Quebec Grown
Premium Grade Cannabis

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended
August 31, 2021

December 7, 2021

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 December 7, 2021 and should be read in conjunction with the consolidated financial statements and related notes thereto of the Company for the years ended August 31, 2021 and 2020. 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 2021" and "fourth quarter of 2021" are to Cannara's fiscal quarter ended August 31, 2021. "Q4 2020" and "fourth quarter of 2020" are to Cannara's fiscal quarter ended August 31, 2020. All references in this MD&A to "YTD 2021" and "YTD 2020" are to Cannara's twelve-month periods ended August 31, 2021 and 2020, 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. 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.

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 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 relevant industry performance indicator. 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 gain on changes in fair value of biological assets, gain on sublease on initial recognition and loss 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 gain on changes in fair value of biological assets, gain on sublease in initial recognition and loss on disposal of property, plant an equipment eliminates the non-cash impact of these items. 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.

CANNARA BIOTECH INC.

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 craft-quality "AAAA" products at disruptive retail pricing, continuous rotation of rare genetics, community responsiveness and transparency to collectively add to its value proposition. Leveraging the provinces low electricity and labor rates, Cannara owns and operates two Quebec-based mega cultivation 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 facility, acquired in June 2021 from The Green Organic Dutchman Holdings Ltd. ("TGOD") through an all-cash offer of $27 million plus the funding of certain deposit requirements of approximately $5.7 million by a letter of credit, is a hybrid greenhouse facility that has been redesigned to replicate the indoor cultivation environment, including growing without utilizing the sun. The facility is comprised of 24 independent growing zones totaling 600,000 square feet, a 200,000 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. In the U.S. market, the Company, through ShopCBD.com Inc., operates an online e-commerce platform in the U.S. hemp-based CBD market by offering a curated selection of top tier products in a fast, secure and reliable transaction.

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

CANNARA FACILITIES

FACILITY	SIZE	CAPACITY	TYPE	ELECTRICITY	FACILITY HIGHLIGHTS
FARNHAM, QUEBEC	Licensed grow area: 170 000 sf Site: 625 000 sf Land: 1 430 000 sf	15 000 kg phase 1 capacity	Indoor	Power rate of approx. $0.065/kw	• Phase 1 completed in 2019 • State-of-the-art biomonitoring • 18 independent grow rooms • Automated irrigation, nutrient delivery, lighting, dehumidification, and heating systems • Automated packaging lines
VALLEYFIELD, QUEBEC *Acquired June 2021*	Licensed grow area: 600 000 sf Site: 1 030 000 sf Land: 3 130 000 sf	110 000 kg at full capacity *Cultivation activities started in November 2021, and will scale up alongside market penetration and profitability*	Hybrid Greenhouse	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 • Greenhouse converted to indoor facility to replicate Farnham Facility 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 handcrafted premium-grade cannabis, hang-dried, slow cured and hand-trimmed 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 flavor profiles, Tribal offers a continuous rotation of “AAAA” genetic strains at entry level pricing.	• Dried Flower • Pre-Rolls	Quebec Ontario Saskatchewan
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 • Hash	Quebec Ontario Saskatchewan
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	Quebec Ontario Saskatchewan

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 current genetics in the retail market include:

GENETIC	LAUNCH DATE	THC – CBD	TYPE	AROMAS & FLAVORS
GELATO MINT Pheno #5	Feb 2021	THC 24% CBD 1%	Indica	Gelato Mint is best known for its overwhelming fresh flavors and aromas. As its name suggests, Gelato Mint smells like a fresh mint dessert with pepper and earthy pine undertones.
CRITICAL MASS CBD Pheno #1	Feb 2021	THC 4% CBD 8%	Indica	Critical Mass CBD's aromas are sweet and floral offering a soothing and relaxing sensation, however its unique bubblegum-like taste.
EARLY LEMON BERRY Pheno #92	Mar 2021	THC 24% CBD 1%	Sativa	True to its name, Early Lemon Berry features overwhelming lemon flavors thanks to its higher percentage of limonene and myrcene terpenes. It smells like a mix of sweet lemons.
CUBAN LINX Pheno #1	June 2021	THC 25% CBD 1%	Hybrid - Sativa	Cuban Linx packs a rich lemony aroma accentuated by hints of gassy diesel and a touch of spice.
DO-SI-DOS Pheno #2	June 2021	THC 26% CBD 1%	Hybrid - Indica	Do-Si-Dos delivers floral flavors followed by earthy and woody notes. The diversity and richness of this strain's terpene profile will result in diverse fragrances and flavors.
CBD RUNTZ Pheno #7	June 2021	THC 10% CBD 18%	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 flavor. A rare combination for a 1:2 CBD flower.

COMPANY & MARKET INSIGHT

Cannara's market launch 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 "AAAA" quality cannabis and disruptive pricing have resulted in demand levels that have exceeded current capacity. Additionally, Cannara's attention to detail, transparency, unique packaging, and community responsiveness have collectively added to its value proposition, which in turn have had a compounded effect on customer demand and 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 six months, the Company has exemplified thought leadership in bringing disruption and innovation to the Canadian cannabis market. Notable examples include:

COMPANY & MARKET INSIGHT *(continued)*

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.
Innovation in labeling	Cannara demonstrated innovation through transparency across all product labels by providing consumers with harvest dates, terpene percentages, and strain phenotypes for each lot.
Innovation in formats	Cannara introduced the first largest pre-roll "bulk" format in the Quebec market containing 14 x 0.6g pre-rolls per pack.
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.
Continuous improvement	Cannara has taken early feedback from the community and has brought countless changes to its products and packaging methods within days of market feedback including the grind density of its pre-rolls, and the humidity levels of its product.

As a result, market response has opened new opportunities for the Company including the acquisition of TGOD's Valleyfield Facility, one of Quebec's largest cannabis cultivation and manufacturing facilities. This asset is expected to allow the Company to increase its supply of cannabis products in order to grow market share in existing markets and to expand to new markets.

