



**BZAM Ltd., formerly The Green Organic Dutchman Holdings Ltd.**

**Management's Discussion and Analysis**

**For the three months ended March 31, 2023 and March 31, 2022**



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") reports on the interim consolidated financial condition and operating results of BZAM Ltd. (formerly, The Green Organic Dutchman Holdings Ltd.) (the "Company", "BZAM", "we" or "us") for the three months ended March 31, 2023, and 2022. The MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements for the three months ended March 31, 2023, and March 31, 2022 (the "Interim Condensed Consolidated Financial Statements") which were prepared in accordance with International Accounting Standards ("IAS") 34, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A provides information on the operating activities, performance and financial position of the Company and is intended to assist in understanding the Company's business and key factors underlying its financial results. All references to the Company's common shares (the "Common Shares") referenced herein have been updated to reflect the Consolidation (as defined herein) that occurred on November 8, 2022.

Additional information relating to the Company, including the Company's most recent annual information form for the year ended December 31, 2021 (the "Annual Information Form"), can be found on the Company's website at [www.bzam.com](http://www.bzam.com) or at the Company's System for Electronic Document Analysis and Retrieval ("SEDAR") profile at [www.sedar.com](http://www.sedar.com).

This MD&A includes, or may include, trademarks and trade names that are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, our trademarks and trade names referred to in this MD&A may appear without the TM symbol or other applicable symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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 laws. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "should", "could", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Some examples of forward-looking statements include but are not limited to the expected costs, production capacity, receipt of licences, etc.

#### *Assumptions*

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including but not limited to:

- (i) the Company's ability to continue as a going concern and successfully execute its plans and intentions, including but not limited to the generation of revenues, positive operating cash flows from the sale of its products;
- (ii) the continued compliance of current financing arrangements and availability of additional financing at reasonable terms;
- (iii) with respect to all statements relating to the Company's intention to expand offerings in major and smaller markets, the Company's ability to expand into international markets and further across domestic markets, the markets for cannabis in those areas continuing on a relatively stable trajectory, the Company's products selling at the current pace, and there being no material slowdown in production or transportation of its products that would negatively impact the Company's ability to get products to market;
- (iv) with respect to all statements relating to the Company being able to complete sales of any assets being held for sale, negotiations with potential buyers continuing to progress on terms that are commercially reasonable to the Company, the market for cannabis products in Canada remaining relatively stable, and there being no regulatory issues at any of the facilities discussed herein; and continuing to obtain necessary regulatory approvals or renewals, including renewal of the Company's licenses granted by Health Canada;
- (v) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets;
- (vi) the Company's competitive position and the regulation of the markets in which the Company operates;
- (vii) the Company's ability to attract and retain skilled staff;
- (viii) the medical benefits, safety, efficacy, dosing, and social acceptance of cannabis;

- (ix) the future growth of the cannabis industry;
- (x) the Company's ability to meet the evolving standards regarding the sustainable and effective sourcing of the necessary materials to cultivate and produce its products and dispose of waste accordingly;
- (xi) market competition, including the products and technology offered by the Company's competitors; and
- (xii) maintenance of our strong ongoing relationships with our suppliers, distributors, service providers and other third parties.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. The Company's forward-looking statements are based on the reasonable beliefs, expectations, and opinions of management as of May 30, 2023, the date of this MD&A.

#### *Use of Non-IFRS Financial Measures*

This MD&A contains certain financial and operational performance measures that are not recognized or defined under IFRS (the "Non-IFRS Measures"). As there are no standardized methods of calculating these Non-IFRS Measures, the Company's approaches may differ from those used by others, and this data may not be comparable to similar data presented by other licensed producers of cannabis and cannabis companies. As such, users are cautioned that these measures should not be construed as alternatives to measures determined in accordance with IFRS, including net income (loss) and gross profit, as measures of profitability or as alternatives to the Company's IFRS-based Interim Consolidated Financial Statements. For an explanation of these measures to the most directly comparable financial information presented in the Interim Consolidated Financial Statements prepared in accordance with IFRS, refer to the discussion below.

The Company believes that these Non-IFRS Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operating performance of the Company. These Non-IFRS Measures include, but are not limited, to the following:

- "Average Net Selling Price Per Gram" is calculated by taking net revenue, which is then divided by total grams sold in the period. Management believes the Average Net Selling Price Per Gram measures provide more specific information about the pricing trends over time by product type.
- "Yield Per Plant", presented in grams, is calculated by taking the total amount of grams of dried flower harvested, excluding trim, and dividing it by the total number of plants harvested. Management believes that the Yield Per Plant provides a useful measure about the efficiencies gained through its operating activities.
- Gross margin before fair value adjustments is calculated by subtracting cost of sales, before the effects of (i) unrealized gain (loss) on changes in fair value of biological assets; (ii) realized fair value on inventories sold; and (iii) provisions and impairment of inventories and biological assets. Gross margin before fair value adjustments percentage is calculated by dividing gross margin before fair value adjustments (defined above) by net revenue. Management believes that these measures provide useful information to assess the profitability of our cannabis operations as it excludes the effects of non-cash fair value adjustments on inventory and biological assets, which are required by IFRS.
- "Adjusted Gross Margin" is calculated by subtracting cost of sales, before the effects of: (i) unrealized gain (loss) on changes in fair value of biological assets; (ii) Realized fair value adjustments on sale of inventories; (iii) provisions and impairment of inventories and biological assets; (iv) provisions to net realizable value; (v) COVID-19 related charges; and (vi) unabsorbed overhead relating to underutilization of the production facility grow rooms and manufacturing equipment, most of which is related to non-cash depreciation expense, from net revenue. Adjusted Gross Margin percentage is calculated by dividing Adjusted Gross Margin by net revenue. Adjusted Gross Margin is reconciled to IFRS in the "Financial Review and Discussion of Operations" section of this MD&A. Management believes that these measures provide useful information to assess the profitability of our operations as they represent the normalized gross margin generated from operations and exclude the effects of non-cash fair value adjustments on inventories and biological assets, which are required by IFRS. The most directly comparable measure to Adjusted Gross Margin calculated in accordance with IFRS is "Gross Margin Before Fair Value".
- "Adjusted Gross Profit" refers to gross profit excluding the adjustments for accelerated depreciation, write down of non-current deposits and write down of inventory. Adjusted Gross Profit is a useful measure as it represents gross profit for management purposes based on costs to manufacture, package and ship inventory sold, exclusive of any impairments due to changes in internal or external influences.
- "Adjusted EBITDA" has been identified by the Company as a relevant industry performance indicator. Adjusted EBITDA is a Non-IFRS financial Measure used by management that does not have any standardized meaning prescribed

by IFRS and may not be comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as loss for the period, as reported, excluding foreign exchange gains and losses, finance costs, accretion expenses, finance income, revaluation loss (gain) of contingent consideration, loss (gain) on disposal of assets, impairment (reversal of impairment) charge for non-financial assets, loss on derecognition of investment in joint venture, expenditures incurred in connection with research and development activities, debt modification, impairment loss on remeasurement of disposal group, gain on disposal of subsidiary, realized fair value adjustment on sale of inventories, unrealized gain on changes in fair value of biological assets, provisions and impairment of inventories and biological assets, share based compensation, depreciation, amortization, legal provisions, ERP implementation costs, restructuring costs and transaction costs. Management believes Adjusted EBITDA provides useful information as it is a commonly used measure in capital markets to approximate operating earnings. The Company provides the Non-IFRS Measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with IFRS. The Non-IFRS Measure is also presented because management believes such measures provide information which is useful to shareholders and investors in understanding its performance and which may assist in the evaluation of the Company's business relative to that of its peers. Management believes the Non-IFRS Measure is a useful financial metric to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above. However, such Non-IFRS Measure should not be considered superior to, as a substitute for or as an alternative to, and should only be considered in conjunction with, the most comparable Non-IFRS Measure.

A reconciliation of these non-IFRS financial measures is presented in the "Selected Operational Information" section below.

Non-IFRS Measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to the Company's management. 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.

## BUSINESS OVERVIEW

The Company was incorporated under the Canada Business Corporations Act on November 16, 2016. The Company's registered office is located at 5520 Explorer Drive, Suite 402, Mississauga, ON, L4W 5L1. The Company's head office is located at 200 Burrard Street, Suite 1570, Vancouver, BC, V6C 3L6. The Common Shares trade on the Canadian Securities Exchange ("CSE") under the symbol "BZAM" and on the OTCQX under the symbol "BZAMF". The Company also has three classes of warrants listed on the CSE under the symbols "BZAM.WR", "BZAM.WA" and "BZAM.WB".

The Company's wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. ("TGOD"), Galaxie Brands Corporation ("Galaxie"), BZAM Management Inc., and its partially owned subsidiaries, Folium Life Science Inc. and BZAM Cannabis Corp., are all licensed producers under the Cannabis Act (Canada) (the "Cannabis Act") and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation and processing facilities near Hamilton, Ontario (the "Hamilton Facility"), in Edmonton, Alberta (the "Edmonton Facility"), in Midway, British Columbia (the "Midway Facility") and in Maple Ridge, British Columbia (the "Maple Ridge Facility").

