%	Indica	Gelato Mint is best known for its overwhelming fresh flavours and aromas. As its name suggests, Gelato Mint smells like a fresh mint dessert with pepper and earthy pine undertones.
CUBAN LINX Pheno #1	Tribal	June 2021	THC 25% CBD 1%	Sativa	Cuban Linx packs a rich lemony aroma accentuated by hints of gassy diesel and a touch of spice.
TERPLE Pheno #8	Tribal	Mar 2022	THC 24% CBD 1%	Hybrid - Sativa	Terple's aroma and flavour is complex with elements of sweet oranges, sour citrus, and spicy diesel.
POWER SHERB Pheno #3	Tribal	May 2022	THC 24% CBD 1%	Indica	Power Sherb is silky smooth on the exhale and evokes a truly unique smell and taste of sweet gas and ice cream.
EARLY LEMON BERRY Pheno #92	Nugz	Mar 2021	THC 23% CBD 1%	Sativa	Early Lemon Berry features overwhelming citrus flavours thanks to its higher percentage of myrcene and ocimene terpenes. It smells like a mix of sweet grapefruit, lemons, and berries.
SLAPZ Pheno #25	Nugz	May 2022	THC 22% CBD 1%	Indica	Slapz delivers incredibly sweet sour-gassy aromas with a mix of light earthy flavours.
CBD RUNTZ Pheno #7	Orchid CBD	June 2021	THC 8% CBD 15%	Hybrid - Sativa	CBD Runtz is an award-winning CBD strain that offers an abundance of terpenes, a fruity and sweet aroma that delivers a candy-like flavour. A rare combination for a 1:2 CBD flower.

MARKET INSIGHT

Each of Cannara's market launches has demonstrated positive consumer response to its brand strategy, pricing strategy, product offering, and genetic mix across retail outlets in Quebec, Ontario, and Saskatchewan. The Company's premium "AAAA" quality cannabis at disruptive pricing has resulted in demand levels that exceeded current active production capacity, which reinforces Cannara's plan to continue to expand at its Valleyfield Facility. Additionally, Cannara's attention to detail, transparency, unique packaging, and community responsiveness have collectively added to its value proposition, which in turn has had a compounded effect on customer demand, market penetration, and satisfaction.

Cannara's approach to the cannabis market has been driven by its pursuit for customer satisfaction and a commitment to delivering value to the market as a whole, from new entrants to experienced consumer segments. Over the course of the last year, the Company has exemplified thought leadership in bringing disruption and innovation to the Canadian cannabis market.

As a result, market response has opened new opportunities for the Company including the acquisition of Valleyfield Facility in the fourth quarter of 2021, one of Quebec's largest cannabis cultivation and manufacturing facilities. This asset will allow the Company to increase its supply of cannabis products in order to grow market share in existing markets while simultaneously expanding into new markets.

MARKET INSIGHT *(continued)*

Notable examples include:

Innovation in packaging	Cannara delivered best-in-class packaging for its 3.5g product lines, offering air-sealed tuna style cans preserving humidity and product integrity in an ecofriendly format. Building upon this, in September 2022, Cannara delivered its 1g live resin vape cart in a reusable tin, purposefully designed to fit into the everyday lives of its consumers.
Innovation in labeling	Cannara demonstrated innovation through transparency across all product labels by providing consumers with harvest dates, terpene percentages, production details and strain phenotypes for each lot.
Innovation in products	Cannara continues to innovate with new product launches including its Nugz 4/20 Special 12 x 0.6 gram pre-roll pack, Old School, Ice Water and Fresh Frozen Hash products, its vape cartridge (launched in September 2022) and soon to launch its Live Resin Full Spectrum Extract.
Innovation in genetics	Cannara's diligence in its phenotyping process allowed the Company to identify unique THC and CBD cultivars in order to fill whitespaces in the current market resulting in the release of its CBD Runtz product line in a segment previously neglected. Cannara has an extensive genetic bank allowing the Company to release exclusive products into the market. In 2022, Cannara signed an exclusive brand partnership with 50-time award-winning US-based cannabis breeder, cultivator and hash maker, Exotic Genetix Ltd. granting Cannara an exclusive license to use, market, sell and distribute Exotic Genetix branded products throughout Canada. In addition, Exotic Genetix will provide Cannara with ongoing consultation services with respect to providing knowledge and insights into cannabis genetics, plant growing methodologies and marketing services.
Community Responsiveness	Cannara has taken an active strategy to be very responsive with the community of consumers and retailers in order to receive timely feedback and continuously improve its products.

The Quebec market continues to show strong growth. For the first fiscal quarter ended June 18, 2022, the SQDC's sales amounted to $139 million compared to $136.5 million in the same period of the prior period. For the fiscal year ended March 26, 2022, the provincial distributor of Quebec reported over $600 million in revenue, up from $537 million in fiscal 2021 and $311.6 million in fiscal 2020 . Their retail footprint has expanded from 28 stores in fiscal year 2020 to 90 current locations as of the date of this release and has significant room for growth as Quebec has approximately one store per 100,000 people, as compared to Ontario and British Colombia that have approximately one store per 10,000 people. To date, the provincial distributor of Quebec expects to have captured 58.5% of the illicit market, a trend which is expected to continue to rise as consumers migrate from the illicit trade to experience quality traceable products, competitive pricing, and an improved in-store buying experience. As a result, the Company expects to increase its revenue figures as the market continues to expand in Quebec with 23 active SKUs now in market as of the date of this release.

The Ontario market is leading recreational cannabis sales nationally. For the fiscal year ended March 31, 2022, the Ontario Cannabis Store reported $1.2 billion in total sales, an increase compared to sales of $652 million in the prior year. This achievement is primarily driven by the rapid growth of brick-and-mortar stores which reached over 1,600 retail stores across the province as of the date of this release, with year over year sales growth of over 12% (Headset Data Industry Report, November 2022). Increase product supply will enable the Company to penetrate further the Ontario market and gain market share. The Company currently has 18 listed SKUs in the Ontario market as of the date of this release, and 7 new products already accepted to be launched in early fiscal year 2023.

In addition to further establishing its position in the Quebec and Ontario cannabis markets, Cannara is well positioned for national growth given its production capabilities, brand strategy, superior cannabis products and lower operating costs. Subsequent to year end, Cannara has entered into British Columbia with a significant cost advantage when compared to producers in other parts of the country as Quebec offers some of the lowest electricity and labour rates across Canada; the two largest cost inputs in cannabis cultivation. Growing demand and competitive production costs will enable Cannara and its brands to increase market share by focusing on offering premium-grade cannabis products at competitive prices to the market. The Company is actively working on growing market share in its current markets and will open new distributions networks systematically with increased production supply.

LOOKING AHEAD

Cannara is consistently monitoring growth opportunities that support its commitment to continue to report positive Adjusted EBITDA. The Company allocated resources to existing and new activities over the course of the 2022 fiscal year which include:

FY 2022 Activities

1. Increased Cannabis Supply
2. New Product Offering: Old School Hash, Ice Water Hash, Fresh Frozen Hash Rosin, Live Resin Full Spectrum Extracts, Live Resin Vape Cartridges and the Tribal Uni Pro Ark vape battery
3. New Genetics Releases
4. Increasing market Penetration in Quebec, Ontario, Saskatchewan, and Expanding into New Territories
5. Continued positive Adjusted EBITDA

Increased Cannabis Supply

Cannara has achieved, as planned, the activation of 6 of its 25,000 square foot growing zones at its Valleyfield facility during the year ended August 31, 2022, in order to increase supply of dried flower, pre-rolls and derivative products. Six of the 24 independent zones were modified to replicate indoor growing conditions to deliver on its commitment of premium "AAAA" quality cannabis products. As of the date of this release, the Company has activated its 7^{th} growing zone.