The Quebec market is showing signs of accelerated growth. In fiscal 2021, the provincial distributor of Quebec reported over $537 million in revenues, up from $311.6 million in fiscal 2020 and $240 million in 2019. Their retail footprint has expanded from 28 stores in fiscal year 2020 to 80 current locations as of the date of this release. They plan to further increase their store count to 90 stores by the end of 2022. To date, the provincial distributor of Quebec has captured 53% 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.

The Ontario market is leading recreational cannabis sales nationally. In fiscal 2020, the Ontario Cannabis Store reported $840 million in total sales, and $307 million in Q1 2021. This achievement is primarily driven by the rapid growth of brick-and-mortar stores which reached 834 retail stores across the province as of June 2021. Increase product supply will enable the Company to increase product sales in Ontario.

In addition to further penetrating 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. Cannara has a significant cost advantage when compared to producers in other parts of the country as Quebec offers some of the lowest electricity and labor 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.

LOOKING AHEAD

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

FY 2022 Activities
1. Increased Cannabis Supply
2. New Product Offering: Hash
3. New Genetics Releases
4. Butane Extraction Lab & Launch of Vape Cart Product Line
5. Increasing market Penetration in Quebec, Ontario, Saskatchewan and Expanding into New Territories
6. Continued positive EBITDA

Increased Cannabis Supply
Cannara expects to activate at least 6 of its 25,000 square foot cultivation zones in its Valleyfield facility by August 2022 in order to increase supply of dried flower, pre-rolls, and hash products. To achieve this, 6 of the 24 independent zones will be modified to replicate indoor growing conditions to deliver on its commitment to deliver "AAAA" quality cannabis products. Remaining cultivation zones will be redesigned in lockstep with profitability and market penetration.

New Product Offering: Hash
Cannara launched a line of Hash products under its Nugz brand in early November 2021 to the Quebec market. Hash is expected to be a significant product revenue stream, in addition, it allows the Company to fully commercialize all parts of the cannabis plant other than its stems and fan leaves.

New Genetics Release
Cannara expects to deliver at least 2 new genetics to its brand portfolio by August 2022. To accomplish this, the Company continuously undergoes a rigorous pheno-hunting process which involves a hand selection process of selecting only a few winning plants out of hundreds of different cannabis plants. Genetic and pheno selection for market release will be based on cultivar-brand fit, potency of cannabinoids and terpenes, bud structure, yield, and anticipated market appeal.

Butane Extraction Lab & Launch of Vape Cart Product Line
Cannara expects to introduce a line of vape carts into market by August 2022. To accomplish this, the Company intends to construct a Butane extraction lab located in its Valleyfield site. Increased cannabis supply from the Valleyfield and Farnham facilities will be used for the production of this new hash product line.

Increasing market Penetration in Quebec, Ontario, Saskatchewan and Expanding into New Territories
Cannara's increase in cannabis supply with the Valleyfield Facility will allow the Company to expand its market share in Quebec, Ontario, Saskatchewan as well as to expand into new territories by August 2022. More specifically, the increase in available dried flower will permit the Company to shift from a just-in-time delivery model to a more optimal ready-for-sale supply chain model which will bring about multiple benefits to the delivery of finished goods. The Company expects to have a consistent product supply eliminating the current and frequent product shortages due to high demand for Cannara's products. Increased consistency of supply is expected to have a positive effect in market share in the markets the Company currently serves: Quebec, Ontario, and Saskatchewan. Additionally, increased product availability will allow the Company to expand its sales channels and product diversion into new markets.

Continued Positive Adjusted EBITDA
Cannara expects to continue 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 labor rates. Additionally, the development of a hash lab and butane hash oil ("BHO") extraction lab promises 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.

2021 AND SUBSEQUENT EVENT HIGHLIGHTS

OPERATIONAL

September 2020 – New tenant at Farnham Facility
In September 2020, the Company entered into a new lease agreement with a new tenant for its Farnham Facility, which coincided with the termination of a current lease agreement. The new tenant started to occupy the same space on November 1, 2020.

November 2020 – Wholesale agreement
On November 27, 2020, the Company entered into a one-year wholesale supply agreement with a licensed producer for which the Company agreed to sell 200 kg of cannabis per month commencing January 1, 2021. During the second half of 2021, the Company decided to terminate this agreement in order to be able to supply the Quebec market.

January 2021 – Cannara Biotech receives amended license and last available space at Farnham Facility rented
On January 8, 2021, the Company received approval from Health Canada to amend its license to permit the sale of dried cannabis products to provincially authorized distributors and retailers nationwide

At the beginning of January 2021, an existing tenant started to occupy the last remaining space for lease at the Farnham Facility. The lease agreement is for the period up to October 2022.

February 2021 – Launch of Tribal and Orchid brand
End of February 2021 marked the debut of the retail activities for Cannara, following the receipt of the amended sale license from Health Canada. Cannara introduces in Quebec retail stores two brands, Tribal – a high THC products brand, and Orchid – a CBD products brand.

March 2021 – Launch of Nugz brand and pre-roll products
Cannara introduced its third brand, Nugz, to the Quebec retail market with a value-size bag of 28 grams. Cannara also launched its pre-roll products, available in all three brands, Tribal, Nugz and Orchid, offering customers a ready-to-go THC or CBD product.

April 2021 – Listed on Toronto Stock Exchange Venture ("TSXV"), achieved 100,000 units sold, and signs one-time wholesale agreement for sale of cannabis inventory
Cannara announced its common shares will be listed on the TSXV on April 7, 2021 resulting in increased investor awareness, and exposure to a larger mix of industry analysts.

Before end of April, after less than two months on the retail market, the 100,000th unit of cannabis products was sold in of the Province of Quebec. Our strategy to offer a high-quality product at a competitive price has resonated with the Quebec consumers.

The Company entered into additional wholesale agreements to sell approximately 1,400 kg of cannabis it had in inventory from previous harvests for a total value of $1,265,000. The products were sold during the third quarter of 2021.

June 2021 – Acquisition of a mega facility in Valleyfield from TGOD
The Company acquired the Valleyfield Facility, a one million square foot licensed cultivation and manufacturing facility in Valleyfield, Quebec, from Medican Organic Inc., a wholly-owned subsidiary of TGOD through an all-cash offer of $27 million plus the funding of certain deposit requirements of approximately $5.7 million by a letter of credit. The guarantee of the deposit was made by a related party.