The Company also has leases for and operating licences with facilities holding cultivation and processing licences in Puslinch, Ontario (the "Puslinch Facility"), Vaudreuil, Québec (the "Quebec Facility"), Airport Way, British Columbia, Saanichton, British Columbia (the "Saanichton Facility") and Pitt Meadows, British Columbia (the "Pitt Meadows Facility") and sells direct to customers under retail sales licences from two leased stores in Manitoba and Saskatchewan.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing a limited international growth strategy, and has established strategic partnerships for the distribution of cannabis derived medical products primarily focused on Germany and the United Kingdom. The company received EU GMP certification on its Hamilton Facility in May 2023.

The Company's goal is to build a sustainable global cannabis company that is trusted to improve the lives of its customers, employees, communities, and investors, with a focus on delivering a diverse range of cannabis products. The pillars under the Company's strategy and value proposition include:

1. **Sustainability:** Environmental stewardship and sustainability are important aspects of day-to-day operations. Responsible and environmentally sensitive approaches are to the forefront, in particular in relation towards cultivation, production, and waste disposal. Each facility has their own unique practices, some of which include grinding plant waste

and adding compost accelerator for faster decomposition, using a controlled drip water system to boost irrigation efficiency and conserve as much water as possible, using living soil as a grow medium which reduces material waste, conserving energy by using insulation to keep hot processes hot and cold processes cold, using heat recovery in the HVAC systems to recapture and reuse heating and cooling energy, recycling cardboard, plastic, metal and glass.

Three acres of the Hamilton Facility are cultivated for the organic produce farm which produces fresh fruit and vegetables for donation to local foodbanks and uses the composted biomass by-product from cannabis cultivation. The site has approximately 170 staff on site, including supporting full-time coverage of the Energy Centre, Cultivation and Security. The Hamilton Facility operates fully “off the grid” which means it is not connected to the local electrical grid and generates its own power from clean burning natural gas CHP units (Combined Heat and Power Units). All irrigation for the site comes from collected rainwater stored in a 4.2 million litre pond, which provides over a year’s worth of irrigation. The condensate recovery systems in the greenhouse return 90% of the water back to the pond.

For the Company’s organic brands, the soil’s microbes are reused year after year, not thrown out after each harvest.

2. **Innovation:** In Canada, the Company has a growing product portfolio within multiple brands which cater to a diverse set of consumer segments. The Company’s core brands include BZAM™, TGOD™, -ness™, Highly Dutch Organic™ (“HD”), TABLE TOPT™ (“TT”), as well as partner brands DUNN Cannabis, FRESH and Wyld and retail stores in Winnipeg, Manitoba and Regina, Saskatchewan. The Company is focusing on adapting and optimizing its product portfolio. Notable categories include:
  - *Infused:* The Company launched infused pre-rolls across three brands; its distillate/terp infused pre-rolls from BZAM & -ness and its organic hash infused pre-rolls from Highly Dutch Organic.
  - *Multi-packs:* Multiple vape flavours or pre-roll strains in one pack – infused and craft options too. Fruity + flavourful -ness pre-rolls and vapes, alongside bold & potent infused options from BZAM. For a more classic experience the Company has BZAM x DUNN wholecraft flower pre-rolls.
  - *Edibles:* With real fruit flavours inspired by the Pacific Northwest, high-quality ingredients and consistent dosing, Wyld is formulated to provide the best possible experience. Made with real fruit in a variety of natural flavours and a synergistic blend of cannabinoids + botanical terpenes wrapped up in its award-winning compostable packaging.
  - *Organic:* The Company has created a natural, certified organic environment for growing its TGOD and Highly Dutch Organic brands. With the transition to hang drying and hand manicuring in the Spring of 2023, offerings from these brands aim to optimize terpene profile and bag appeal starting with 14g offerings.
  - *Craft:* The Company includes partner brands DUNN Cannabis, FRESH and Wyld, as well as its collaboration brand, BZAM x DUNN™ Craft Series, in partnership with DUNN Cannabis. The Company is proud to work with Logan Dunn of DUNN Cannabis and Traviss Graham from FRESH to bring their products across Canada while they support BZAM’s core brands with their craft cultivation knowledge.
3. **Market Expansion:** The Company is currently targeting 50 to 70 unique stock-keeping units (“SKUs”) being listed in each major market while servicing smaller markets with a more precision focused portfolio to bring both national product awareness as well as regionally unique products to each marketplace. Based on ongoing consumer research, the portfolio is refreshed frequently with different formats, new package formats and new product introductions with an emphasis on “convenience-based” categories. Key products launches include:
  - 3.5g flower - FRESH - Purple Gas Mask, BZAM x DUNN - T's Cut, -ness – Jelly Breath, -ness – Mint Sour
  - 28g flower - TT - Fuzzy Hammer, HD - Middelburg Hybrid
  - 14g flower - TT - City Slicker, -ness – Double Mint Sherbert
  - BZAM - Black Hash 2g
  - BZAM - Apple Bubba x Strawberry Guava Jet Pack 2x0.5g
  - DUNN - Double Iced Vanilla 1g (infused pre-roll)
  - -ness - Pumpkin Spice 0.5g (infused pre-roll)
  - BZAM - Magic Melon All-In-One 0.3g
  - HD – Middelburg 7g
  - -ness – Mint Sour x Jelly Breath 12x0.5g Pre-roll
  - HD – Rotterdam Indica 14x0.5g Pre-roll










The Company’s strategic approach to marketing includes a highly experienced, integrated marketing team committed to surpassing the demands of a fast-growing industry with a constantly evolving consumer base. Tactics include:

- Omni-channel approach hyper-focused on retail education, product launches and sellthrough support;
- Investment in channels, resources, and partners cannabis consumers trust;

- Creation and deployment of engaging and educational content, in-store merchandising assets and unique experiences; and
- Data driven with a deep understanding of consumer and retailer needs and buying behaviour.

**Core Brands and Products**

The Company’s portfolio includes five core brands, three partner brands and one collaboration brand, allowing for offerings catered to a diverse set of consumer segments. Taken together, the Company’s brand portfolio covers a broad mix of categories and formats, including organic cannabis, real fruit edibles and value bulk products.

BRAND	PRODUCT MIX	MARKETS
	- Dried Flower - Pre-Rolls - Live Rosin Vape Cartridges	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Yukon
	- Dried Flower	British Columbia, Alberta, Quebec, Manitoba, Saskatchewan, Ontario, Yukon
	- Dried Flower - Pre-Rolls	Alberta, Saskatchewan Manitoba, Ontario
	- Dried Flower - Pre-Rolls	British Columbia, Alberta, Saskatchewan Manitoba, Ontario, Quebec, Newfoundland Nunavut, PEI, Northwest Territories
	- Dried Flower - Pre-Rolls - Concentrates (Infused) - Vape	British Columbia, Alberta, Saskatchewan Manitoba, Ontario, Quebec, Newfoundland Nunavut, PEI, Northwest Territories
	- Dried Flower - Pre-Rolls - Concentrates (Infused) - Vape	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, Nunavut, PEI, Northwest Territories
	- Dried Flower - Pre-Rolls - Extracts - Vape	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, PEI
	- Dried Flower - Pre-Rolls - Extracts (milled)	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, PEI
	- Edibles	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, PEI, Nova Scotia, Newfoundland

### ***Production Facilities and Licences***

The Company's products are currently cultivated and manufactured in the following licensed production facilities:

<b>Facility</b>	<b>Location &amp; Size (Sq Ft)</b>	<b>2023 Capacity <sup>(1)</sup></b>	<b>Activities</b>	<b>Expiry of Current License Terms</b>
Hamilton Facility	Ancaster, ON 166,000 Sq Ft	17,230kg flower	Owned facility with a research and development ("R&D") licence, and cultivation, processing and sales licence. The greenhouse space is where the Company grows and processes its organic cannabis flower. The facility also produces cannabis extracts, and packages flower, pre-rolls, oil, and infused pre-rolls products.	Cultivation/Processing/Sale: July 20, 2027  R&D licence: February 12, 2025
Quebec Facility	Vaudreuil, QC 8,800 Sq Ft 1,500 Sq Ft Cultivation	225kg flower 1,300kg hash	Leased facility with an indoor cultivation and processing licence, operating national hash production.	Cultivation/Processing: July 20, 2027
Saanichton Facility	Saanichton, BC 10,831 Sq Ft 3,600 Sq Ft Cultivation	700kg flower	Leased facility with an indoor cultivation and processing licence.	Cultivation/Sale for Medical Purpose Processing/Sale: May 10, 2024
Edmonton Facility	Edmonton, AB 113,184 Sq Ft 25,000 SqFt cultivation	2,400kg flower	Owned facility with a cultivation, processing and sales licence. Indoor space equipped to support cultivation and processing of flower, as well as bulk packaging of flower and pre-rolls products.	Cultivation/Processing/Sale: December 5, 2027
Midway Facility	Midway, BC 392 acres land 90 acres planted	37,500kg flower	Owned facility with a cultivation licence. The outdoor annual crop supplies flower for extraction.	Cultivation: September 4, 2023
Pitt Meadows Facility	Pitt Meadows, BC 39.098 Sq Ft Land 18,000 Sq Ft Processing	1,684kg distillate	Leased facility with a processing and sales licence. Highly equipped to operate extraction of distillates, production and packaging of vapes, pre-rolls, infused pre-rolls, gummies and final packaging of flower.	Processing/Sale: March 27, 2025

**Notes:**

(1) "2023 Capacity" refers to the potential output that could be produced in the fiscal year ended December 31, 2023 based on facility square footage and equipment, which may differ from actual outputs based on operational decisions. The production capacity is based on yields in each facility from previous years and assumes that those yields will continue to be accurate for 2023. It also assumes none of the facilities will be impacted by poor harvest, disease, lack of proper production resources in material and labour and other factors described in "Risk Factors and Uncertainties", below. The Company anticipates that Health Canada will renew all licences at the end of their respective terms; however, the Company cannot provide assurances that the licences will be renewed or renewed on the same terms and conditions. See "Risk Factors and Uncertainties" below for more information.