New Product Offering: Hash, Rosin and Live Resin

Cannara originally launched a line of Hash products, Old School, and Ice Water Hash under its Nugz brand in early November 2021 to the Quebec market. The launch of its hash products has been successful and add weekly product revenues, in addition, to fully commercializing all parts of the cannabis plant other than its stems and fan leaves.

Building on this success in the Quebec concentrates market, in May 2022, the Company launched its higher potency Fresh Frozen Hash Rosin under the Nugz brand in Ontario in addition to a high THC formulation of Old School Hash and launched its Live Resin Vape Cartridge under the Tribal brand in September to the Ontario market. Subsequent to year end, the Company also launched its Old School Hash and a THC-dominant Ice Water Hash under the Nugz brand in British Columbia. Tribal Live Resin Full Spectrum Extracts will also be launched in Ontario by late Fall 2022. The Company continues to innovate on new product developments for 2023 across all 3 of its flagship brands.

New Genetics Releases

Canadian cannabis consumers continue to resonate towards new genetic cultivars of cannabis. Cannara delivered 3 new genetics to its brand portfolios during fiscal year 2022: Terple and Power Sherb under Tribal and Slapz under Nugz. This was accomplished by the Company maintaining a rigorous pheno-hunting program that involves hand selecting only a few winning plants out of hundreds of different varieties of cannabis strains. Strain selection is based on cultivar-brand fit, potency of cannabinoids and terpenes, bud structure, yield and anticipated market appeal. The first new genetic Terple was released into the Quebec market in April 2022, followed by Power Sherb in May 2022, both with immediate positive consumer feedback. These two genetics were released in Ontario during August 2022. Nugz also received a new addition to its Quebec portfolio in May 2022 - Slapz, an indica strain offered in a bulk 28-gram format to compliment the sativa Early Lemon Berry 28-gram that was launched in Quebec early in 2021. The Company is actively searching for new genetics and expected to launch at least 3 in fiscal 2023. Two new genetic releases have already been launched in November 2022 under the Tribal brand (Triple Burger in Quebec, Galactic Rntz in Quebec and Ontario).

Increasing market Penetration in Quebec, Ontario, Saskatchewan, and Expanding into New Provinces

In the past, the largest constraint for the Company not increasing supply with existing markets and expanding into new markets was the limited cannabis supplied from the Farnham Facility. With the acquisition of the Valleyfield Facility, Cannara now has access to increased cannabis supply. The Company was focused during fiscal year 2022 in increasing its market share in existing markets and entering into new markets, which happened right after the year-end with the launch of Cannara's product into the British Columbia market. The Company is in active discussions with other provinces but is currently focused on expanding its market share through higher volumes of product sold in its current markets.

LOOKING AHEAD *(continued)*

Continued Positive Adjusted EBITDA

Cannara continued to report positive quarterly Adjusted EBITDA throughout FY 2022 resulting from the Company's focus on premium-grade cannabis products at disruptive retail pricing, its lean operational model and its two mega facilities benefiting from Quebec's low electricity cost and competitive labour rates. Additionally, the development of a hash lab and butane hash oil ("BHO") extraction lab delivers a whole plant capability making full use of all cannabis raw inputs. Furthermore, the Company's agility and commitment to profitability will drive the Company to pursuing the development of high demand SKUs that will generate healthy gross margins. During the fourth quarter of 2022, the Company generated a positive Adjusted EBITDA of $2.5 million, marking its sixth consecutive quarter of positive Adjusted EBITDA. For the year ended August 31, 2022, the Company delivered an Adjusted EBITDA of $5.3 million.

YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS

OPERATIONAL

September 2021 – License to sell cannabis derivative products and license to cultivate and process in the Valleyfield Facility

In September 2021, the Company obtained from Health Canada the license necessary to be able to sell cannabis derivative products to retail in addition to receiving its processing and cultivation license for the recently acquired Valleyfield Facility.

October 2021 – Expansion to Ontario market

During the month of October 2021, the Company started to deliver a selection of products to the Ontario market on a weekly basis. As of the date of this release, the Company has 12 active listed SKUs in the Ontario market, and 6 new products launching by the end of calendar year 2022 for a total of 18 SKUs.

November 2021 – First 25,000 square foot growing zone activated in Valleyfield and launch of hash products

In November 2021, the Company propagated its first zone with 9,600 plants which has been redesigned to replicate indoor growing conditions without utilizing the sun.

In addition, the Company launched at the beginning of November its first two hash products in Quebec retails stores: Old School Hash and Ice Water Hash, under the Nugz brand.

January 2022 – Second growing zone activated in Valleyfield

On January 12, 2022, the Company completed the propagation of its second zone with 9,600 plants.

February/March 2022 – Completion of two harvests at Valleyfield and third growing zone activated

The Company successfully harvested its two first lots in the newly redesigned Valleyfield Facility during February and March 2022 respectively. Most of the product produced during the two initial harvests were destined to fulfill market demand in addition to being prepared for new derivative products that were in the pipeline.

April 2022 – OCS 420 event, Introduction of new genetics in Quebec and fourth growing zone activated

The Company was selected as one of the three products by the Ontario Cannabis Store ("OCS") to have a headlining product for the 420 event. 2022 marks 50 years since 4:20 was established as a time to meet and enjoy cannabis, and the OCS prepared a special event to mark it. To support this, the Company created a special edition of its Early Lemon Berry pre-rolls, offering a 12 x 0.6 g joint format. Approximately 20,000 units were offered and most sold within 30 days.

In April, the Company introduced two new strains under the brand Tribal to the Quebec market: Terple and Power Sherb. The products are available in a 3.5-gram can and in 2.5-gram pre-rolls. These genetics in 3.5-gram can were released in Ontario in August 2022.

The Company successfully redesigned and propagated its fourth growing zone in Valleyfield.

YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

OPERATIONAL *(continued)*

May 2022 – Introduction of New Genetic, introduction of Fresh Frozen Hash Rosin and fifth growing zone activated

In May 2022, Slapz was introduced under the Nugz brand to the Quebec market as a 28-gram offering and was accepted at the OCS in 3.5-gram form, which is to launch in November 2022.

The Company launched its higher potency Fresh Frozen Hash Rosin under the Nugz brand in Ontario.

The Company redesigned and propagated it's fifth growing zone in Valleyfield.

July 2022 – Sixth growing zone activated, approval from British Columbia Liquor Distribution Branch ("BCLDB") to become a licensed vendor, , Ontario KIND event, launch of Nugz Old School Hash and Tribal pre-rolls in Ontario, start up of in-house BHO lab

As at July 2022, the Company activated its sixth growing zone, achieving its stated objective of activating 6 zones totalling 150,000 square feet of premium-grade cannabis cultivation one month ahead of schedule. Each zone can grow 9,600 plants yielding an average of 78 grams per plant plus biomass that can be harvested four times per year. As at August 31, 2022, Cannara can currently produce over 20,000 kg per year, and this amount will continue to increase as the Company continues to activate new growing zones.

The Company obtained approval from the BCLDB to become a licensed vendor in British Columbia. A total of 7 SKUs have been accepted across the Tribal, Nugz, and Orchid CBD brands to be launched in September 2022, now providing the Company access to 3 out of the 4 largest Canadian markets.

To build upon the growing brand awareness and affinity within its second largest market, Ontario, the Company exhibited at the KIND Cannabis Week in July 2022, Canada's first ever legal budtender sampling event. This event was attended by over 1,150 budtenders and over 4,000 attendees and provided the Company with an opportunity to present all three brands in the most unique activation at the event.

The Company launched its Nugz Old School Hash in 2-gram form containing between 40%-50% THC in Ontario, in addition to its first Tribal pre-roll pack, Gelato Mint 5 x 0.5g pre-rolls.