July 2021 – Introduction of new genetics available in Quebec
As part of its mission to provide a rotation of new genetics to the customers, the Company introduced three new strains in 3.5 gram dry flower and 2.5 gram pre-roll formats: Cuban Linx and Do-Si-Dos (Tribal brand) and CBD Runtz (Orchid CBD brand).

Starting August 2021 – Expansion of Cannara footprint to Ontario and Saskatchewan market
Cannara delivers its products to the Saskatchewan and Ontario province for the first time in August and October 2021, respectively.

2021 AND SUBSEQUENT EVENT HIGHLIGHTS (continued)

OPERATIONAL (CONTINUED)

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

In September 2021, Cannara 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 at its recently acquired Valleyfield Facility.

October 2021 – Cannara continues its expansion to Ontario market

During the month of October 2021, Cannara started to deliver a selection of products to the Ontario market and now has five SKUs listed at the Ontario Cannabis Store.

November 2021 – First 25,000 square foot zone with 9,600 plants propagated in Valleyfield and launch of hash products

In November 2021, the Company propagated its first grow zone with 9,600 plants which has been redesigned to replicate indoor growing conditions without utilizing the sun. The Company expected to propagate its next 25,000 square foot zone in January 2021.

Cannara 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.

CAPITAL TRANSACTIONS

Share issuance

During the first six month of 2021, the Company issued 117,506 common shares as a result of the settlement of a liability with a third party in the amount of $11,750.

On June 18, 2021, the Company closed a $19.3 million private placement with a related party for the purpose of acquiring the Valleyfield Facility, resulting in the issuance of 107,222,222 common shares at $0.18 per share.

On July 9, 2021, the Company closed a $5 million private placement with a third party, resulting in the issuance of 27,777,778 common shares at $0.18 per share.

Stock options exercised

During 2021, a total of 3,625,000 stock options were exercised at an exercise price of $0.10 for a total consideration of $362,500, resulting in the issuance of 3,625,000 new common shares of the Company.

Stock options granted

During 2021, the Company granted a total of 2,742,000 stock options to employees and a board member at an exercise price of $0.18, subject to certain vesting conditions.

In December 2021, the Company granted a total of 7,935,000 options to employees and board members at an exercise price of $0.18, subject to certain vesting conditions.

FINANCIAL TRANSACTIONS

March 2021 - Modification to mortgage and credit facilities terms

On March 2, 2021, the Company obtained a letter to extend the maturity date of the mortgage with a related party from March 6, 2022 to March 6, 2023 and further extended on May 25, 2021 from March 25, 2022 to March 25, 2023.

June 2021 – Completion of a non-brokered private placement of $19.3 million and $5.7 million convertible debenture

To finance the Valleyfield Facility acquisition, on June 22, 2021, the Company secured non-brokered private placements of (i) $19.3 million and (ii) $5.7 million in the form of an unsecured convertible debenture bearing interest at 4% per annum. The sole subscriber to the private placement and convertible debenture is a related party. Subject to certain conditions being met, the holder can convert the debenture at any time into common shares at a price of $0.18 per share.

2021 AND SUBSEQUENT EVENT HIGHLIGHTS (continued)

CAPITAL TRANSACTIONS (CONTINUED)

July 2021 – Completion of an additional non-brokered private placement of $5 million and exchange of the credit facilities
On July 9, 2021, as part of the previously announced non-brokered private placement to finance the Valleyfield acquisition, the Company secured an additional $5 million at an issue price per share of $0.18 with an existing shareholder, resulting in the issuance of 27,777,778 new common shares.

On July 12, 2021, the Company renegotiated the terms of its credit facilities totalling $5 million in exchange for an unsecured convertible debenture bearing interest at 4% per annum, with a term of 3 years. Subject to certain conditions being met, the holder can convert the debenture at a price of $0.18 per share.

November 2021 – Amended mortgage agreement on Farnham Facility
On November 22, 2021, the Company amended its existing credit agreement with CIBC, increasing its current installment loan from $5.4 million to $22 million, for which the proceeds will be used to repay the existing mortgages payable and for capital expenditures required to redesign and render the Valleyfield Facility operational. The term of the loan is 3 years, with included monthly installments plus accrued interests. The loan bears an interest rate calculate on prime rate plus 2%. The loan is secured by a first ranking mortgage against the Farnham Facility.

SELECTED FINANCIAL INFORMATION

Selected Financial Highlights	Three-month periods ended August 31, 2021	Three-month periods ended August 31, 2020	Years ended August 31, 2021	Years ended August 31, 2020
Gross revenue[1]	$ 6,270,006	$ 541,149	$ 16,290,045	$ 2,474,741
Other income	211,733	72,206	976,960	104,202
	6,481,739	613,355	17,267,005	2,578,943
Gross profit, before fair value adjustments	3,440,799	49,368	8,741,484	1,665,824
%	53%	8%	51%	65%
Gross profit	4,526,126	(433,060)	10,543,099	1,252,509
%	70%	-71%	61%	49%
Operating expenses	2,959,432	3,052,222	10,285,816	13,204,839
Net finance expense	434,851	423,898	1,785,426	1,142,025
Net income (loss)	$ 1,131,843	$ (3,909,180)	$ (1,528,143)	$ (13,094,355)
%	17%	-637%	-9%	-508%
Adjusted EBITDA[2]	$ 1,364,415	$ (1,426,734)	$ 1,503,621	$ (8,317,761)
%[2]	21%	-233%	9%	-323%
Basic earnings (loss) per share	$ 0.01	$ (0.01)	$ (0.01)	$ (0.02)
Diluted earnings (loss) per share	$ 0.01	$ (0.01)	$ (0.01)	$ (0.02)

	August 31, 2021	August 31, 2020
Cash	$ 8,159,305	$ 7,771,177
Accounts receivable	2,847,725	26,370
Biological assets	1,902,206	1,313,370
Inventory	5,508,258	928,351
Working capital	12,412,935	7,052,904
Total assets	92,022,613	54,850,428
Total current liabilities	6,833,798	3,476,952
Total non-current liabilities	27,906,801	16,485,567

[1] Gross revenue included revenue from sale of goods, net of excise taxes, and lease revenues.
[2] Adjusted EBITDA, Ajdusted EBITDA % and working capital are non-IFRS financial performance measures. A reconciliation these measures is presented elsewhere in this MD&A.
Adjusted EBITDA % is determined as Adjsuted EBITDA divsed by Sales.