### **KEY HIGHLIGHTS**

During the three months ended March 31, 2023 ("Q1 2023"), the Company:

- Achieved record quarterly gross revenues of \$35.0 million during Q1 2023, a 144% increase from the three months ended March 31, 2022 ("Q1 2022"), and an increase of 41% from the three months ended December 31, 2022 ("Q4 2022").
- Achieved record quarterly net revenues of \$24.1 million for Q1 2023, a 128% increase from Q1 2022, and an increase of 40% from Q4 2022;
- Maintained its recreational market share of 5.2% in March 2023 from 2% in March 2022 as per Hifyre data;
- Transitioned the production of Wyld products to the Pitt Meadows Facility and ceased all production at the Puslinch Facility, in preparation for its previously-disclosed potential sale; and
- Achieved an adjusted SG&A (as defined below, excluding one-time non-recurring costs) of 43% of sales in Q1 2023, from 55% in Q1 2022, primarily as a result of increasing revenues whilst reducing headcount, renegotiating service level agreements with its respective vendors, and maintaining cost discipline;

## RECENT DEVELOPMENTS

The following key events took place during Q1 2023, and up to the date of this MD&A.

### ***Potential Sale of Galaxie Assets (Puslinch Facility)***

Since November 2022, the Company has been engaged with a potential purchaser for a portion of the assets and liabilities acquired in connection with the acquisition of all of the issued and outstanding shares of Galaxie on November 17, 2021 (the “Galaxie Acquisition”). Preliminary approval by the board of directors of the Company (the “Board”) and lender consents were obtained to proceed with the transaction. The Company anticipates completing the sale by November 2023. As a result of this assessment, the Company has classified the specific assets and liabilities as held for sale. Based on the fair value of the net assets using a market approach (level 2 fair value hierarchy), the Company has included an assumption that net proceeds of approximately \$0.5 million are expected to be recorded on the sale.

### ***Potential Sale of the Maple Ridge Facility***

Since November 2022, the Company has been engaged with a potential purchaser of a portion of the Maple Ridge Facility. Preliminary Board approval and lender consents were obtained to proceed with the transaction. The Company anticipates completing the sale within the next twelve months. As a result of this assessment, the Company has classified the specific assets and liabilities as held for sale. Based on the fair value of the net assets using a market approach (level 2 fair value hierarchy), the Company has included an assumption that gross proceeds of approximately \$4 million are expected to be recorded on the sale.

### ***Other strategic initiatives including international expansion.***

The Company continues to review other strategic initiatives to maximize shareholder value, including acquisitions in Canada. The Company also continues to pursue international and partnership growth opportunities in Germany and the United Kingdom.

Refer to the Company’s summary of regulatory framework for the international markets in the “Regulatory Landscape” section below.

### ***Executive Leadership and Board Composition***

On January 11, 2023, Mr. Tony Moschella resigned from the Board, and Mr. Bassam Alghanim joined the Board on the same date. Mr. Bassam Alghanim was appointed as the new Chairman of the Board, effective January 24, 2023.

On January 31, 2023, Mr. Michel Gagne resigned from his position of Chief Operating Officer to pursue other opportunities.

On February 20, 2023, Mr. Angus Footman and Mr. Olivier Dufourmantelle resigned as directors of the Board. Mr. Sean Bovingdon, the Company’s Chief Financial Officer, was re-appointed to the Board.

On April 28, 2023, the Company announced that Mmes. Wendy Kaufman and Sherry Tross were appointed to the Board.

### ***Equity Issuances***

On January 4, 2023 the Company issued an aggregate of 6,500,000 Common Shares of the Company, at a deemed issuance price of \$0.40 per Common Share, to settle \$2.6 million of indebtedness of the Company under certain outstanding promissory notes, pursuant to loan settlement agreements with two of the Company’s largest shareholders.

On January 23, 2023, the Company issued 1,142,857 Common Shares held in an escrow account with respect to the Galaxie Acquisition to two vendors of the shares of Galaxie in accordance with certain earn-out provisions relating to the Galaxie Acquisition (the “Escrow Share Release”). Following the release from escrow of certain shares held in escrow (the “Milestone Escrow Shares”) upon completion of the Company’s purchase of all of the issued and outstanding common shares of BZAM Holdings Inc. from BZAM International Ltd. (the “BZAM Shareholder”) in exchange for 49.5% of the issued and outstanding shares of the combined entity formed upon closing of the transaction (the “BZAM Transaction”), the Company issued an additional 1,120,226 Common Shares to the BZAM Shareholder. The remaining 7,428,571 Common Shares held in the escrow account pursuant to an escrow agreement entered into on closing of the Galaxie Acquisition, were returned to treasury and cancelled.

On May 2, 2023 the Company issued 376,923 Common Shares of the Company, at a deemed issuance price of \$0.325 per Common Share, to settle approximately \$122,500 owing to a third party supplier for certain services provided to a wholly-owned subsidiary of the Company by the Supplier.



### ***Name Change***

On January 25, 2023, the Board authorized a change in the Company's name from "The Green Organic Dutchman Holdings Ltd." to "BZAM Ltd." (the "Name Change"). The Name Change took effect on February 23, 2023. In connection with the Name Change, the Common Shares trading on the CSE under the symbol "BZAM", and on the OTCQX under the symbol "BZAMF". Warrants of the Company ("Warrants") issued under indentures dated June 12, 2020, October 23, 2020, and December 10, 2020, began trading on the CSE under the symbols "BZAM.WR", "BZAM.WA", and "BZAM.WB" respectively.

### ***Stock Option Grants and RSU Grants***

On May 2, 2023, in accordance with the Company's share option plan adopted by the Board on May 12, 2021, the Company granted options to purchase an aggregate of up to 475,000 Common Shares to certain directors, employees, and consultants of the Company, of which 300,000 options were granted to directors, and 175,000 options were granted to employees and consultants. Each option is exercisable into one Common Share at an exercise price per Common Share equal to \$0.325. The options vest as to 1/3 of the total number of options granted on each of the first, second and third anniversaries of the grant date, and expire five years from the grant date.

Pursuant to the terms of the Company's amended and restated restricted share unit plan dated October 9, 2020, restricted share units ("RSUs") representing the right to receive up to an aggregate of 346,154 Common Shares, subject to the satisfaction of certain vesting conditions, were also issued to an officer of the Company on May 3, 2023, as the officer elected to take RSUs instead of cash in lieu of bonus earned for fiscal 2022.

### ***Non-Brokered Private Placement***

On May 19, 2023, the Company announced its intention to complete a non-brokered private placement of up to approximately 22,222,223 units of the Company (each, a "Unit") at an issue price of \$0.225 per Unit for gross proceeds of up to approximately \$5,000,000 (the "Offering"), subject to customary closing conditions including, if applicable, regulatory and CSE approvals. Each Unit will consist of one Common Share and one Common Share purchase warrant (each, a "Private Placement Warrant"), with each Private Placement Warrant entitling the holder thereof to acquire one Common Share at an exercise price of \$0.40 for a period of three years from the closing date of the Offering, which is expected on or about June 6, 2023. The Company intends to use the proceeds of the Offering for general corporate and working capital purposes.

### ***EU-GMP Certification and Expansion into the United Kingdom***

On May 11, 2023, the Company announced that TGOD received EU-GMP (as defined below) certification for the Company's facility located in Ancaster, Ontario. This certification permits the Company to export certain medicinal cannabis products to numerous global markets, and allows the Company to execute on existing strategic distribution partnerships which have already been established, including partnerships in Germany and the United Kingdom (the "UK"). The certification is valid for a three-year period from inspection, with a renewal date of August 31, 2025.

On May 23, 2023, the Company announced that TGOD entered into a strategic distribution agreement with 4C LABS Ltd. ("4C LABS"), a London, UK based import & distribution company focused on the medical cannabis space. Pursuant to the agreement, signed on April 29, 2023, the Company by way of TGOD will supply 4C LABS with approximately 600KG of flower annually for the next two years.

### ***Revolver Loan Credit Facility***

On May 29, 2023, the Company received a waiver with respect to the EBITDA financial covenant, requiring achievement of positive EBITDA (as defined by the lender), under the Fourth Amendment for its Revolver Loan. Under the waiver, the effective date of the requirement to achieve positive EBITDA was moved from April 30, 2023 to July 31, 2023.