The Company has also successfully commenced extraction at its in-house BHO lab. The first product produced was Tribal's G Mint Live Resin Vape Cartridge, which was released in Ontario in August 2022, followed by Tribal's Cuban Linx Live Resin Full Spectrum Extract which was released in November 2022.

August 2022 – Cannara signs an Exclusive Brand Partnership with Exotic Genetix in Canada

Cannara announced an exclusive brand partnership with 50-time award-winning US-based cannabis breeder, cultivator and hash maker, Exotic Genetix Ltd. ("Exotic Genetix"). This agreement will bring one of the most influential cannabis breeders and his brands from the US to Canada. At the date of this announcement, 5 out of the 7 strains which comprise Cannara's cannabis portfolio are Exotic Genetix Strains – the high demand for Cannara's products and satisfaction from customers demonstrated the premium quality of these genetics and the value that will be generated from this exclusive partnership. Under the terms of the agreement, Cannara will be granted an exclusive license to use, market, sell and distribute Exotic Genetix branded products throughout Canada. In addition, Exotic Genetix will provide Cannara with ongoing consultation services with respect to providing knowledge and insights into cannabis genetics, plant growing methodologies and marketing services.

YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

OPERATIONAL *(continued)*

August/September 2022 – Launch of Live resin vape cartridge in Ontario and its custom vape battery, Tribal Uni Pro Ark in addition to 14 other new SKUs across Ontario and Quebec

The Company launched its 1-gram G Mint Live Resin vape cartridge that contains only fresh frozen Gelato Mint flower with zero additives, for a true-to-cultivar, full flavor experience. As a complement, the Company also introduced a premium universal 510 vape battery, the Tribal UNI Pro ARK, that was designed in collaboration with Yocan, a well-known premium vape manufacturer. Cannara is the exclusive partner for custom UNI Pro 2.0 devices in Canada. The vape battery will be sold through retailers across Canada, direct to consumer via www.tribal.ca/ark, and listed by the OCS to launch in November 2022.

In addition, Cannara announced that it will be releasing 14 new SKUs of its premium-grade cannabis in Ontario and Quebec under the Company's flagship brands: Tribal, Nugz and Orchid CBD brands, bringing its total SKU count to 27 SKUs in market as of the date of this release.

Brand	Product Name	Category	Launch Market(s)
Tribal	Cuban Linx	5 x 0.6 gram prerolls	Ontario
Tribal	Cuban Linx	1 gram live resin full spectrum extract	Ontario
Tribal	Galactic Rntz	3.5 gram dried flower	Quebec, Ontario
Tribal	Galactic Rntz	5 x 0.5 gram, 5 x 0.6 gram prerolls	Quebec, Ontario
Tribal	Triple Burger	3.5 gram dried flower	Quebec
Tribal	Triple Burger	5 x 0.5 gram prerolls	Quebec
Tribal	Uni Pro ARK	Vape Battery	Ontario
Nugz	Slapz	3.5 gram dried flower	Ontario
Nugz	Smalls	14 gram dried flower	Ontario
Nugz	Strain Hunter	15 gram dried flower	Quebec
Orchid CBD	THC I CBD 30:15	Oils	Quebec
Orchid CBD	THC I CBD 15:30	Oils	Quebec
Orchid CBD	CBD 750	Oils	Quebec
Orchid CBD	CBD 2500	Oils	Quebec

FINANCIAL TRANSACTIONS

April 2022 – Settlement of SWAP agreement resulting in a $560,000 cash gain

In April 2022, Management decided to close an interest rate swap it had previously entered into as a result of a significant short term accrued gain from the swap resulting in the Company reporting a net cash return of $560,000.

May/June 2022 – Closes $50 Million Credit Facility Led by BMO Commercial Banking

On May 31, 2022, the Company entered into a new a credit facility agreement with BMO Commercial Banking ("BMO") for a total of $50 million plus a potential accordion facility for up to an additional $10 million of credit availability. The credit facility is comprised of a three-year term loan for $39.3 million, a $5 million line of credit and $5.7 million for the issuance of a letter of credit. Favorable terms attached to the credit facility include a declining interest rate over time as the Company hits certain covenant thresholds and the ability to repay the facility without penalty at any time. Under the terms of this new credit facility, the Company will not make any principal payments for the first six months.

In June, the Company received $39.3 million from its term loan, which was used, in part, to repay the existing $21.8 million loan with CIBC, and $5.7 million to provide a letter of credit to cover certain deposit requirements with a provincial supplier that was previously covered by a related party. The remaining proceeds of $17.5 million were added to cash and will be used for capital expenditures at its two Facilities to support the growth of the Company as well as to provide the Company with a cash reserve. The term loan bears a variable interest rate based on prime and/or banker acceptance rates. The term loan is reimbursable quarterly based on an amortization schedule of 80 quarters, beginning November 30, 2022. The credit facility is secured by a first ranking mortgage against the Farnham and Valleyfield Facility and is guaranteed with limited recourse, in part, by a related party.

YEAR-TO-DATE AND SUBSEQUENT EVENT HIGHLIGHTS *(continued)*

CAPITAL TRANSACTIONS

During the second quarter of 2022, the Company granted a total of 7,710,000 stock options to employees and 225,000 stock options to board members at an exercise price of $0.18, subject to certain vesting conditions in accordance with the Company's employee share option plan.

During the third quarter of 2022, the Company granted a total of 600,000 stock options to employees and 613,333 stock options to consultants at an exercise price of $0.18, subject to certain vesting conditions in accordance with the employee share option plan.

During the fourth quarter of 2022, the Company granted a total of 1,200,000 stock options to employees at an exercise price of $0.18, subject to certain vesting conditions in accordance with the employee share option plan.

Subsequent to year-end, the Company granted a total of 7,500,000 stock options at an exercise price of $0.10 and 14,000,000 stock options at an exercise price of $0.18 to employees and 225,000 to board members at an exercise price of $0.18, subject to certain vesting conditions in accordance with the employee share option plan.

Subsequent to year-end, a total of 500,000 stock options were exercised at a price of $0.10 per share for a total consideration of $50,000, resulting in the issuance of 500,000 new common shares of the Company.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended August 31, 2022	Three-month periods ended August 31, 2021	Years ended August 31, 2022	Years ended August 31, 2021
Gross revenue[1]	$ 11,894,302	$ 6,270,006	$ 35,482,601	$ 16,290,045
Other income	52,810	211,733	515,157	976,960
	11,947,112	6,481,739	35,997,758	17,267,005
Gross profit, before fair value adjustments	4,759,816	3,440,799	14,144,868	8,741,484
%[2]	40%	53%	39%	51%
Gross profit	7,103,374	4,526,126	17,487,636	10,543,099
%[3]	59%	70%	49%	61%
Operating expenses	3,340,653	2,959,432	12,546,901	10,285,816
Net finance expense	1,209,277	434,851	2,635,316	1,785,426
Net income (loss)	$ 2,553,444	$ 1,131,843	2,305,419	$ (1,528,143)
%[4]	21%	17%	6%	-9%
Adjusted EBITDA[5]	$ 2,493,253	$ 1,364,415	5,321,022	$ 1,503,621
%[5]	21%	21%	15%	9%
Basic earnings (loss) per share	$ 0.01	$ 0.01	$ 0.01	$ (0.01)
Diluted earnings (loss) per share	$ 0.01	$ 0.01	$ 0.01	$ (0.01)

	August 31, 2022	August 31, 2021
Cash	$ 12,114,691	$ 8,159,305
Accounts receivable	8,526,918	2,847,725
Biological assets	5,712,456	1,902,206
Inventory	13,266,987	5,508,258
Working capital[6]	29,127,599	12,412,935
Total assets	125,617,047	92,022,613
Total current liabilities	11,861,085	6,833,798
Total non-current liabilities	47,020,201	21,073,003
Net assets	66,735,761	64,115,812

[1] Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.
[2] Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.
[3] Gross profit % is determined as Gross profit divided by Total revenues.
[4] Net income (loss) % is determined as Net income (loss) divided by Total revenues.
[5] Adjusted EBITDA and working capital are non-GAAP financial performance measures with no standard definition under IFRS.
A reconciliation of these measures is presented elsewhere in this MD&A.
Adjusted EBITDA % a non-GAAP financial ratio and is determined as Adjusted EBITDA divided by total revenues.
[6] Working capital is determined as total current assets minus total current liabilities.