For the fourth quarter of 2021, net income amounted to $1.1 million, compared to a net loss of $3.9 million in the same period of the prior year, an increase of $5 million or 128%. Overall results for the fourth quarter of 2021 are the result of the retail activities being in full operations, combined with wholesale revenues and recurring lease revenues from the Real estate operations.

For year ended August 31, 2021, net loss amounted to $1.5 million, compared to $13.1 million, a decrease of $11.6 million or 89%. Ramp up in operations following the grant of the cultivation and sale licenses marked the debut of the Company's main cannabis operations in the second half of 2021.

ADJUSTED EBITDA

Adjusted EBITDA		Three-month periods ended August 31, 2021		Three-month periods ended August 31, 2020		Years ended August 31, 2021		Years ended August 31, 2020
Net income (loss)	$	1,131,843	$	(3,909,180)	$	(1,528,143)	$	(13,094,355)
Adjustments:								
Changes in fair value of inventory sold		2,036,305		-		4,213,550		-
Unrealized gain on changes in fair value of biological assets		(3,121,632)		482,428		(6,015,165)		413,315
Amortization, including amortization in cost of good sold		807,266		1,053,956		2,662,816		2,421,112
Impairment		-		35,194		-		35,194
Loss on disposal of fixed asset		12,136		13,791		66,360		13,791
Gain on sublease		(24,442)		-		(24,442)		(25,894)
Share-based compensation, including share-based compensation in cost of good sold		88,088		473,179		343,219		777,051
Net finance expense		434,851		423,898		1,785,426		1,142,025
Adjusted EBITDA[1]	$	1,364,415	$	(1,426,734)	$	1,503,621	$	(8,317,761)

[1] Adjusted EBITDA is a non-IFRS financial performance measure. A reconciliation this measure is presented elsewhere in this MD&A.

For the fourth quarter of 2021, adjusted EBITDA amounted to $1.4 million, compared to $(1.4 million) in the same period of the prior year, an increase of $2.8 million or 200%. The increase is the result of the launch of the retail activities in Quebec at the start of the second half of 2021, combined with wholesale revenues generated during the fourth quarter of 2021.

For the year ended August 31, 2021, adjusted EBITDA amounted to $1.5 million compared to $(8.3 million) in the same period of the prior year, an improvement of $9.8 million or 118%. The end of February 2021 marked the debut of the Company on the retail market following the receipt of its sales licence in January 2021, while 2020 was focused on developing the Farnham Facility cultivation operation for commercialization.

SELECTED SEGMENT RESULTS OF OPERATIONS

The Company operates in two segments: (1) Indoor cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives exclusively for the Quebec and Canadian market (“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 periods ended August 31, 2021				Three-month periods ended August 31, 2020
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 5,246,953	$ 1,001,580	$ 21,473	$ 6,270,006	$ -	$ 477,540	$ 63,609	$ 541,149
Other income	211,733	-	-	211,733	72,206	-	-	72,206
	5,458,686	1,001,580	21,473	6,481,739	72,206	477,540	63,609	613,355
Gross profit, before fair value adjustments	2,504,055	930,546	6,198	3,440,799	(401,539)	441,368	9,539	49,368
%	46%	93%	29%	53%	-556%	92%	15%	8%
Gross profit	3,589,382	930,546	6,198	4,526,126	(883,967)	441,368	9,539	(433,060)
%	66%	93%	29%	70%	-1224%	92%	15%	-71%
Operating expenses	2,582,207	-	38,264	2,620,471	2,086,984	-	233,091	2,320,075
Segment operating income (loss)	1,007,175	930,546	(32,066)	1,905,655	(2,970,951)	441,368	(223,552)	(2,753,135)
%	18%	93%	-149%	29%	-4115%	92%	-351%	-449%
Net finance expense	-	-	434,851	434,851	-	-	423,898	423,898
Other	-	-	338,961	338,961	-	-	732,147	732,147

Selected Segment Financial Highlights				Year ended August 31, 2021				Year ended August 31, 2020
	Cannabis operations	Real estate operations	Other	Total	Cannabis operations	Real estate operations	Other	Total
Gross revenue[1]	$ 12,990,241	$ 3,120,882	$ 178,922	$ 16,290,045	$ -	$ 2,356,820	$ 117,921	$ 2,474,741
Other income	976,960	-	-	976,960	104,202	-	-	104,202
	13,967,201	3,120,882	178,922	17,267,005	104,202	2,356,820	117,921	2,578,943
Gross profit, before fair value adjustments	6,042,177	2,667,042	32,265	8,741,484	(369,543)	2,012,993	22,374	1,665,824
%	43%	85%	18%	51%	-355%	85%	19%	65%
Gross profit	7,843,792	2,667,042	32,265	10,543,099	(782,858)	2,012,993	22,374	1,252,509
%	56%	85%	18%	61%	-751%	85%	19%	49%
Operating expenses	8,464,756	-	422,707	8,887,463	9,076,183	-	1,751,375	10,827,558
Segment operating income (loss)	(620,964)	2,667,042	(390,442)	1,655,636	(9,859,041)	2,012,993	(1,729,001)	(9,575,049)
%	-4%	85%	-218%	10%	-9461%	85%	-1466%	-371%
Net finance expense	-	-	1,785,426	1,785,426	-	-	1,142,025	1,142,025
Other	-	-	1,398,353	1,398,353	-	-	2,377,281	2,377,281

[1] Gross revenue included revenue from sale of goods, net of excise taxes, and lease revenues.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations

For the three and twelve-month periods ended August 31, 2021, the segment generated $5.3 million and $13 million in cannabis-related revenues, net of excise taxes, compared to nil for the same periods of the prior year.