## **OUTLOOK**

The Company continues to monitor and adapt to changing market conditions. See "*Risk Factors and Uncertainties*" below for more information.

At this time, the Company's outlook remains positive on the cannabis market both in Canada and internationally.

As per Statistics Canada, cannabis consumers spent \$4.52 billion on regulated adult-use products in 2022, growing by 17.9% over 2021 sales. The biggest changes in terms of product mix weighting over the year were flower decreasing from 48% to 40%, with pre-rolls consumption increasing by 45%, now holding a 29% weighting and the vape market also growing by 26%, accounting for 16% of the adult use market. Combined, these three product categories equate to 85% of the total recreational market. Canada is home to roughly 3,700 cannabis stores and retail licenses, including approximately 1,700 in Ontario. As per Statista in October

2022, recreational sales are expected to total \$5.20 billion in 2023 (16% increase) and reach \$9.62 billion in 2027 (CAGR 16.40%). The Company plans to:

- Build new relationships with the provinces and retail stores and bolster existing relationships, through strategic partnerships and optimization of key accounts;
- Continue to increase its portfolio and development of recognized brands. The BZAM Transaction has resulted in the Company doubling its innovative portfolio of products and recognized brands and offer a wider range of product formulations and flavours at different price points;
- Transition to an in-house dedicated sales team in 2023 to over 30 personnel, driving increased distribution; and
- Expand market presence – with geographical operational footprint expanded to include British Columbia and Alberta, in addition to an inhouse sales team, the BZAM Transaction has given additional resources to the Company to increase its market presence in these provinces and bolster SKU performance whose premium products were historically more popular and stronger performing in Ontario and Quebec.

Against this backdrop of strong industry growth, increased demand for the Company’s products is evidenced by the Company’s national adult-use recreational cannabis retail market share in Canada. According to Hifyre, the Company finished March 2023 with 5.2% market share compared to 2% at the end of March 2022. As of March 2023, the Company was ranked as the #6 licensed producer in Canada in terms of market share compared to #7 in December 2022. The Company’s leading market share positions as of March 2023 were Alberta #5, British Columbia #6, Quebec #7, and Ontario #8. The Company has also seen some of its stock keeping units (“SKUs”) perform strongly, as follows:

Category	Brand	SKU	Nationwide Rank
			(all presentations within respective category)
Flower	Highly Dutch	Amsterdam Sativa - 28g	#3
Hash	Highly Dutch	Organic Afghan Black Hash - 2g	#4
Vape	-ness	Ninja Fruit - 1mL	#4

Management believes that the Company is well equipped to fulfill demand in 2023. The Company is focused on improving operating cash conversion from the streamlining of operations, implementing cost containment initiatives, a continued transition towards automation, and improving our balance sheet. Following a comprehensive review and integration of the Company’s operations, the Company has identified the following impacts and opportunities which it believes have the potential to further improve financial performance and margins in 2023:

- Introduction and continuation of favorable accretive product mix and discontinuation of products at lower margin/price points;
- Rightsizing the cultivation and manufacturing footprint and now operating at a higher percentage of facility capacity has resulted in improved fixed overheads costs. The Company does not expect to incur expenses for unabsorbed overheads in 2023;
- Cultivation improvements with higher Yield Per Plant achieved in Q1-2023 and expected to continue into the year 2023, lowering the cash cost price per gram. Also, with average THC %’s reaching high 20’s, this has resulted in a higher percentage of flower going into premium SKU formats and better positions the Company to take advantage of the dried flower and pre-roll categories which collectively represents approximately 69% of the Canadian legal market;
- Transitioning activities between facilities, ensuring economies of scale and maximum specialization, automation and operational efficiencies are achieved, improving processing and manufacturing key performance indicators and ensuring the Company can scale to higher volumes in the future;
- Procurement synergies, as the Company’s purchasing and negotiating power has now increased with vendors from the increased post-merger volumes and as a result better terms and pricing might be achieved.
- Supply chain optimization, standardization and logistics and freight saving initiatives with increased inbound and outbound average volumes per shipment;
- Selling, general and administrative (“SG&A”) cost containment initiatives with most of the pre-merger synergies identified at the time of the transaction materializing at the time of writing this report, lowering the cost base and reducing SG&A as a % of net sales. Reduction of consolidated headcount, transitioning from outsourced sales team to a dedicated inhouse sales force team and renegotiating service level agreements with vendors to best fit the Company following the completion of the BZAM Transaction, have been the main contributors to these savings; and
- Departmental changes and streamlining core functions within the business has also led to an increased visibility of leading and lagging indicators, enabling the Company to make more informed decisions regarding sales and inventory.

The Company believes it can continue increasing its topline, improve margins and turn cash flow positive as a result of the synergistic impacts of the BZAM Transaction.

### SELECTED OPERATIONAL INFORMATION

Adjusted EBITDA is a Non-IFRS Measure. Adjusted EBITDA is a metric used by management which is net operating loss adjusted for interest, provisions for income taxes, other non-cash items including depreciation and amortization, share-based compensation, derivative liabilities, and extraordinary and non-recurring items.

**All dollar amounts in the following sections are presented in thousands of Canadian dollars unless otherwise stated.**

The following table reconciles the Company's net operating income (loss) (as reported) and Adjusted EBITDA for the periods presented.

	For the three months ended	
	March 31, 2023	March 31, 2022
<b>Adjusted EBITDA (non-IFRS measure)</b>		
Net loss from continuing operations	\$ (19,322)	\$ (13,212)
Adjustments:		
Foreign exchange loss (gain)	66	(85)
Finance costs	1,692	969
Accretion expense	325	323
Finance income	(8)	(4)
Revaluation loss of contingent consideration	3,535	1,360
Loss (gain) on disposal of assets	(31)	5
Impairment charge for non-financial assets	—	6,183
Gain on debt settlement	(65)	—
Realized fair value adjustment on sale of inventories	4,603	2,435
Unrealized gain on changes in fair value of biological assets	(4,460)	(4,305)
Share based compensation	585	567
Depreciation and amortization	2,871	3,527
Lease modification	389	—
Impairment on assets held for sale	1,742	—
One-Off Restructuring costs	1,399	—
Returns Provisions	140	—
Inventory Provisions on cost	2,635	—
<b>Adjusted EBITDA (non-IFRS measure)</b>	<b>(3,904)</b>	<b>(2,237)</b>
<b>Adjusted EBITDA as a percentage of net revenue (non-IFRS measure)</b>	<b>-16%</b>	<b>-21%</b>

i) Finance Costs relates to interest on the loans and promissory notes as well as interest from leases as per IFRS 16.

ii) Revaluation of Contingent Consideration relates to the change in the valuation of the contingent consideration based on conditions at March 31, 2023.

iii) One-off restructuring costs relate to employee severance costs as well as other costs incurred in ending existing contractual relationships and costs to merge the entities from the BZAM Transaction.

iv) Inventory provisions relate to obsolescence for items that are in inventory as of March 31, 2023.

**SUMMARY OF KEY QUARTERLY HIGHLIGHTS – Q1 2023 as compared to Q1 2022 and Q4 2022**

	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021 *Restated	Q1-2021 *Restated
Revenue	\$ 34,970	24,789	13,819	15,841	14,353	12,372	9,745	10,400	6,668
Loss from operations	\$ (11,677)	(19,040)	(8,718)	(3,016)	(4,461)	(5,670)	(9,151)	(8,432)	(5,488)
Impairment loss on remeasurement of disposal group	\$ -	-	-	(2,489)	-	(676)	(4,442)	-	-
Gain/(loss) on disposal of subsidiary	\$ -	(4,353)	3,187	-	-	-	-	-	-
Impairment on assets held for sale	\$ (1,742)	-	-	-	-	-	-	(17,688)	-
Reversal of impairment / (impairment)	\$ -	(22,821)	-	-	(6,183)	-	-	-	21,811
Loss on lease termination/modification	\$ (389)	(541)	-	-	-	-	-	-	-
Net income (loss) from continuing operations	\$ (19,322)	(9,663)	(6,862)	(6,622)	(13,212)	(6,278)	(13,941)	(32,181)	12,856
Gain/(loss) from discontinued operations	\$ -	-	21	(159)	(294)	(1,458)	(603)	(299)	(393)
Revaluation gain/(loss) of contingent consideration	\$ (3,535)	35,416	1,716	2,245	(1,360)	1,812	-	-	39
Comprehensive income (loss)	\$ (19,253)	(7,518)	(8,851)	(7,161)	(14,015)	(8,097)	(14,061)	(32,525)	11,159
Net income (loss) per share (basic & diluted) - continuing operations	\$ (0.12)	(0.08)	(0.09)	(0.09)	(0.18)	(0.10)	(0.30)	(0.61)	0.25

\* Following the classification of the Company's HemPoland operations as held for sale and discontinued operations, the comparatives prior to September 30, 2021, were restated to reflect only the continuing operations results historically.