SELECTED FINANCIAL INFORMATION *(continued)*

Adjusted EBITDA		Three-month periods ended August 31, 2022		Three-month periods ended August 31, 2021		Years ended August 31, 2022		Years ended August 31, 2021
Net income (loss)	$	2,553,444	$	1,131,843	$	2,305,419	$	(1,528,143)
Adjustments:								
Changes in fair value of inventory sold		2,427,690		2,036,305		7,830,905		4,213,550
Unrealized gain on changes in fair value of biological assets		(4,771,248)		(3,121,632)		(11,173,673)		(6,015,165)
Amortization, including amortization in cost of good sold		980,816		807,266		3,345,288		2,662,816
Loss on disposal of property, plant and equipment		8,227		12,136		47,813		66,360
Gain on sublease		-		(24,442)		(12,876)		(24,442)
Share-based compensation, including share-based compensation in cost of good sold		85,047		88,088		342,830		343,219
Net finance expense		1,209,277		434,851		2,635,316		1,785,426
Adjusted EBITDA[1]	$	2,493,253	$	1,364,415	$	5,321,022	$	1,503,621

[1] Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS.

For the fourth quarter of 2022, total revenues and gross profit before fair value adjustments amounted to $12 million and $4.8 million, generating a gross margin before fair value adjustments of 40%, compared to $6.5 million and $3.4 million, a gross margin before fair value adjustments of 53%, in the same period of prior year. Increase in revenues of $5.5 million (84% increase) are attributable to increased cannabis retail sales due to higher cannabis production and service revenue generated from its Valleyfield Facility. Adjusted EBITDA amounted to $2.5 million, compared to $1.4 million in the same period of the prior year, an increase of $1.1 million or 79%. Net income amounted to $2.6 million, compared to $1.1 million in the same period of the prior year, an increase of $1.5 million or 136%, as a result of increased revenues generated from the increased cannabis production.

For the year ended August 31, 2022, total revenues and gross profit before fair value adjustments amounted to $36 million and $14.1 million, generating a gross margin before fair value adjustments of 39%, compared to $17.3 million and $8.7 million, a gross margin before fair value adjustments of 51%, in the same period of prior year, increasing revenues by $18.7 million or 108%. Adjusted EBITDA amounted to $5.3 million, compared to $1.5 million in the same period of the prior year, an increase of $3.8 million or 253%. In prior year, the third quarter marked the Company first full quarter of retail sales following issuance of its sales license and was able to sell a significant accumulated volume of R&D inventory harvested prior to sales license issuance through its wholesale distribution channel, for which had no inventory cost, resulting in higher gross margins in the same period of prior year. In addition, in the prior year, the Company had a higher proportion of revenues generated from its real estate operations which earns a higher gross margin. Net income amounted to $2.3 million, compared to a net loss of $1.5 million in the same period of the prior year, an increase of $3.8 million or 253%. The Company saw an increase from 37% to 39% in its gross margin from previous quarter and expects its gross margin to continue to increase quarter over quarter as more growing zones are activated at the Valleyfield Facility.

SELECTED SEGMENT RESULTS OF OPERATIONS

The Company operates in two segments: (1) Cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives for the Canadian market and other cannabis services ("Cannabis operations") and (2) Real estate operations related to the Farnham and Valleyfield building ("Real estate operations").

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment operating income (loss) before share-based compensation, amortization, impairment, net finance expense, gain on sublease on initial recognition, loss on disposal of property, plant and equipment and income tax. Categorized as Other are items related to U.S. hemp-based CBD products revenues and related operating costs.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Selected Segment Financial Highlights	Three-month period ended August 31, 2022				Three-month period ended August 31, 2021			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 11,074,482	$ 819,820	$ -	$ 11,894,302	$ 5,246,953	$ 1,001,580	$ 21,473	$ 6,270,006
Other income	52,810	-	-	52,810	211,733	-	-	211,733
	11,127,292	819,820	-	11,947,112	5,458,686	1,001,580	21,473	6,481,739
Gross profit, before fair value adjustments	4,021,512	738,304	-	4,759,816	2,504,055	930,546	6,198	3,440,799
%[2]	36%	90%	-	40%	46%	93%	29%	53%
Gross profit	6,365,070	738,304	-	7,103,374	3,589,382	930,546	6,198	4,526,126
%[3]	57%	90%	-	59%	66%	93%	29%	70%
Operating expenses	2,890,812	-	15,216	2,906,028	2,582,207	-	38,264	2,620,471
Segment operating income (loss)	3,474,258	738,304	(15,216)	4,197,346	1,007,175	930,546	(32,066)	1,905,655
%[4]	31%	90%	-100%	35%	18%	93%	-149%	29%
Net finance expense	-	-	1,209,277	1,209,277	-	-	434,851	434,851
Other	-	-	434,625	434,625	-	-	338,961	338,961

Selected Segment Financial Highlights	Year ended August 31, 2022				Year ended August 31, 2021			
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 32,091,805	$ 3,373,198	$ 17,598	$ 35,482,601	$ 12,990,241	$ 3,120,882	$ 178,922	$ 16,290,045
Other income	515,157	-	-	515,157	976,960	-	-	976,960
	32,606,962	3,373,198	17,598	35,997,758	13,967,201	3,120,882	178,922	17,267,005
Gross profit (loss), before fair value adjustments	11,148,293	3,065,275	(68,700)	14,144,868	6,042,177	2,667,042	32,265	8,741,484
%[2]	34%	91%	-390%	39%	43%	85%	18%	51%
Gross profit (loss)	14,491,061	3,065,275	(68,700)	17,487,636	7,843,792	2,667,042	32,265	10,543,099
%[3]	44%	91%	-390%	49%	56%	85%	18%	61%
Operating expenses	10,850,797	-	82,872	10,933,669	8,464,756	-	422,707	8,887,463
Segment operating income (loss)	3,640,264	3,065,275	(151,572)	6,553,967	(620,964)	2,667,042	(390,442)	1,655,636
%[4]	11%	91%	-861%	18%	-4%	85%	-218%	10%
Net finance expense	-	-	2,635,316	2,635,316	-	-	1,785,426	1,785,426
Other	-	-	1,613,232	1,613,232	-	-	1,398,353	1,398,353

[1] Gross revenue included revenue from sale of goods, net of excise taxes, services revenues and lease revenues.
[2] Gross profit (loss), before fair value adjustments, % is determined as Gross profit (loss), before fair value adjustments, divided by Total revenues.
[3] Gross profit (loss) % is determined as Gross profit (loss) divided by Total revenues.
[4] Segment operating income (loss) % is determined as Segment operaring income (loss) divided by Total revenues.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations

For the three and twelve-month periods ended August 31, 2022, the segment generated $9.7 million and $28.5 million in cannabis-related revenues, net of excise taxes, compared to $5.3 million and $13.0 million for the same periods of the prior year, an increase of $4.4 million and $15.5 million respectively.