Revenues, net of excise taxes, from the retail market represented $4.4 million and $7.8 million for the three and twelve-month periods ended August 31, 2021, compared to nil for the same periods of the prior year. The increase is primarily attributable to:

- Commencing at the end of February 2021, Cannara commercialized its operation to the retail market in Quebec, including the launch of 3 flagships brands:
    - Tribal – a high-THC content product in a 3.5 gram can and pre-roll format
    - Orchid – a CBD brand product in a 3.5 gram can and pre-roll format
    - Nugz – high-value size product in a 28 gram bag and pre-roll format
- Expansion to Saskatchewan and Ontario market during fourth quarter of 2021;
- Fast sell-out of the Company's products due to high demand; most skus are sold out in few days following weekly deliveries in all markets, and
- Approximately 1,288 kg of cannabis or 298,000 units sold across 3 flagship brands during the fourth quarter of 2021 and approximately 2,400 kg of cannabis or 520,000 units sold since the launch of the retail activities at the end of February 2021.

Revenues from the wholesale market represented $0.7 million and $5 million for the three and twelve-month periods ended August 31, 2021, compared to nil for the same periods of the prior year. The increase is primarily attributable to:

- Ad-hoc sales with other licensed producers during the fourth quarter of 2021;
- Long-term wholesale supply agreement signed with a licensed producer in January 2021 and terminated in July to increase available supply to the retail market;
- One time wholesale agreements signed with licensed producers for the sale of approximately 1,400kg of dry flower the Company had in inventory that was not destined for the retail market; and
- Approximately 408 kg of cannabis sold during the fourth quarter of 2021 and approximately 2,830 kg of cannabis sold during the year 2021.

The Company generated ancillary cannabis revenues of $0.1 million and $0.7 million for the three and twelve-month periods ended August 31, 2021 from the sale of cannabis lots that were grown during a period where the Company was only performing research and development activities on its cultivation process. The Company continues to test new genetics, including pheno-hunting to select the best phenotype of a genetic, and related cultivation methodologies and techniques that are expected to generate increased yield and quality. These costs are presented as research and development.

For the three and twelve-month periods ended August 31, 2021, the Company recognized $84,000 and $247,000 as other income for government incentives and various tax credits granted compared to nil for same periods of the prior year. The Company has been awarded various grants in the prior year and in 2021. The amount has been recognized as deferred income and will be recognized as other income based on the useful life of the related assets or recognized directly to income based on type of grant received.

For the three and twelve-month periods ended August 31, 2021, the Company incurred $3 million and $7.9 million in costs of goods sold, compared to nil for the same periods of the prior year. The segment generated a gross profit before fair value adjustments of $2.5 million or 46% and $6 million or 43% for the three and twelve-month periods compared to nil 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 good sold. The change in fair value of inventory sold recognized during the three and twelve-month periods ended August 31, 2021 amounted to $2 million and $4.2 million compared to nil for the same periods of the prior year.

The Company has recognized an unrealized gain on changes in fair value of biological assets of $3.1 million and $6 million for the three and twelve-month periods ended August 31, 2021 related to lots currently in the cultivation cycle that have not yet been harvested compared to nil for the same periods of the prior year.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Cannabis operations (continued)

The segment generated $3.6 million and $7.8 million in gross profit for the three and twelve-month periods ended August 31, 2021, compared to a loss of $0.9 million and $0.8 million in the same periods of the prior year, representing a favorable increase of $4.5 million and $8.6 million. The increase results primarily from gross profit from its retail and wholesale cannabis sales and unrealized gains in the fair value of biological assets as previously explained

For the three and twelve-month periods ended August 31, 2021, the segment incurred $2.6 million and $8.5 million in operating expenses compared to $2.1 million and $9.1 million in the same periods of the prior year resulting in an increase of $0.5 million or 19% and a decrease of $0.6 million or -7%, respectively.

For the fourth quarter of 2021, the increase in operating expenses is mainly attributable to:

- An increase of $0.6 million in general and administrative expenses, which is mainly attributable to the acquisition costs and start-up cost incurred for the Valleyfield Facility;
- An increase of $0.2 million in selling and marketing, which is mainly due to the increase in selling costs related to the launch of the retail in 2021; offset by
- A decrease of $0.4 million in research and development due to the reduction of testing performed on different genetics. In prior year, the Company performed more testing in anticipation of the launch of the first brands to the retail market while in 2021, it is a continuous investment in research and development to support the future launch of new genetics that the Company is currently testing.

For the year of 2021, the decrease in operating expenses is mainly attributable to:

- A decrease of $0.7 million in research and development for the same reason as previously explained;
- A decrease of $0.4 million in general and administrative expenses. Except for the costs incurred for the start-up of the new Valleyfield Facility acquired in June 2021, compared to 2020, there has been cost reduction in administrative expense in order to keep a lean cost structure; offset by
- An increase of $0.6 in selling and marketing, which is mainly due to the increase in selling costs related to the launch of the retail in 2021.

Overall, the segment generated operating income of $1.0 million and an operating loss of $0.6 million for the three and twelve-month periods ended August 31, 2021, compared to an operating loss of $3.0 million and $9.9 million in the same periods of the prior year, representing a favorable increase of $4.0 million and $9.3 million.

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. The Company leased 425,480 square feet of the total 625,000 available square feet currently to two tenants. The Company also leased out 80,000 square feet of its Valleyfield Facility to a third-party tenant.

For the three and twelve-month periods ended August 31, 2021, the Company generated lease revenues of $1 million and $3.1 million compared to $0.5 million and $2.4 million in the same periods of the prior year. This represents a favorable increase of $0.5 million or 50% and $0.7 million or 29% due the additional space lease out and a higher rate per square foot charge compared to same periods of the prior year. To realize these lease revenues during the three and twelve-month periods ended August 31, 2021, the Company incurred $71,000 and $0.5 million in lease operating costs compared to $36,000 and $0.3 million in the same periods of the prior year. The increase in lease operating expenses for the year of 2021 is attributable to expenses incurred in the first quarter of 2021 to accommodate a new tenant at the Farnham Facility. The lease operating expenses for the three-month period are similar to the same period of the prior year. For the three and twelve-month periods ended August 31, 2021, the segment generated operating income of $0.9 million or 93% and $2.7 million or 85% compared to $0.4 million or 92% and $2 million or 85% for the same periods of the prior year.