**Revenues**

	For the three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
Revenue from adult-use cannabis products	34,145	13,492	20,653	153%	24,281	9,864	41%
Revenue from medical cannabis products	464	642	(178)	(28%)	463	1	0%
Revenue from toll and other agreements	361	219	142	65%	45	316	702%
Gross Revenue	34,970	14,353	20,617	144%	24,789	10,181	41%

Gross revenue recognized for Q1 2023, amounted to \$34,970, an increase of 144% compared to Q1 2022 (Q1 2022 - \$14,353), driven by the introduction of new products to the market and increased demand under existing brands (Highly Dutch increased by \$4,004 or 48% and TGOD Organics increased by \$1,403 or 33%), in addition to the increase of the portfolio as a result of the BZAM Transaction (for a total of \$15,798)

Gross revenue increased by 41% in comparison to Q4 2022 primarily due to the new brands added to the portfolio as a result of the BZAM Transaction (increased by \$6,886 or 77%), and increased demand and retail distribution of existing brands (Highly Dutch increased by \$2,262 or 22% and TGOD Organics increased by \$1,379 or 33%).

	For the three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
Revenue from dried flower	21,356	10,340	11,016	107%	17,214	4,142	24%
Revenue from pre-rolls	2,093	587	1,506	257%	1,630	463	28%
Revenue from vapes	7,378	188	7,190	3824%	2,796	4,582	164%
Revenue from hash	1,979	1,712	267	16%	1,955	24	1%
Revenues from Infused Pre-Rolls/Flower	1,195	580	615	106%	497	698	140%
Revenue from other products	144	85	59	69%	189	(45)	(24%)
Total adult-use cannabis products	34,145	13,492	20,653	153%	24,281	9,864	41%



The adult-use cannabis segment generated gross revenues of \$34,145 for Q1 2023, an increase of \$20,653 compared to the same period of the prior year, having flower as the main contributor (63%) followed by vapes (22%). Flower gross revenues increased by 106% for the same period comparison, mainly due to the increased demand in Highly Dutch Organic™ (by \$3,557 or 54%) and TGO Organic (by \$1,353 or 38%) and new products under the -ness, BZAM, BZAM Dunn and Table Top brands acquired as part of the BZAM Transaction (by \$5,951). Vapes gross revenues increase is mainly due to the Company’s expanded portfolio as a result of the BZAM Transaction, having the -ness brand as the main contributor (\$5,281).

The adult-use cannabis segment increased 41% in comparison to Q4-2022 as a result of higher demand and additional listings of flower and vape products. The main contributor in the increase of flower gross revenue was Highly Dutch which increased by \$2,102 or 26%. The main contributor in the increase of vape gross revenue was -ness which increased by \$2,631 or 99%.

### Gross profit

	Three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
<b>Net Revenue</b>	<b>24,097</b>	10,575	13,522	128%	17,227	6,870	40%
Cost of sales	(20,995)	(6,868)	(14,127)	206%	(19,894)	(1,101)	6%
Gross profit/(loss) before changes in fair value of biological assets	<b>3,102</b>	3,707	(605)	(16%)	(2,667)	5,769	216%
<i>Gross profit/(loss) % before changes in fair value of biological assets</i>	<i>13%</i>	<i>35%</i>			(15%)		
Realized fair value adjustment on sale of inventory	<b>(4,603)</b>	(2,435)	(2,168)	89%	(8,729)	4,126	(47%)
Unrealized gain on changes in fair value of biological assets	<b>4,460</b>	4,305	155	4%	4,243	217	5%
<b>Gross profit/(loss)</b>	<b>2,959</b>	5,577	(2,618)	(47%)	(7,153)	10,112	141%
<i>Gross profit/(loss) %</i>	<i>12%</i>	<i>53%</i>			(42%)		

The Company’s gross profit before changes in fair value of biological assets (“**direct gross profit**”) was \$3,102 for Q1 2023, representing 13% gross profit margin before changes in fair value of biological assets (Q1 2022 –\$3,707, representing 35% direct gross profit). The decrease in direct gross profit percentage in Q1 2023 is primarily as a result of inventory provisions, an increase in depreciation, and a change in sales mix in addition to price compression.

The Company achieved an overall gross profit percentage for Q1 2023 of 12% (Q1 2022 – gross profit percentage of 53%) which has decreased from Q1 2022 for the reasons outlined above as well as increase in realized fair value on the sale of inventory as a result of increased sales and inventory provisions.

In comparison to Q4 2022, the direct gross profit increased by 216% mainly as a result of increased revenue and reduced inventory provisions in Q1 2023.

Refer to the Adjusted Gross Profit table below that shows the effect of the provisions.

### Adjusted Gross Profit

Adjusted Gross Profit is defined as gross profit excluding the adjustments for accelerated depreciation, severance and write down of inventory. The following table reconciles the Company’s gross profit (as reported) to Adjusted Gross Profit for the periods indicated.

In addition to the effects as shown in the Adjusted Gross Profit table below, the Company was also affected by sales price compression on the products that it sells, compounded by the sales mix, with an increase in the proportion of lower margin products being sold in the period. Inflationary pressures on costs also affected the gross profit by increasing raw material, packaging and overhead costs.

Adjusted Gross Profit/(loss) (non-IFRS measure)	Three months ended			
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)
Gross profit/(loss) before changes in fair value of biological assets	3,102	3,707	(605)	(16%)
Adjustments				
Returns Provision	140	-	140	n/a
Inventory provisions - Cost	2,635	-	2,635	n/a
Adjusted Gross profit/(loss) before changes in fair value of biological assets adjusted (non IFRS measure)	5,877	3,707	2,170	59%
Adjusted Gross profit/(loss) % before changes in fair value of biological assets adjusted (non IFRS measure)	24%	35%		
Gross Profit/(loss)	2,959	5,577	(2,618)	(47%)
Adjustments				
Returns provision	140	-	140	n/a
Inventory provisions - Cost	2,635	-	2,635	n/a
Inventory provisions - Fair Value	1,135	-	1,135	n/a
Adjusted Gross Profit/(loss) (non-IFRS measure)	6,869	5,577		
Adjusted Gross Profit/(loss) % (non-IFRS measure)	29%	53%		

#### Sales and marketing expenses

	Three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
Personnel costs	1,468	537	931	173%	790	678	86%
Third party marketing expenses	621	756	(135)	(18%)	1,144	(523)	(46%)
Travel and promotion expenses	96	13	83	638%	76	20	26%
Sales agency costs	3	533	(530)	(99%)	665	(662)	(100%)
Other marketing expenses	1,135	54	1,081	2002%	871	264	30%
Termination benefits	97	-	97	n/a	711	(614)	(86%)
	3,420	1,893	1,527	81%	4,257	(837)	(20%)

Sales and marketing expenses of \$3,420 for Q1 2023, increased in comparison to expenses of \$1,893 for the same period in the prior year due to the BZAM Transaction and additional sales efforts undertaken to provide direct store support as well as additional third party marketing expenses commensurate with the increased revenue that was achieved.

In comparison to Q4 2022, sales and marketing expenses decreased by \$777, primarily due to reduced severance costs in Q1 2023.

#### Research and Development (“R&D”) expenses

	Three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
Personnel costs	50	124	(74)	(60%)	(5)	55	(1100%)
Product development	-	1	(1)	(100%)	17	(17)	(100%)
Travel related expenses	-	3	(3)	(100%)	-	-	n/a
Other research and development expenses	-	5	(5)	(100%)	-	-	n/a
Termination benefits	-	-	-	n/a	60	(60)	(100%)
	50	133	(83)	(62%)	72	(22)	(31%)

R&D expenses of \$50 for the three-months ended March 31, 2023, decreased by \$83 in comparison to the R&D expenses for Q1 2022. The Company incurred lower R&D costs due to decreased research and development compared to Q1 2022.

In comparison to Q4 2022, R&D expenses decreased by \$22 due to reduced research and development activity.

**General and administrative (“G&A”) expenses**

	Three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
Personnel costs	4,004	2,058	1,946	95%	3,663	341	9%
Office and other administrative expenses	1,946	939	1,007	107%	1,080	866	80%
Third party professional, consulting, legal fees	1,558	831	727	87%	2,427	(869)	(36%)
Computer and IT expenses	549	90	459	510%	331	218	66%
Termination benefits	358	-	358	n/a	2,470	(2,112)	(86%)
	8,415	3,918	4,497	115%	9,971	(1,556)	(16%)

G&A expenses of \$8,415 for the three months ended March 31, 2023, increased by \$4,497 in comparison to expenses of \$3,918 for Q1 2023. The increase was primarily due to the increase in administrative overheads arising from the BZAM Transaction, as well as severance costs following the BZAM Transaction. Refer below for the table showing the G&A less non-recurring costs.

Adjusted G&A (non-IFRS measure)	Three months ended				Three months ended		
	March 31, 2023	March 31, 2022	Variance to Q1-2022 (\$)	Variance to Q1-2022 (%)	December 31, 2022	Variance to Q4-2022 (\$)	Variance to Q4-2022 (%)
G&A	8,415	3,918	4,497	115%	9,971	(1,556)	(16%)
Adjustments							
Termination benefits	(358)	-	(358)	n/a	(2,470)	2,112	(86%)
Restructuring and one-off costs	(944)	-	(944)	n/a	(161)	(783)	486%
Write-off of other assets	-	-	-	n/a	(597)	597	(100%)
Adjusted G&A (non-IFRS measure)	7,113	3,918	3,195	82%	6,743	370	5%

Adjusted G&A impacts are as a result of restructuring of head count in the quarter, committed costs for non-operational sites and continuation of projects to intergrate the combined Company and ERP implementation costs.