Revenues, net of excise taxes, from the retail market represented $9.6 million and $27.5 million for the three and twelve-month periods ended August 31, 2022, compared to $4.4 million and $7.8 million for the same periods of the prior year. The increases in retail sales is attributable to the increase in market share in Canada and due to increased production with the start of the cultivation operations at the Valleyfield Facility. Revenues from the wholesale market represented $0.1 million and $1.0 million for the three and twelve-month periods ended August 31, 2022 compared to $0.9 million and $5.2 million for the same periods of the prior year. The decrease in wholesale revenues is primarily attributable to the fact that the Company focused most of its sales towards the retail market starting February 2021 as it had received all the necessary sale licenses. In the prior year, the Company utilized its wholesale distribution network as leverage to generate revenues on accumulated inventory while the Company was waiting to obtain the sale license.

Highlights of the fourth quarter and twelve-month period of 2022 are as follows:

- Successful start-up of its Valleyfield Facility operation: 6 of 24 growing zones totalling 150,000 square feet were propagated since November 2021 and several successful harvests occurred since then;
- Introduction of 3 new genetics in the Quebec market during the second and third quarter of 2022;
- Launch of 2 Nugz hash products in the Quebec market during the first quarter of 2022;
- Launch of 1 other Nugz hash products in the Ontario market during the third quarter of 2022;
- Introduction of Tribal's pre-roll SKUs during the third quarter of 2022;
- Expansion to weekly reorders on most SKUs in the Ontario market;
- Approximately 2,570 kg of cannabis or 730,000 units sold across 3 flagship brands during the fourth quarter of 2022, an increase of 26% in kg sold compared to the third quarter of 2022;
- The number of kg sold during the second half of 2022 increased by 69% compared to the first half of 2022, resulting from the increase in production from the Valleyfield Facility; and
- Approximately 7,300 kg of cannabis or 2 million units sold across 3 flagship brands during the twelve-month period of 2022, an increase of approximately 1.5 million of units sold or 286% compared to the same period of the prior year.

For the three and twelve-month periods ended August 31, 2022, the Company generated $1.4 million and $3.6 million as service revenues for cannabis manufacturing services rendered to another licensed producer, compared to nil in the prior period.

For the three and twelve-month periods ended August 31, 2022, the Company generated $53,000 and $0.5 million as other income related to government incentives, various tax credits granted, and other ancillary revenue compared to $0.2 million and $1.0 million for same periods of the prior year.

For the three and twelve-month periods ended August 31, 2022, the Company incurred $6.0 million and $18.6 million in costs of goods sold, compared to $3.0 million and $7.9 million for the same periods of the prior year as a result of increased revenues. For the three and twelve-month periods ended August 31, 2022, the Company incurred $1.2 million and $2.9 million in management services cost related to a manufacturing services agreement signed in the second quarter of 2022, compared to nil in the prior period. The segment generated a gross profit before fair value adjustments of $4.0 million or 36% and $11.2 million or 34% for the three and twelve-month periods ending August 31, 2022 compared to $2.5 million or 46% and $6.0 million or 43% for the same periods of the prior year.

Fair value adjustment on sale of inventory includes the fair value of biological assets included in the value of inventory transferred to cost of goods sold. The change in fair value of inventory sold recognized during the three and twelve-month periods ended August 31, 2022, amounted to $2.4 million and $7.8 million compared to $2.0 million and $4.2 million for the same periods of the prior year.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations (continued)

For the three and twelve-month periods ended August 31, 2022, the Company has recognized an unrealized gain on changes in fair value of biological assets of $4.8 million and $11.2 million on the lots in the cultivation cycle that have not yet been harvested compared to $3.1 million and $6.0 million for the same periods of the prior year. The increase in fair value of biological assets is the direct result of Valleyfield Facility increased plant count currently in cultivation.

The segment generated $6.4 million and $14.5 million in gross profit for the three and twelve-month periods ended August 31, 2022, compared to $3.6 million and $7.8 million in the same periods of the prior year, representing a favorable increase of $2.8 million or 78% and $6.7 million or 86%. The increase results primarily from gross profit generated from its retail and wholesale cannabis sales and unrealized gains in the fair value of biological assets as previously explained above.

For the three and twelve-month periods ended August 31, 2022, the segment incurred $2.9 million and $10.9 million in operating expenses compared to $2.6 million and $8.5 million in the same periods of the prior year resulting in an increase of $0.3 million or 12% and $2.4 million or 28%**,** respectively.

For the fourth quarter and twelve-month period of 2022, the increase in operating expenses is mainly attributable to:

- An increase of $2.8 million in general and administrative expenses during the twelve-month period of 2022, which is mainly attributable to increase in salaries to support both Facilities as well as the Valleyfield Facility start-up cost incurred to launch the cultivation operations and other overhead expenses. The general and administrative expenses for the fourth quarter of 2022 were similar to the same period of the prior year while scaling operations;
- An increase of $0.2 and $0.5 million in selling, marketing, and promotion during the fourth quarter and twelve-month period of 2022, which is aligned with the increase in revenues generated; offset by
- A decrease of $0.7 million in research and development during the twelve-month period of 2022 due to the reduction of testing performed on different genetics. In the prior year, the Company performed additional research and development activities in anticipation of the launch of the first brands to the retail market, for which it had assigned a zero cost. In 2022, it is a continuous investment in research and development with less waste and with the ability to monetize experiments as cannabis derivative products; and
- A decrease of $0.3 million in professional fees during the twelve-month period of 2022 due to non-recurring fees incurred in the prior year and reduction of certain professional fees. The professional fees for the fourth quarter of 2022 were similar to the same period of the prior quarter.

Overall, the segment generated operating income of $3.5 million and $3.6 million for the fourth quarter and twelve-month period of 2022, compared to $1.0 million and ($0.6 million) in the same periods of the prior year, representing a favorable increase in operating income of $4.2 million over the twelve-month period.

Real estate operations

As part of the Company's capital management strategy, the Company has leased out all currently unoccupied space in the Farnham facility. As at August 31, 2022, the Company leased 425,480 square feet of the total 625,000 available square feet to two tenants.

For the three and twelve-month periods ended August 31, 2022, the Company generated lease revenues of $0.8 million and $3.4 million compared to $1.0 million and $3.1 million in the same periods of the prior year. The lease revenues for the fourth quarter of 2021 were slightly higher due to one-time lease revenues generated from the Valleyfield Facility. For the twelve-month period of 2022, the increase of $0.3 million is due to a higher rate per square foot charged compared to same period of the prior year. To realize these lease revenues during the three and twelve-month periods ended August 31, 2022, the Company incurred $82,000 and $308,000 in lease operating costs compared to $71,000 and $454,000 in the same periods of the prior year. The lease operating expenses incurred in the fourth quarter of 2022 are similar to the same period of the prior year but where higher in the prior twelve-month period due to costs incurred to accommodate a new tenant.

For the three and twelve-month periods ended August 31, 2022, the segment generated operating income of $0.7 million and $3.1 million compared to $0.9 million and $2.7 million for the same periods of the prior year.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Other

During the third quarter of 2022, the Company had decided to cease its U.S. online activities for the sale of CBD products since there has been no evolution in the regulation and operational uncertainties within the hemp-derived CBD industry in the U.S. Management has decided to concentrate its effort on its main business which is the sales of cannabis and derivates products in Canada. As a result, an impairment on the remaining inventory on hand was recorded for an amount of $71,000. For the twelve-month period ended August 31, 2022, the Company generated hemp-based CBD product revenues of $18,000 for the time it has been in operations compared to $179,000 in the same period of the prior year and incurred $86,000 in costs of goods sold compared to $147,000 in the same period of the prior year, resulting in a loss of $69,000 in 2022 and a gross profit of $32,000 in 2021. For the twelve-month period of 2022, the U.S. online activities for the sale of CBD products incurred $83,000 in operating expenses compared to $423,000 in the same period of the prior year resulting in a decrease in operating expenses of $340,000. The expenses incurred for the fourth quarter of 2022 and 2021 were minimal. For the fourth quarter and twelve-month period of 2022, these activities generated an operating loss of $15,000 and $152,000 compared to $32,000 and $390,000 for the same periods of the prior year.