SELECTED SEGMENT RESULTS OF OPERATIONS *(continued)*

Other

For the three and twelve-month periods ended August 31, 2021, the Company generated hemp-based CBD product revenues of $21,000 and $179,000 compared to $64,000 and $118,000 in the same periods of the prior year and incurred $15,000 and $147,000 in costs of goods sold compared to $54,000 and $96,000 in the same periods of the prior year, resulting in a gross profit of $6,000 or 29% and $32,000 or 18% compared to $10,000 or 15% and $22,000 or 19% for the same periods of the prior year.

For the three and twelve-month periods ended August 31, 2021, the segment incurred $38,000 and $423,000 in operating expenses compared to $233,000 and $1.8 million in the same periods of the prior year resulting in a decrease in operating expenses of $195,000 and $1.4 million. Since there has been no evolution in the regulation and operational uncertainties within the hemp-derived CBD industry in the U.S. in the last year, the Company has reassigned the marketing employees of ShopCBD.com to the cannabis operations to develop the brand portfolio and to support the launch of the products in the retail market, significantly reducing the expenses incurred regarding the operations of ShopCBD.com, which resulted in a decrease of the operating costs for this segment.

The segment generated an operating loss of $32,000 and $390,000 for the three and twelve-month periods ended August 31, 2021 compared to an operating loss of $224,000 and $1.7 million for the same periods of the prior year.

For the three and twelve-month periods ended August 31, 2021, the segment incurred $0.8 million and $3.2 million in net finance and other expenses compared to $1.2 million and $3.5 million in the same period of the prior year, resulting in a decrease of $0.4 million and $0.3 million.

For the three-month period ended August 31, 2021, the decrease is mainly attributable to the following items:

- A decrease of $0.4 million in share-based compensation as the result of the impact of various forfeited options during 2021 in addition to a portion of share-based compensation now being encapsulated in the calculation of the biological assets and cannabis inventory.

For the twelve-month period ended August 31, 2021, the similar results are mainly attributable to:

- A decrease of $0.6 million in amortization and $0.3 million in share-based compensation. The Company began its cannabis operations at the end of the second quarter of 2020 and, as a result, most of the depreciation related to the property, plant and equipment as well as a portion of the share-based compensation expense are now encapsulated in the calculation of the biological assets and cannabis inventory. The decrease in share-based compensation is also due to the impact of forfeited options; offset by
- An increase of $0.6 million in net finance expense due to additional interest charged on the new credit facilities received during 2021. In addition, the lower interest rate offered by the bank on cash balances held with a Canadian financial institution resulted in a decrease on interest income earned during 2021.

PRIOR QUARTER FINANCIAL POSITION AND RESULTS

The following table sets forth, for the quarter indicated, 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, 2021	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019
Current assets	$ 19,246,733	$ 13,863,004	$ 10,524,748	$ 7,229,559	$ 10,529,856	$ 13,358,400	$ 15,743,534	$ 18,907,512
Non-current assets	72,775,880	44,062,718	43,679,577	44,335,430	44,320,572	44,509,845	43,476,215	42,968,691
Total assets	92,022,613	57,925,722	54,204,325	51,564,989	54,850,428	57,868,245	59,219,749	61,876,203
Current liabilities	6,833,798	4,697,602	3,101,290	2,761,325	3,476,952	9,747,671	8,310,185	7,548,974
Non-current liabilities	21,073,003	16,732,890	16,868,088	13,774,253	13,008,615	6,519,482	7,075,879	7,090,591
Total liabilities	27,906,801	21,430,492	19,969,378	16,535,578	16,485,567	16,267,153	15,386,064	14,639,565
Net assets	$ 64,115,812	$ 36,495,230	$ 34,234,947	$ 35,029,411	$ 38,364,861	$ 41,601,092	$ 43,833,685	$ 47,236,638

	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019
Total revenues	$ 6,481,739	$ 7,159,331	$ 2,257,754	$ 1,368,181	$ 613,355	$ 763,906	$ 668,433	$ 533,249
Gross profit	4,526,126	4,419,124	2,095,208	(497,360)	(433,060)	715,741	470,134	499,694
Net income (loss) attributable to Shareholders of the Company	1,131,843	1,697,802	(862,756)	(3,495,032)	(3,859,502)	(2,374,841)	(3,529,035)	(2,719,232)
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]	1,364,415	2,562,835	(716,750)	(1,706,881)	(1,426,734)	(2,215,049)	(2,718,689)	(1,957,289)

[1] Adjusted EBITDA is a non-IFRS financial performance measures. A reconciliation of this amount for the applicable period is presented in the table that follows:

	Three-month periods ended							
Adjusted EBITDA	August 31, 2021	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019
Net income (loss)	$ 1,131,843	$ 1,697,802	$ (862,756)	$ (3,495,033)	$ (3,909,180)	$ (2,507,103)	$ (3,737,072)	$ (2,941,000)
Adjustments:								
Changes in fair value of inventory sold	2,036,305	1,526,050	447,885	203,310	-	-	-	-
Unrealized (gain) loss on changes in fair value of biological assets	(3,121,632)	(2,438,896)	(1,244,832)	790,195	482,428	(69,113)	-	-
Amortization, including amortization in cost of good sold	807,266	1,117,260	385,393	352,897	1,053,956	113,654	725,074	528,428
Impairment	-	-	-	-	35,194	-	-	-
Loss on disposal of fixed asset	12,136	-	54,224	-	13,791	-	-	-
Gain on sublease	(24,442)	-	-	-	-	(25,894)	-	-
Share-based compensation, including share-based compensation in cost of good sold	88,088	99,106	51,385	104,639	473,179	25,064	46,453	232,355
Net finance expense	434,851	561,513	451,951	337,111	423,898	248,343	246,856	222,928
Adjusted EBITDA	$ 1,364,415	$ 2,562,835	$ (716,750)	$ (1,706,881)	$ (1,426,734)	$ (2,215,049)	$ (2,718,689)	$ (1,957,289)

CASH FLOW ANALYSIS

	Three-month periods ended		Years ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Cash from (used) in operating activities	$ 1,394,724	$ (2,463,405)	$ (2,092,907)	$ (9,324,650)
Cash from (used) in financing activities	30,332,180	(220,439)	33,252,002	(914,816)
Cash used in investing activities	(29,031,567)	(771,432)	(30,829,420)	(8,550,849)

Operating activities

For the three and twelve-month periods ended August 31, 2021, cash from (used in) operating activities was $1.4 million and $(2.1 million). With cannabis operations in full operations and related sales generated from the retail and wholesale market, the Company generated positive cash flows from operating activities in each quarter of the second half of 2021. The cash used in operating activities during the year was primarily attributable to expenses incurred for the first six months of 2021 as the Company needed to support expenses related to a purpose-built cannabis facility that was not yet commercialized.