**Share based compensation expenses**

The Company recognized a share based compensation expense of \$585 for Q1 2023, compared to \$567 for Q1 2022. The increase is due to the share options issued in November 2022.

Share based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

In comparison to Q4 2022, share based compensation expense increased by \$1,586 primarily as a result of there being cancellations of stock options in Q4 2022.

**Depreciation and amortization**

The Company recognized depreciation and amortization expense of \$2,166 in Q1 2023, compared to \$3,527 for the same period in the prior year quarter primarily due to the reducing of depreciation based on the reducing balance method as well as increased capitalisation of depreciation to inventory as a result of increased production. Additionally, depreciation increased by \$3,578 in Q1 2023 as compared to Q4 2022, primarily due to decreased capitalisation of depreciation to inventory.

### ***Loss from operations***

Loss from operations was \$11,677 in Q1 2023, compared to \$4,461 for Q1 2022, with the increase primarily driven by the lower gross profit and higher sales and marketing expenses, and general and administrative expenses which increased as result of the restructuring from the BZAM Transaction.

In comparison to a loss from operations of \$19,040 in Q4 2022, the decrease in loss in Q1 2023 was mainly due to higher gross profit as discussed above.

### ***Impairment loss***

In Q1 2023, the Company recorded a total impairment loss of \$1,742 from the remeasurement of the assets held for sale to updated expectations of the fair value less costs to sell (Q1 2022 – \$6,183 asset specific impairment loss related to Puslinch Facility leasehold improvements).

### ***Net loss from continuing operations***

The Company's net loss from continuing operations in Q1 2023, was \$19,322 (Q1 2022 – net loss of \$13,212) which has increased primarily due to increased loss from operations as well an increase in the loss on revaluation of contingent consideration and increased finance costs as a result of increased drawdown on the Cortland Facility and increased interest rates.

### ***Comprehensive loss***

The Company's comprehensive loss in Q1 2023, was \$19,253 (Q1 2022 - \$14,015) and is comprised primarily of the net loss from continuing operations discussed above.

In comparison to Q4 2022, the Company's comprehensive loss in Q1 2023 increased by \$11,735, despite a lower loss from operations, primarily due to the revaluation gain of the contingent consideration in Q4 2022 from the BZAM Transaction.

## **ASSETS HELD FOR SALE**

### ***Galaxie Assets***

As at March 31, 2023, management was committed to a plan to sell certain assets and liabilities owned by Galaxie. Accordingly, the Company has presented the assets and liabilities as held for sale. Efforts to sell the assets have started and a sale is expected within the next twelve months.

As at March 31, 2023, the assets and liabilities were stated at fair value less costs to sell and comprised of the following:

	<b>As at March 31, 2023</b>	<b>As at December 31, 2022</b>
Property, Plant and Equipment	1,923	1,916
Intangible Assets	2,261	2,253
<b>Assets held for sale</b>	<b>4,184</b>	<b>4,169</b>
Lease Liability	3,684	3,669
<b>Liabilities held for sale</b>	<b>3,684</b>	<b>3,669</b>

### ***Measurement of fair values***

The fair value less costs to sell of the assets and liabilities was estimated to be \$500 using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer which provided reliable information to determine the fair value of the assets.

### ***Maple Ridge Facility***

As at March 31, 2023, management was committed to a plan to sell the Company's cultivation facilities and equipment located at the Maple Ridge Facility. Accordingly, the Company presented the assets as held for sale. Efforts to sell the Maple Ridge Facility continue.

As at March 31, 2023, the assets were stated at fair value less costs to sell and comprised of the following:

	<b>As at March 31, 2023</b>	<b>As at December 31, 2022</b>
Land	1,020	1,020
Facilities and capital improvements	2,309	3,740
Production and cultivation equipment	277	448
Furniture and fixtures	136	221
Computer equipment	89	144
<b>Assets held for sale</b>	<b>3,831</b>	<b>5,573</b>



## Measurement of fair values

The fair value less costs to sell of the assets and liabilities was estimated to be \$3,831 (December 31, 2022 - \$5,573) using a market approach (level 2 on the fair value hierarchy), from the listing contract entered into subsequent to March 31, 2023, which provided reliable information to determine the fair value of the assets held for sale. The fair value is based on the expected cash proceeds of \$3,950 less expected selling costs of \$119.

## Impairment losses related to the disposal group

Impairment losses of \$1,742 for write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell have been recognized for the three months ended March 31, 2023 (three months ended March 31, 2022, \$Nil).

## FINANCIAL POSITION

The table below summarizes selected information regarding the Company's financial position for the periods presented in accordance with IFRS and on a consistent basis with the Interim Condensed Consolidated Financial Statements and related notes:

	As at March 31, 2023	As at December 31, 2022	As at December 31, 2021	As at December 31, 2020
<b>Total assets</b>	\$ <u>265,010</u>	\$ 274,444	\$ 194,346	\$ 211,575
<b>Total current liabilities</b>	\$ <u>86,545</u>	\$ 42,214	\$ 29,391	\$ 66,377
<b>Total non-current liabilities</b>	\$ <u>15,427</u>	\$ 53,919	\$ 28,144	\$ 5,394
<b>Total shareholders' equity</b>	\$ <u>163,038</u>	\$ 178,311	\$ 136,811	\$ 139,804

The following is a discussion of the significant changes to selected balances in the Company's financial position as at March 31, 2023 as compared to December 31, 2022.

### Assets

The Company's consolidated cash and cash equivalents of \$1,786 as at March 31, 2023 decreased from \$4,650 as at December 31, 2022 primarily as a result of cash used in operating and investing activities, offset by proceeds received in financing activities. The increase in the Company's trade receivables to \$14,734 as at March 31, 2023 (December 31, 2022 - \$10,256) relates primarily to the increase in revenues. As at March 31, 2023, the Company had \$46,690 in inventory as compared to \$52,416 as at December 31, 2022 primarily as a result of the increased revenue and additional inventory provisions. The Company's property, plant and equipment decreased by \$3,625 to \$125,744 primarily as a result of depreciation.

### Liabilities

The Company's accounts payable and accrued liabilities were \$27,197 as at March 31, 2023, a decrease from \$29,511 as at December 31, 2022, with the decrease primarily relating to increased payments to suppliers. Payments were primarily funded by additional funds drawn under the Company's secured revolving credit facility (the "Revolver Loan").

The Company's loans payable increased to \$36,647 at March 31, 2023 as compared to \$32,618 as at December 31, 2022 primarily due to an increase in the drawn balance on the Revolver Loan.

### Equity

The Company's shareholders' equity decreased from \$178,311 as at December 31, 2022 to \$163,038 as at March 31, 2023, primarily due to the increase in the accumulated deficit of \$18,276 related to the loss from operations for the period, partially offset by an increase in share capital of \$3,402 primarily due to share issuances in relation to the RSUs, shares exchanged in the BZAM Transaction and shares issued to settle debt.

## LIQUIDITY AND CAPITAL RESOURCES

During the three months ended March 31, 2023, the Company generated its revenue from domestic cannabis production and sales, together with draws on the Revolver Loan and a promissory note from Stone Pine Capital to finance its operations and meet its capital requirements. The Company's objectives when managing its liquidity and capital resources are to maintain a sufficient capital base to maintain investor and creditor confidence and to sustain the future development of the business.

As at March 31, 2023, the Company had a negative working capital of \$4,024 (December 31, 2022 – positive \$45,499) with the change from prior year-end mainly reflecting the movement of the Revolver Loan term portion and the contingent consideration from non-current liabilities to current liabilities. The total cash position was \$2,213, including \$427 of restricted cash (December 31, 2022 – \$5,000 of which \$350 was restricted cash). This cash will be used primarily towards covering working capital requirements and operating costs as the Company moves towards achieving positive operating cashflow.

The Company has primarily financed its operations to date through drawdowns on certain of the Company’s debt facilities and equity issuances. Should the Company not achieve positive operating cashflow as expected, the Company may need to increase its debt or obtain capital through various means including the issuance of equity to repay its obligations or the divestiture of other assets. The Interim Consolidated Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future if revenue plans, asset sales, debt refinancing and/or additional debt or equity financing or any combination thereof is realized. In addition, the terms of the Company’s Revolver Loan require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the debt, which would materially and adversely affect the business, results of operations and financial condition of the Company.

There can be no assurance that additional funding will be available to the Company, or, if available, that such funding will be on acceptable terms. If adequate funds are not available, the Company will be required to delay or reduce the scope of any or all of its projects. Management continues to pursue other alternatives to fund the Company’s operations and looks to reduce costs, such as:

- Reduction of headcount and rightsizing future operating and administrative needs;
- Minimizing the Company’s reliance on third party service providers and professional fees; and
- Monetize redundant and available for sale assets.