For the fourth quarter of 2022, the segment incurred $1.2 million in net finance and $0.4 million in other expenses, compared to $0.4 million and $0.3 million for the same period of the prior year. The increase in net finance expense is explained by the interest incurred on the upsized debt from $21.8 million to $50 million that occurred June 1, 2022, and other debt-related fees. Other expenses were similar compared to prior period. fair value adjustment of $0.7 million on the swap agreement, offset by an increase in accretion and amortization of deferred financing costs on the convertible debentures. The increase in other expenses is attributable to the increase in depreciation expense related to the Valleyfield Facility.

For the twelve-month period of 2022, the segment incurred $2.6 million in net finance and $1.6 million in other expenses, compared to $1.8 million and $1.4 million for the same period of the prior year. The increase in net finance expense is explained by the fact that the Company carrying more debt in 2022 compared to prior period and other expenses were similar in the current period in comparison to prior period.

QUARTERLY FINANCIAL POSITION AND RESULTS

The following table sets forth, for the quarter indicated, selected information relating to the Company's consolidated financial position as well as revenues, gross profit, net income (loss) attributable to Shareholders of the Company, related basic and diluted income (loss) per share attributable to Shareholders of the Company and adjusted EBITDA for the eight completed fiscal quarters to date:

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020
Current assets	$ 40,988,684	$ 24,492,459	$ 22,655,663	$ 26,801,623	$ 19,246,733	$ 13,863,004	$ 10,524,748	$ 7,229,559
Non-current assets	84,628,363	82,336,646	79,035,367	75,338,952	72,775,880	44,062,718	43,679,577	44,335,430
Total assets	125,617,047	106,829,105	101,691,030	102,140,575	92,022,613	57,925,722	54,204,325	51,564,989
Current liabilities	11,861,085	11,489,526	7,910,429	8,100,090	6,833,798	4,697,602	3,101,290	2,761,325
Non-current liabilities	47,020,201	31,162,576	31,237,792	30,518,676	21,073,003	16,732,890	16,868,088	13,774,253
Total liabilities	58,881,286	42,652,102	39,148,221	38,618,766	27,906,801	21,430,492	19,969,378	16,535,578
Net assets	$ 66,735,761	$ 64,177,003	$ 62,542,809	$ 63,521,809	$ 64,115,812	$ 36,495,230	$ 34,234,947	$ 35,029,411

	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020
Total revenues	$ 11,947,112	$ 10,063,716	$ 7,422,354	$ 6,564,576	$ 6,481,739	$ 7,159,331	$ 2,257,754	$ 1,368,181
Gross profit before fair value adjustments	4,759,816	3,735,420	2,635,607	3,014,025	3,440,799	3,506,278	1,298,261	496,145
%[2]	40%	37%	36%	46%	53%	49%	58%	36%
Gross profit (loss)	7,103,374	4,748,643	3,015,577	2,620,042	4,526,126	4,419,124	2,095,208	(497,360)
Net income (loss) attributable to Shareholders of the Company	2,553,444	1,428,297	(1,145,823)	(530,499)	1,131,843	1,697,802	(862,756)	(3,495,032)
Basic and diluted income (loss) per share	$ 0.01	$ 0.01	$ (0.01)	$ (0.01)	$ 0.01	$ 0.01	$ (0.01)	$ (0.01)
Adjusted EBITDA[1]	2,493,253	1,819,450	33,998	974,320	1,364,415	2,562,835	(716,750)	(1,706,881)
Cash from (used) in operating activities	(3,157,570)	(1,709,746)	(1,325,035)	113,460	1,394,724	1,508,662	(1,504,916)	(3,491,377)
Free cash flow[3]	2,510,534	1,485,633	233,620	1,174,519	1,437,106	2,076,916	(448,162)	(988,096)

[1] Adjusted EBITDA is a non-GAAP financial performance measure with no standard definition under IFRS. A reconciliation of this amount for the applicable period is presented in the table below.
[2] Gross profit before fair value adjustments % is determined as Gross profit before fair value adjustments divided by Total revenues.
[3] Free cash flow is a non-GAAP financial performance measure with no standard definition under IFRS and is defined as cash flow from operations excluding changes in non-cash operating working capital..

QUARTERLY FINANCIAL POSITION AND RESULTS *(continued)*

	Three-month periods ended							
	August 31, 2022	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020
Adjusted EBITDA reconciliation								
Net income (loss)	$ 2,553,444	$ 1,428,297	$ (1,145,823)	$ (530,499)	$ 1,131,843	$ 1,697,802	$ (862,756)	$ (3,495,033)
Adjustments:								
Changes in fair value of inventory sold	2,427,690	2,267,056	1,269,679	1,866,480	2,036,305	1,526,050	447,885	203,310
Unrealized (gain) loss on changes in fair value of biological assets	(4,771,248)	(3,280,279)	(1,649,649)	(1,472,497)	(3,121,632)	(2,438,896)	(1,244,832)	790,195
Amortization, including amortization in cost of good sold	980,816	1,142,886	629,027	592,559	807,266	1,117,260	385,393	352,897
Loss on disposal of property, plant and equipment	8,227	8,480	6,444	24,662	12,136	-	54,224	-
Gain on sublease	-	-	-	(12,876)	(24,442)	-	-	-
Share-based compensation, including share-based compensation in cost of good sold	85,047	147,221	151,324	(40,763)	88,088	99,106	51,385	104,639
Net finance expense	1,209,277	105,789	772,996	547,254	434,851	561,513	451,951	337,111
Adjusted EBITDA	$ 2,493,253	$ 1,819,450	$ 33,998	$ 974,320	$ 1,364,415	$ 2,562,835	$ (716,750)	$ (1,706,881)
Free cash flow reconciliation								
Cash from (used) in operating activities	$ (3,157,570)	$ (1,709,746)	$ (1,325,035)	$ 113,460	$ 1,394,724	$ 1,508,662	$ (1,504,916)	$ (3,491,377)
Adjustment:								
Changes in non-cash operating working capital	(5,668,104)	(3,195,379)	(1,558,655)	(1,061,059)	(42,382)	(568,254)	(1,056,754)	(2,503,281)
Free cash flow[3]	2,510,534	1,485,633	233,620	1,174,519	1,437,106	2,076,916	(448,162)	(988,096)

CASH FLOW ANALYSIS

	Three-month periods ended		Years ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Cash from (used) in operating activities	$ (3,157,570)	$ 262,881	$ (6,078,891)	$ (2,092,907)
Cash from financing activities	16,233,322	30,407,180	25,464,304	33,552,002
Cash used in investing activities	(4,759,084)	(29,031,567)	(15,345,089)	(30,829,420)

Operating activities

For the three and twelve-month periods of 2022, cash used in operating activities was $3.2 million and $6.1 million. During these periods, the Company had invested $3.2 million and $8.2 million to build its biological assets and inventory for sale in subsequent quarters. With the operations at Valleyfield ramping up, the Company increased its active grow area by approximately 375% over the past 12 months and is, as a result, producing more cannabis which will be used to respond to the high demand of the Company's products and to support its market share expansion to other provinces.

Financing activities

For the fourth quarter of 2022, cash flow from financing activities was $16.2 million which was mainly attributable to the reimbursement of the $21.8 million mortgage to CIBC with the new financing of $39.3 million received from BMO, and net of the payment of deferred financing costs of $823,000, payment of interest on the mortgage for $406,000 and $77,000 in lease-related payments.

For the twelve-month period of 2022, cash from financing activities was $25.5 million which was mainly attributable to the proceeds received from the new financing of $39.3 million received from BMO net of the reimbursement of the previous $21.8 million mortgage, net of deferred financing fees of $921,000. In addition, the Company made $1.2 million in interest-related payments, $296,000 in other lease-related payments and $50,000 in transaction costs-related payment for prior year financings. The Company also received $560,000 from the settlement of the swap agreement and $50,000 for the exercise of stock options.