CASH FLOW ANALYSIS *(continued)*

Financing activities

For the three-month period ended August 31, 2021, cash from financing activities was $30.3 million which was mainly attributable to the closing of a private placement of $24.3 million, the convertible debentures of $5.7 million and a withdrawal of $1 million on the credit facilities, offset by the principal repayment on the mortgage of $75,000 plus interest paid of $0.4 million, and $80,000 of lease-related payments.

For the twelve-month period ended August 31, 2021, cash from financing activities was $33.3 million which was mainly attributable to the financing transactions that occurred during the three-month period ended August 31, 2021 in addition to the cash received from the exercise of stock options for a total of $0.4 million, offset by the principal repayment on the mortgage of $0.3 million plus interest paid of $1.3 million, and $0.3 million of lease-related payments.

Investing activities

For the three and twelve-month periods ended August 31, 2021, cash used in investing activities was $29 million and $30.8 million which was mainly attributable to the acquisition of the Valleyfield Facility and additional construction expansion at both Facilities, offset by the cash received from the sale of property, plant and equipment of $48,000 and $217,000, respectively. Interest received relating to interest earned on cash balances held at a Canadian financial institution amounted to $9,000 million and $27,000 for the three and twelve-month period. 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, subsequent to year-end, the Company secured additional debt financing of $22 million as an amendment to its existing mortgage with Canadian Imperial Bank of Commerce ("CIBC"), of which a net $16.6 million will be disbursed to the Company after settlement of its existing $5.4 million mortgage with CIBC. In addition, $6.55 million will be used to completely reimburse the 13% interest-bearing mortgage payable on the Farnham Facility with a related party. The net proceeds will provide the Company the necessary cash to finalize the redesign of the Valleyfield Facility and to launch the operations at its new site. Recurrent lease revenues are generated which continue to support the Company's cash flow. The operations were financed primarily through cash generated from the sales of cannabis products, funds raised in equity financings secured in previous quarters, debt raised against immoveable assets, cash received from government grants. 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 $12.4 million as at August 31, 2021 (August 31, 2020 - $7.1 million). The Company has been able to increase its working capital ratio compared to prior year due to the liquidities generated through the sale of its cannabis products.

As at August 31, 2021, the Company's working capital was composed of:

- cash on hand of $8.2 million (August 31, 2020 - $7.8 million); and
- lease receivable, accounts receivable, sales tax receivable, biological assets, inventory and prepaid expenses and other assets of $11.1 million (August 31, 2020 - $2.8 million); less
- accounts payable and accrued liabilities, deferred lease revenue and deferred grant income of $6.3 million (August 31, 2020 - $3 million); and
- current portion of long-term debt, lease liabilities and mortgages payable of $0.5 million (August 31, 2020 - $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.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Liquidity and capital resource measures

The Company expects that its existing cash resources of $8.2 million as at August 31, 2021, along with the forecasted cashflows and financing that occurred subsequent to year-end, will enable it to fund its planned operating expenses for at least the next twelve months from August 31, 2021.

Financing

Type of loan	Interest Rate	Maturity	Balance as at August 31, 2021	Balance as at August 31, 2020
Secured mortgage loan (2)	13%	March 6, 2023	$ 6,550,000	$ 6,550,000
Secured mortgage loan (1) (2)	3.91%	October 9, 2039 (2)	5,450,000	5,750,000
Convertible debenture A	4%	June 21, 2024	5,700,000	-
Convertible debenture B	4%	July 12, 2024	5,000,000	-

(1) The mortgage has a repayment term of 20 years. In the event of default of the covenant, related to the real estate operations, the secured mortgage loan can be repayable on demand. The financial covenant requires the Company to maintain a debt service ratio of not less than 1.25 to 1.0 each year-end related to its Real estate operations. The Company was in compliance with the ratio at the last measurement date.

(2) Subsequent to year-end, the secured mortgage loans were reimbursed as part of the renegotiation of its mortgage agreement.

Other contractual obligations

	Carrying amount	Less than one year	One to five years	Thereafter	Total contractual amount
Accounts payable and accrued liabilities	$ 6,263,201	$ 6,263,201	$ -	$ -	$ 6,263,201
Long-term debt (2)	5,959	3,546	2,659	-	6,205
Lease liabilities (2)	442,496	288,306	233,589	-	521,895
Mortgages payable (1)	12,162,451	300,000	8,050,000	3,650,000	12,000,000
Convertible debentures (2)	8,466,008	-	10,700,000	-	10,700,000

(1) The contractual obligations relating to the first secured mortgage loan has been presented based on the contractual repayment term of equal installments over 20 years and at term for the second secured mortgage loan.

(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 items of 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.

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.

Mortgage payable on the Farnham Facility

During the year ended August 31, 2021, the Company recognized $0.9 million as interest expense (2020 - $0.9 million) on the mortgage. As at August 31, 2021, accrued interest of $72,000 was included in accounts payable and accrued liabilities (2020 - $145,000) and total mortgage payable amounted to $6.55 million. On March 2, 2021, the Company obtained a letter to extend the maturity date of the mortgage from March 6, 2022 to March 6, 2023. Subsequent to year end, following the upsize in mortgage financing by CIBC, the Company paid $6.55 million to repay completely the principal amount of the mortgage owed to the related party.