These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

To date, the completion of the BZAM Transaction has increased assets and revenues of the Company as well as reduced relative costs. Management of the Company anticipates that a larger asset and revenue base together with reduced relative costs for the Company and reduced debt to asset ratio will increase the profitability of the Company, as well as increase the likelihood of additional funding being available to the Company.

	For the three months ended		
	March 31, 2023	March 31, 2022	Variance to 2022 (\$)
Net cash used in operating activities	\$ (7,374)	\$ (3,727)	\$ (3,647)
Net cash used in investing activities	(347)	(1,395)	1,048
Net cash provided/(used) by financing activities	4,788	2,818	1,970
Net effects of foreign exchange	69	(244)	313
Decrease in cash and cash equivalents	\$ (2,864)	\$ (2,548)	\$ (316)

### *Operating Activities*

In Q1 2023, net cash used in operating activities was \$3,647 higher than the three months ended March 31, 2022. The increase was primarily due to increased costs for the three months ended March 31, 2023.

### *Investing Activities*

In Q1 2023, the net cash used in investing activities was \$1,048 lower than the three months ended March 31, 2022. The decrease was primarily due less cash transferred to restricted cash in Q1 2023.

### *Financing Activities*

In Q1 2023, net cash provided in financing activities was \$1,970 higher than the three months ended March 31, 2022. The increase was primarily the result of \$2,500 from the promissory note from the company controlled by the BZAM Shareholder, Stone Pine Capital, partially offset by an increase in interest paid of \$708.

### *Contractual Obligations*

The Company had the following estimated gross contractual obligations as at March 31, 2023, which were expected to be payable in the following respective periods:

Contractual cash flows - 12 months ending <sup>(1)</sup>								
	Carrying amount	Total	March 2024	March 2025	March 2026	March 2027	March 2028	Thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	27,197	27,197	27,197	-	-	-	-	-
Sales taxes payable	2,923	2,923	2,923	-	-	-	-	-
Loans	36,647	41,387	35,179	500	500	5,208	-	-
Liabilities held for sale	3,684	10,461	480	480	520	600	600	7,781
Lease liabilities	12,116	18,591	2,050	2,056	1,954	1,968	1,904	8,659
Total contractual obligations	82,567	100,559	67,829	3,036	2,974	7,776	2,504	16,440

<sup>(1)</sup> Contractual cash flows include expected interest payable until the maturity date.

The Company's accounts payable and accrued liabilities include consolidated trade payables and accrued liabilities for work incurred, including for the construction of the facilities and the payables related to its licencing revenue stream.

The contractual cash flows in the table above include the relevant interest and principal payments related to the total of \$30,609 drawn on the Revolver Loan as at March 31, 2023, payable until maturity dates. Over the balance on March 31, 2023, the Company expects further draws on the \$3,391 available credit under the Revolver Loan secured by trade receivables, for which it will have to incur interest charges based on actual use.

The Company's lease liabilities are measured in accordance with IFRS 16 where the Company has recognized an increase to both assets and liabilities on the consolidated statements of financial position, as well as a decrease to operating expenses (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability).

#### ***Other Contractual Commitments***

Pursuant to certain agreements related to the Hamilton Facility, as at December 31, 2022, the Company had letters of credit in the amount of \$133 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which have been recorded in other assets. As at March 31, 2023, there have been no breaches and no amounts have been drawn on the letters of credit.

#### ***Claims and Litigation***

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. The Company is subject to certain employment related claims by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows. Other than the claims previously described in the Company's annual information form for the year ended December 31, 2022 dated April 18, 2022, the Company is not aware of any other material or significant claims against the Company.

Should the remaining claim or any other litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the value or market price for the Common Shares and could require the use of significant resources. Even if the Company is involved in litigation and is ultimately successful, litigation can require the redirection of significant resources. Litigation may also create a negative perception of the Company's brand.

#### ***Use of Proceeds from Previous Financings***

The Company filed a prospectus supplement dated December 19, 2022, and closed an offering in order to raise gross proceeds of approximately \$5.08 million, with the use of proceeds described as for working capital and general corporate purposes. Since the closing of the offering all proceeds have been expended on working capital and general corporate purposes as therein described. As at the date of this MD&A, there have been no updates to the use of proceeds disclosure.

### **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 material current or future effect on the financial performance or financial condition of the Company.

## CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES IN ACCOUNTING POLICIES

There were no significant changes in the Company's accounting policies and critical accounting estimates for the year ended March 31, 2023. The preparation of the Interim Condensed Consolidated Financial Statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. 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.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

### [a] Fair values

The Company's financial instruments were comprised of the following as at March 31, 2023: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; other current assets; accounts payable and accrued liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instrument's recorded at amortized cost is that the instrument's fair value approximates their carrying amount is largely due to the short-term maturities of these instruments.

### [b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the three months ended March 31, 2023, there were no transfers of amounts between levels (year ended December 31, 2022 – no changes).

### [c] Management of key risks arising from financial instruments.

#### *Credit Risk*

As at March 31, 2023, the Company had three customers whose balances individually were greater than 10% of total trade receivables as at March 31, 2023 (December 31, 2022 – three customers). Customer A accounted for 44%, Customer B accounted for 12% and Customer C accounted for 23% of trade receivables as at March 31, 2022 (December 31, 2022 – Customer A accounted for 36%, Customer B accounted for 15% and Customer C accounted for 23%). Customer A, B and C are provincial government entities.

## RELATED PARTY TRANSACTIONS

### *Identification of related parties*

Related parties as at March 31, 2023 have been identified as follows:



<b>Related party</b>	<b>Business relationship</b>	<b>Measurement basis</b>
Angus Footman	Director	Exchange amount
Olivier Dufourmantelle	Director, Senior Officer	Exchange amount
Louis Sterling	Director	Exchange amount
Jacques Dessureault	Director	Exchange amount
Chris Schnarr	Director	Exchange amount
Keith Merker	Director	Exchange amount
Bassam Alghanim	Director	Exchange amount
Tony Moschella	Director	Exchange amount
Sean Bovingdon	Director, Senior Officer	Exchange amount
Michel Gagne	Senior Officer	Exchange amount
Matt Milich	Senior Officer	Exchange amount
Jordan Winnett	Senior Officer	Exchange amount
Wyld GLX Corp.	Joint venture	Exchange amount

### ***Key transactions with related parties***

The Offering will be considered a related party transaction as the Chairman of the Board will be participating in the Offering. Aside from the Indemnity Escrow Share Release, and the release of the Milestone Escrow Shares, there have been no material transactions with related parties and no unusual transactions outside of the normal course of business during the three months ended March 31, 2023. No expense has been recognized in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties. No other new guarantees have been given or received by related parties during the three months ended March 31, 2023. As at March 31, 2023, the Company had a loan from company controlled by the BZAM International Ltd. shareholder totalling \$2,500 (December 31, 2022 – \$2,200), which is subordinate to the Revolver Loan. There are no other receivable or payable balances with key management personnel and \$87 of director fees payable (December 31, 2022 – \$139 directors fee payable).

## **REGULATORY LANDSCAPE**

The results of operations and financial condition of the Company are subject to a number of regulations and are affected by a number of factors outside the control of management.

### ***Canadian Regulatory Landscape***

The production, distribution and sale of cannabis in Canada is strictly regulated. On October 17, 2018, the Cannabis Act and accompanying regulations promulgated under the Cannabis Act (the “Cannabis Regulations”), and the new industrial hemp regulations (the “IHR”, and together with the Cannabis Regulations, collectively, the “Regulations”), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed entity with authorization to produce and sell any class of cannabis (except plants and seeds) must provide 60-days notice to Health Canada of its intent to sell any new cannabis retail product prior to making such product available for sale to provincially authorized purchasers or medical users.

Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory provided that the provincial or territorial legislation contains certain measures that mirror the public health policy goals of the federal regime. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Patients who have the authorization of their healthcare provider may register with Health Canada to have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

### ***Provincial Regulatory Framework for Recreational Cannabis***

While the Cannabis Act provides for regulation of the commercial production of cannabis and related matters by the federal government, the provinces and territories of Canada have authority to adopt their own laws and regulations governing the

distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19, except for Alberta, where the minimum age is 18, and Québec, where the minimum age is 21.

All Canadian provinces and territories have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. In most provinces, provincial/territorial crown corporations act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances as exclusive retailers.

Some provinces also authorize municipal governments to impose additional requirements and regulations on the sale of recreational cannabis, such as by restricting the number of recreational cannabis retail outlets that are permitted in a certain geographical area. Municipal zoning authority also generally permits a municipality to restrict the geographical locations wherein such retail outlets may be opened.

### ***Regulatory Landscape Outside Canada***

The Company only conducts business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all laws of the foreign jurisdiction, the laws of Canada and the rules of the CSE. The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, as well as local business culture and practices, are different from those in Canada. Prior to commencing operations in a new country, in partnership with local legal counsel, consultants and partners, the Company conducts legal and commercial due diligence in order to ensure that the Company and its officers and directors gain a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in such jurisdiction. Where possible, the Company seeks to work with respected and experienced local partners who can help the Company to understand and navigate the local business and operating environment, language and cultural differences. In consultation with advisors, the Company takes steps deemed appropriate in light of the level of activity and investment it expects to have in each country to ensure the management of risks and the implementation of necessary internal controls.