Investing activities

For the three and twelve-month periods of 2022, cash used in investing activities was $4.8 million and $15.3 million which was mainly attributable to the redesign of Valleyfield's 6 of 24 growing zones, construction of part of the Processing and cannabis 2.0 processing center at Valleyfield Facility for office and warehouse space in addition to capital expenditures incurred resulting from the expected increased post-harvest requirements. Interest received relating to interest earned on cash balances held at a Canadian financial institution amounted to $19,000 and $59,000 for the three and twelve-month periods of 2022. There is no restriction on the Company's ability to use its cash for its operational needs while it earns interest on the unused balance.

LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the operations were financed primarily through cash generated from the sales of cannabis products, services revenues, recurrent leases revenues along with funds raised in equity financings secured in previous quarters, debt raised against immoveable assets and government grants to support the Company's cash flow. The Company's objectives when managing its liquidity, its capital resources and to meet its capital requirements is to generate sufficient cash to fund the Company's operations and working capital requirements.

The Company has a working capital of $29.1 million as at August 31, 2022 (August 31, 2021 - $12.4 million). The Company has been able to maintain its working capital compared to prior year due to the liquidities generated through the sale of its cannabis products and the financing closed during 2022.

As at August 31, 2022, the Company's working capital was composed of:

- cash on hand of $12.1 million (August 31, 2021 - $8.2 million); and
- accounts receivable, lease receivable, biological assets, inventory and prepaid expenses and other assets of $28.9 million (August 31, 2021 - $11.1 million); less
- accounts payable and accrued liabilities, sales tax payable, deferred revenue, deferred lease revenue and deferred grant income of $9.7 million (August 31, 2021 - $6.3 million); and
- current portion of long-term debt, lease liabilities and mortgage payable of $2.2 million (August 31, 2021 - $0.5 million).

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing.

The Company expects that its existing cash resources of $12.1 million as at August 31, 2022, along with its forecasted cashflows and undrawn credit facilities, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2022.

Financing

Type of loan	Interest Rate	Maturity	Balance as at August 31, 2022	Balance as at August 31, 2021
Term loan [(1)]	6.70%	May 31, 2025 [(2)]	$ 38,562,521	$ -
Secured mortgage loan [(2)]	13%	-	-	6,550,000
Secured mortgage loan [(2)]	3.91%	-	-	5,750,000
Convertible debenture A	4%	June 21, 2024	5,124,548	4,523,238
Convertible debenture B	4%	July 12, 2024	4,465,595	3,942,770

(1) During the fourth quarter of 2022, the Company concluded a credit facility agreement with BMO and a total of $39.3 million has been received from the term loan. The proceed of this financing was used to reimburse the previous $21.8 million mortgage with CIBC and for operating activities. The base term of the term loan is 3 years ending May 31, 2025. The term loan bears a variable interest rate based on prime and/or banker acceptance rates. As at August 31, 2022, the interest rate was 6.7%. In the event of default of the covenant, the secured mortgage loan can be repayable on demand. The Company has to respect financial covenants including (a) maintaining a certain liquidity coverage at all the times, and, starting on September 2023, to maintain (b) a fixed charge coverage ratio equal to or more than 1.25 to 1.0, (c) a funded debt to EBITDA ratio equal to or less than 3.0 to 1.0 at each quarter-end; and (d) a minimum EBITDA of $3 million for the fiscal quarter of May 31, 2023 and a minimum EBITDA of $4 million for the fiscal quarter ending August 31, 2023 and thereafter. The Company was in compliance with the covenants as at August 31, 2022.

(2) As part of the upsized secured mortgage loan closed with CIBC in November 2021, the Company used the proceeds to reimburse the two other secured mortgage loans totaling $12 million at the date of the reimbursement.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Other contractual obligations

	Carrying amount	Less than one year	One to five years	Thereafter	Total contractual amount
Accounts payable and accrued liabilities	$ 9,307,959	$ 9,307,959	$ -	$ -	$ 9,307,959
Long-term debt (2)	2,611	2,659	-	-	2,659
Lease liabilities (2)	236,664	238,732	17,574	-	256,306
Convertible debentures (2)	9,590,143	-	10,700,000	-	10,700,000
Credit facility (1)	38,562,521	1,965,961	37,353,262	-	39,319,223

(1) The contractual obligations relating to the term loan has been presented based on the contractual repayment term of 3 years.

(2) The Company is committed to future minimum annual lease, convertible debentures payments and debt payments with respect to its office premises located in Ville St-Laurent, expiring May 31, 2023, a car lease and several production equipment. These figures are undiscounted future payments.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, other than a letter of credit of $5.7 million that was issued to cover certain deposit requirements with a provincial supplier.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

Financing with a related party

For the three and twelve-month periods of 2022, the Company recognized $202,000 and $1.0 million as interest expense on the mortgage, the convertible debentures, the letter of credit and fees on a debt guarantee compared to $354,000 and $1.2 million in the same periods of the prior year. In the prior periods, these fees also included interest expense on the credit facilities. The mortgage payable of $6.55 million along with accrued interest of $74,000 were reimbursed in November 2021 as part of the revised loan agreement with a banking institution. Along with the Valleyfield Facility acquisition in June 2021, another related party funded certain deposit requirements by a provincial service provider of approximately $5.7 million by the issuance of a letter of credit. During the fourth quarter of 2022, with the debt financing, the Company's bank now replaced the letter of credit.

As at August 31, 2022, accrued interest on the convertible debentures of $0.8 million and accrued interests and fees on other debt financing expenses of $388,000 were included in accounts payable and accrued liabilities (as at August 31, 2021 - $72,000 interest on the mortgage); and total convertible debentures amounted to $10.7 million (as at August 31, 2021 – mortgage payable amounted to $6.55 million and convertible debentures amounted to $10.7 million).

Other

For the year ended August 31, 2022, the Company acquired certain property, plant and equipment from a related party for a total of $40,000. (2021 – incurred operating expenses of $3,600 and acquired property, plant and equipment for $291,000). These transactions are considered related to the Company as the shareholder of the related party is also a director on the Company's Board of Directors.

Key management personnel compensation

For the three and twelve-month periods of 2022, salaries and benefits incurred for key management personnel amounted to $204,000 and $527,000 (2021 - $104,000 and $324,000); share-based compensation attributable to key management and directors was $45,000 and $190,000 (2021 - $35,000 and $139,000) and director fees were $17,500 and $70,000 (2021 - $17,500 and $64,000). As at August 31, 2022, the Company owed $53,000 (August 31, 2021 - $28,000) to key management personnel for accrued salaries and vacation expenses and $15,000 to directors (August 31, 2021 – $15,000).

Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instruments related to risks. The Board approves and monitors the risk management processes:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash balances, lease receivables from customers and deposits.

Cash balances in an asset position which exposes the Company to credit risk arising from the potential default by counterparties that carry the Company's cash balances or agree to deliver currencies. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. The financial institution providing the Company's credit facility meet these qualifications.

The carrying amount of the accounts receivable in the consolidated statement of financial position is presented net of an allowance for expected credit losses, estimated by the Company's management based, in part, on the age of the specific receivable balance and the current and expected collection trends. As at August 31, 2022, none of the receivables were past due. The allowance for expected credit loss was nil as at August 31, 2022. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due or can only do so at an excessive cost. The Company manages this risk by reviewing its capital requirements on an ongoing basis by maintaining cash flow forecasts and long-term operating and strategic plans.