Credit Facilities, Private placement and Convertible debentures

In July 2020, the Company signed a term sheet with a related-party lender providing it access to an initial credit facility of $1 million to be used for working capital purposes bearing interest at 13%. The Company was also granted an additional credit facility of $4 million to be disbursed in four monthly tranches subject to meeting certain sales conditions. During the year ended August 31, 2021, the Company has withdrawn $5 million on its credit facilities.

In June 2021, the Company closed a $5.7 million unsecured convertible debenture and a $19.3 million private placement, resulting in the issuance of 107,222,222 common shares, and with a related party for the purpose of acquiring the Valleyfield Facility. The convertible debenture bear interest at 4% per annum, with a term of 3 years. Subject to certain conditions being met, the holder can convert the debenture into shares at a price of $0.18 per share. Along with the Valleyfield Facility acquisition, another related party funded certain deposit required by a provincial service provider of approximately $5.7 million by a letter of credit.

In July 2021, the Company renegotiated the terms of its credit facilities with a related party to exchange them for a $5 million unsecured convertible debenture bearing interest at 4% per annum, with a term of 3 years. Subject to certain conditions being met, the holder can convert the debenture into shares at a price of $0.18 per share.

Others

For the year ended August 31, 2021, the Company incurred other various expenses and acquired certain property, plant and equipment from a related party for a total of $302,000 for its facilities (2020 – $40,000). These related parties 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 year ended August 31, 2021, salaries and benefits incurred for key management personnel amounted to $0.3 million (2020 - $0.6 million); share-based compensation attributable to key management and directors was $0.1 million (2020 - $0.2 million) and director fees were $64,000 (2020 - $77,000). As at August 31, 2021, the Company owed $28,000 (August 31, 2020 - $30,000) to key management personnel for accrued salaries and vacation expenses and $15,000 to directors (August 31, 2020 – $13,000).

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 instrument 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 expose 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, 2021, none of the receivables were past due. The allowance for expected credit loss was nil as at August 31, 2021 (August 31, 2020 - nil). 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, 2021, the Company had current assets of $19.2 million and current liabilities of $6.8 million, for a working capital balance of $12.4 million. The Company expects that its existing cash as at August 31, 2021, along with the forecasted cashflows and financing that occurred subsequent to year-end, will enable it to fund its planned operating expenses for at least the next 12 months.

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 does not use derivative financial instruments to reduce its interest rate exposure as management does not believe the Company's exposure is significant.

Concentration risk

The Company has a significant concentration of its revenues generated from a few 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.

CRITICAL ACCOUNTING ESTIMATES *(continued)*

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, 2021.

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.

Allocation of purchase price to the relative fair value
Determination of relative fair value of assets acquired requires the use of estimated made by management. As the fair value determined becomes the basis to allocate the purchase price against all assets acquired, this is a significant estimate for the valuation of certain property, plant and equipment.

Determination of fair value of convertible debentures

Convertible debentures are financial instruments which are accounted for based on the nature of their components: a financial liability and an equity instrument. The identification of such components requires judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The determination of the fair value is an area of judgment given the various inputs, assumptions and estimates including effective interest rate.

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, 2021.

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, state 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 and the U.S. Food and Drug Administration ("FDA") 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 for its Canadian operations and the Federal Trade Commission ("FTC") under the Federal Trade Commission Act for its U.S. operations. 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, FDA or FTC 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)*

Changes to State Laws, Regulations and Guidelines Pertaining to Industrial Hemp in the U.S.

As of the date hereof, approximately 48 states have authorized industrial hemp programs pursuant to the Farm Bill. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured.

While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where the Company has business interests.

The Company is subject to regulation by the federal government and other state and local agencies as a result of its CBD products derived from industrial hemp. The shifting compliance environment and the need to build and maintain robust systems to comply with different compliance in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations, any of which could adversely affect the ability to operate the Company's business and its financial results.

Uncertainty Caused by Potential Changes to Laws, Regulations and Guidelines in the U.S.

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the cannabis plant and the scope of operation of Farm Bill, compliant hemp programs relative to the Controlled Substances Act, the Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the Drug Enforcement Administration and/or the FDA and the extent to which manufacturers of products containing imported raw materials and/or Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, such may have an adverse effect on the Company's business, financial condition and results of operations.

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada, the FDA and US Federal and State authorities. 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 once operations begin. 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.

RISK FACTORS *(continued)*

Liquidity and Future Financing

As at August 31, 2021, the Company is in the first year of its commercial launch to retail and is still ramping up its operations and production, with the newly acquired Valleyfield Facility. 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 produce cannabis, or establish a large market share for its products, achieve its growth objectives, and/or ultimately become profitable. There can be no assurance that consumer demand for the products will be as anticipated, or that the Company will become profitable.

The Company, if its strategy is successful, expects that fiscal 2022 will be its first profitable year following its two profitable quarters in the second half of 2021 however, the Company still needs to execute on its Valleyfield Facility in order to achieve its objectives and therefore 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.

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, 2021, 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 trademarks. There is no guarantee that said patent applications will be granted. Even if the Company is successful in securing patents to protect its technology with trademarks, 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.

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. As the Company's U.S. operations is strictly operated online, material adverse effects on the segment's operating results could occur if it is subject to a cyber-attack. The Company has developed proper protocols, backups and a disaster recovery plan to limit the segment's exposure to these risks and has purchased the relevant cyber insurance policies to reduce potential financial damages.

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. 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 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. 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.

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 newly 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.

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)*

Fluctuating Prices of Raw Materials

The Company revenues are expected to be in large part derived from the production, sale and distribution of cannabis and the sale of hemp-based CBD 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.

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, has not paid dividends, and is unlikely to pay dividends in the near future until its business is established and operates in a relatively new industry.

RISK FACTORS *(continued)*

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, 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.

COVID-19

The effects of COVID-19 have had limited impact on the business; however, the situation is dynamic, and the ultimate duration and magnitude of the impact on the economy and on the Company's business are not known at this time.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of December 7, 2021:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	876,481,321 common shares
	44,199,333 stock options
	59,444,444 contingently issuable common shares upon conversion of convertible debentures

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