As at August 31, 2022, the Company had current assets of $41 million and current liabilities of $11.9 million, for a working capital balance of $29.1 million. The Company expects that its existing cash resources of $12.1 million as at August 31, 2022, along with its forecasted cashflows and available undrawn credit facilities, will be able to fund its planned operating expenses for at least the next twelve months from August 31, 2022.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company used derivative financial instruments to manage risks related to interest rate exposures. The Company does not utilize derivative financial instrument for speculative or trading purpose. In January 2022, the Company entered into an off-balance sheet interest rate swap with a notional amount of $22,000,000 to pay fixed rate of 4.8% for the first year and 6% for the four subsequent years and receive an amount based on the variable interest rate as defined in the swap contract. The interest rate swap and matured on April 21, 2025. The notional amount is reduced monthly based on the balance of the mortgage debt. During the third quarter of 2022, a gain of $690,000 related to the change in fair value of the derivative financial instrument was recognized within net finance expenses and management decided to settle the swap which resulted in a cash gain of $560,000.

Concentration risk

The Company has a significant concentration of its revenues generated from two customers that, if eliminated, would have a significant impact on the Company's operations.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments and assumptions. The carrying amounts of assets, liabilities, and other financial obligations, as well as the determination of fair values and reported income and expense in these consolidated financial statements, depend on the use of estimates and judgments. IFRS also requires management to exercise judgment in the process of choosing and applying the Company's accounting policies.

These estimates and judgments are based on the circumstances and estimates at the date of the consolidated financial statements and affect the reported amounts of income and expenses during the reporting period.

Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

Disclosure of the Company's critical accounting estimates and assumptions is presented in note 3 of the audited consolidated financial statements for the year ended August 31, 2022.

Critical accounting judgments and assumptions

Valuation of Biological Assets and Inventory

Biological assets, consisting solely of plants, are measured at fair value less costs to sell, up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make a number of estimates, including estimating sales price, cost to complete and cost to sell, the stage of completion in the production process, expected plant loss and expected yield per cannabis plant. As the valuation of biological assets becomes the basis for the cost of inventory after harvest, this is also a significant estimate for the valuation of inventory.

SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out note 3 of the audited consolidated financial statements for the year ended August 31, 2022.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

It is believed that there are numerous factors that could cause actual results to be different from expected and historical results. The markets in which the Company currently competes are very competitive and change rapidly. New risks may emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. If any of these risks occur, the Company's business may be harmed, and results of operations and financial condition may suffer.

Reliance on License

Our License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company. The Company intends to diligently follow all requirements and terms of its License as to mitigate this risk. However, there can be no assurance that Health Canada will issue, amend, extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not issue, amend, extend or renew the License, the business, financial condition and operating results of the Company would be materially adversely affected.

Costs Associated with Numerous Laws and Regulations

The manufacture, labeling and distribution of the Company products is regulated by various federal, provincial and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell products in the future. Health Canada regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company's advertising is subject to regulation by Health Canada. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to comply with Health Canada requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, license revocation, fines and criminal prosecutions.

Change in Laws, Regulations and Guidelines Pertaining to The Cannabis Act

The Company's business will be subject to particular laws, regulations, and guidelines as the cultivation, processing and sale of cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change and will be outside of the Company's control.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

RISK FACTORS *(continued)*

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and maintaining all regulatory approvals, where necessary. Any failure to comply with regulations could have a material adverse effect on the Company's business, results of operations and financial condition.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Liquidity and Future Financing

As at August 31, 2022, the Company is in its second year of its commercial launch to retail and is still ramping up its operations and production at its second Facility in Valleyfield. There can be no assurance that consumer demand for the products on the long term will be as anticipated, or that the Company will generate profits consistently. The Company will be subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization and the risks that it will be unable to successfully establish a large market share for its products, achieve its growth objectives, and/or continue to generate profits.

The Company, if its strategy is successful, expects to open more growing zones at its Valleyfield Facility during fiscal 2023 to support its expansion plan to increase market share in current markets and expand to other Canadian provinces. In order to achieve its objectives, the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success.

There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company shares, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Conflicts of Interest

Certain of the Company's directors and officers are also directors and operators of other companies. 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 interests. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract 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 the officers are required to act honestly and in good faith with a view to its 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.

RISK FACTORS *(continued)*

Litigation Risk

In the normal course of business, the Company may be involved in various legal proceedings, the outcomes of which cannot be determined, or outflow of economic benefit may be material. The Company could also be liable for negligent, fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company. As at August 31, 2022, the Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its consolidated statement of financial position or financial performance.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. The Company has filed provisional patents and a number of trademark application. There is no guarantee that said patent applications will be granted. Even if the Company is successful in securing patents and trademark registrations to protect its intellectual property, it is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Competition

The market for the Company's product is sizeable and Health Canada has issued a limited number of licenses to produce and sell cannabis in Quebec, while there are much more licensed producers in the rest of Canada. The Company views operating in Quebec as a competitive advantage, however the Company still expects significant competition from other companies. A large number of companies appear to be applying for licenses or purchasing licenses in Quebec, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the medical and recreational cannabis market increase as projected, the demand for product will increase as well, and in order for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

Agricultural and Cannabis Operations

Since the Company's business will revolve mainly around the growth of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and infestation, among others. The Company believes its Farnham pharmaceutical grade facility which deploys a 100% climate-controlled environment and is a fully monitored location with artificial grow lights, will minimize the risks as compared to cultivation in an outdoor environment, however, there is no guarantee that we can avoid the risks associated with agricultural products. The Valleyfield Facility was also redesigned following its acquisition to recreate indoor growing conditions, with full control of the climate environment. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce cannabis with favorable margins. In addition, should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on the Company's revenues and average price per gram.

Third-party transportation Disruptions

As a business revolving mainly around the growth of an agricultural product, the ability to obtain cost-effective and efficient transport services will be essential to the prolonged operations of the Company's business. Should such third-party transportation become unavailable for prolonged periods of time, there may be a material adverse effect on the Company's business, financial situation, and operations.

RISK FACTORS *(continued)*

IT and Security Risk

The Company is reliant on information technology systems and may be subject to damaging cyber-attacks and may be subject to breaches of security, or in respect of electronic documents and data storage, and may face risks related to theft and breaches of applicable privacy laws. The Company has developed proper protocols, backups and a disaster recovery plan to limit the exposure to these risks and has purchased the relevant cyber insurance policies to reduce potential financial damages.

Commodity Price Risks

Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because the cannabis markets are part of a recent commercialized and regulated industry in Canada, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis products sold, and the Company has arranged its proposed business accordingly. However, there can be no assurance that price volatility will be favorable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of Licences granted by Health Canada, the volume and quality of cannabis and cannabis products that Licence Holders are able to generate. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Fluctuating Prices of Raw Materials

The Company revenues are expected to be in large part derived from the production, sale and distribution of cannabis products. The price of production, sale and distribution of cannabis and industrial hemp may fluctuate widely and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, agricultural risk, increased production due to new licenses being granted, outdoor cultivation, and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on cultivation, processing and production operations.

In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Unfavorable Publicity or Consumer Perception

The success of the cannabis industry may be significantly influenced by the public's perception of medical and recreational cannabis. Cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favorable. The cannabis industry is at an early stage that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis may have a material adverse effect on our operational results, consumer base and financial results.

RISK FACTORS *(continued)*

Significant Ownership Interest of Management, Directors and Employees

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares. As a group, these individuals could exercise substantial control or influence over matters requiring shareholder approval, such as election of directors, approval of transactions, determination of significant corporate actions and changes to share structure. In addition, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

Speculative Nature of Investment

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings and operating history and operates in a relatively new industry. The Company has not paid dividends and is unlikely to pay dividends in the near future until its business is established.

Global Economy Risk

The Company is subject to external liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise future equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, war, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of November 24, 2022:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	877,481,321 common shares
	45,635,998 stock options
	59,444,444 contingently issuable common shares upon conversion of convertible debentures

TSXV: LOVE.V OTCQB: LOVFF FRA: 8CB

MADE WITH LOVE