#### ***Germany***

In March 2017, the German legislature introduced “The Cannabis as Medicine Act” (Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften) which regulates the requirements for the marketability of cannabis pharmaceuticals and their inclusion in health insurance plans. Under this Act, statutory insured patients suffering from a severe disease (i.e. life-threatening or seriously affecting quality of life) are entitled to treatment with medicinal cannabis (flowers or extracts in standardized quality) if (i) generally recognized treatment in accordance with medical standards is either not available, or cannot be applied in individual cases according to the justified assessment of the treating physician, and (ii) if there is a not entirely distant prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based pursuant to section 72 Medicinal Products Act (Arzneimittelgesetz – “AMG”). Generally, the import authorization can be issued for cannabis from cultivations controlled by the country of origin pursuant to the requirements of the 1961 UN Single Convention on Narcotic Drugs. Additionally, importers must apply for a manufacturing authorization pursuant to section 13 AMG if they carry out at least one manufacturing step within the meaning of section 4 (14) AMG (e.g. preparing, formulating, treating or processing, filling, decanting, packaging, labelling) after import. Furthermore, the distribution of drug products treated with radiation (e.g. E-Beam) requires a permit under the German Regulation on Drug Products treated with Radiation (Verordnung über radioaktive oder mit ionisierenden Strahlen behandelte Arzneimittel – “AMRadV”).

The marketing of medicinal cannabis products that qualify as finished medicinal products requires a marketing authorization issued by the competent Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – “BfArM”).

Pursuant to sec. 72a AMG, importers of medicinal cannabis must ensure that their products have been produced in compliance with applicable quality standards and must obtain a written confirmation from a competent authority to prove compliance. In particular, cannabis medicinal products must be manufactured in compliance with the manufacturing standards of the Pharmaceuticals and Active Agent Manufacturing Ordinance (Arzneimittel- und Wirkstoffherstellungsverordnung – “AMWHV”) which implements the EU Good Manufacturing Practice (“EU-GMP”). In addition to standards for the growing and cultivation of the cannabis plant

itself, such as the Good Agricultural and Collection Practice (GACP), which is annexed to the EU-GMP, specific pharmaceutical quality standards must be met before placing the product on the market. Such standards are established by pharmaceutical monographs (e.g. “Cannabis Flowers”, “Cannabis Extract”), which are published by the BfArM in the German Pharmacopoeia (Deutsches Arzneibuch – “DAB”).

Finally, medicinal cannabis products with a THC concentration of at least 0.2 percent qualify as narcotics under German law and are therefore subject to the authorization requirements under the German Narcotic Drugs Act (Betäubungsmittelgesetz – “BtMG”). Under this Act, the seller, buyer and other processors (e.g. importers, distributors, etc.) of medicinal cannabis products must obtain an authorization by the BfArM. Such an authorization has been issued per se for qualified doctors and pharmacists who sell or buy narcotics for the treatment of a patient or in the course of the operation of a pharmacy. Although CBD as such is not subject to the BtMG unless the possible THC traces exceed 0.2 percent, it is currently unclear whether products containing CBD will be classified and marketed as industrial hemp products or food rather than narcotic drugs following a judgment from the Court of Justice of the European Union on November 19, 2020 and the European Commission’s ongoing review of applications for approval of products containing CBD as novel foods. In its ruling of March 24, 2021, the German Federal Court of Justice (Bundesgerichtshof - “BGH”) ruled that the sale of hemp flowers and leaves to end-consumers may qualify as a narcotic but is not necessarily prohibited under the BtMG, provided that these products serve exclusively commercial or scientific purposes without intent to cause intoxication.

## **RISK FACTORS AND UNCERTAINTIES**

Many factors could cause the Company’s results of operations, performance and financial condition to differ materially from those expressed or implied by the forward-looking statements and forward-looking information contained in this management’s analysis and discussion, including the following factors, which are discussed in greater detail under the heading “Risk Factors” in the Company’s current Annual Information Form as updated by subsequent reports, filed with securities regulators and available on the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com), which risk factors are incorporated by reference into this document and should be reviewed in detail by all readers:

- the Company’s ability to continue as a going concern;
- the Company’s ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise;
- the Company has a limited operating history;
- the Company may be unable to achieve revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management;
- the Company may incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the Company is subject to risks typically associated with secured debt financing;
- the Company may incur additional indebtedness;
- the adult-use cannabis market in Canada is a relatively new industry;
- the adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases;
- the Company’s business is dependent on key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics;
- the Company is reliant on regulatory approvals and cultivation licences for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal;
- any failure on the Company’s part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure;
- under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance;
- the Company’s industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;

- the Company, or the cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer or investor perception;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- if the Company is unable to develop and market new products, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- consumer preferences may change and the Company may be unsuccessful in retaining customers;
- trade of cannabis for non-medicinal purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company must rely on international advisors and consultants in the foreign countries in which it operates and intends to operate;
- the Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not continue or enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company may not be able to meet the rapidly evolving standards regarding the sustainable and effective sourcing of the necessary materials to cultivate and produce its products and dispose of waste accordingly;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts;
- the Company is vulnerable to rising energy costs;
- the Company's quality control systems may not operate effectively;
- the Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources;
- the Company faces an inherent risk of exposure to product liability;
- the Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the Company may become subject to litigation in the ordinary course of business;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties;
- the Company may be subject to breaches of security at its facilities;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of its securities;
- the Company has negative operating cash flow;
- the Company may be subject to credit risk;
- tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes;
- the Company may not be able to renew or secure adequate insurance to protect its assets, operations and employees;
- the Company may not be able to expand its operations and product offerings into international markets;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- the price of the Common Shares in public markets may experience significant fluctuations;
- if securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;

- it is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future; and
- the Company is subject to ongoing reporting requirements under applicable securities laws and exchange policies.

In addition, the Company highlights the following risk factors:

***Assumptions related to cash flows and future sales of the Company's product lines***

The Company expects to be required to fund negative Canadian operating cash flows prior to achieving positive Canadian operating cash flows and expects that the Company's financial resources and expected revenues and draw downs on its Revolver Loan, will be sufficient to pay its obligations and fund its operations for the coming months. Achieving positive Canadian operating cash flows and funding operations for the coming months is reliant on revenues and working capital requirements being in line with expectations, which is in turn reliant on, among other things, future sales of the Company's product lines over the coming months. The Company's expectations of positive Canadian operating cash flows and of achieving sufficient revenues to fund, when taken together with its other financial resources, its operations over the coming months is based on a variety of assumptions relating to production and production capacity, growth in the number of product offerings and store locations in which the Company's products are sold, growth in total sales, consumer demand for the Company's products, market pricing of cannabis products, cost of sales, sales and marketing expenses, the pace of opening of and increase in the total number of recreational cannabis retail stores across Canada, and the total size of the Canadian recreational and medical cannabis markets over the coming months. Actual results may vary materially from the Company's expectations if any of the Company's assumptions are inaccurate. Accordingly, readers should not place undue reliance on forward-looking statements, including the Company's expectations relating to future Canadian operating cash flows and sales of its products. The Company does not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada. See "Cautionary Statement Regarding Forward-Looking Information". Actual results may also be impacted by all of the risk factors in this MD&A and in the Company's most recently filed Annual Information Form.

***Acquisition and Integration Risk***

The Company recently completed the BZAM Transaction. It may in the future make further acquisitions and investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations. The Company may have difficulty integrating any such acquisitions, including the BZAM Transaction, successfully or realizing the anticipated benefits therefrom, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

Pursuing potential strategic acquisitions or investment opportunities is one possible growth strategy. Any transactions that the Company enter into could be material to its business, financial condition, results of operations, cash flows and prospects. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments involve a number of risks, including:

- diversion of management time and focus from operating the Company's business;
- use of resources that are needed in other areas of the Company's business;
- integration of the acquired company;
- implementation or remediation of controls, procedures and policies of the acquired company;
- difficulty integrating the accounting systems and operations of the acquired company;
- coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company and difficulty converting the customers of the acquired company onto its platform, including disparities in the revenue, licensing, support or professional services model of the acquired company;
- difficulty integrating, supporting or enhancing acquired products or services, including difficulty in transitioning acquired products or services;
- retention and integration of employees from the acquired company, and preservation of its corporate culture;
- the potential loss of key employees;
- unforeseen costs or liabilities, including the use of substantial portions of its available cash to consummate the acquisition;
- adverse effects to its existing business relationships with customers as a result of the acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the acquired company or investment; and
- the need to integrate potential operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company or asset may not be adequately reflected in the historical financial statements of or other financial information relating to such company or asset and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with the Company's

assumptions or approach to accounting policies. In addition, such future acquisitions could involve tangential businesses which could alter the strategy and direction of the Company. Furthermore, a significant portion of the purchase price of companies the Company has acquired may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if the Company's acquisitions do not yield expected returns, the Company may be required to take charges to its operating results based on this impairment assessment process, which could adversely affect its results of operations.

Although the Company has conducted and will conduct due diligence in connection with potential strategic acquisitions or investment opportunities and potential vendors have, may or will provide a number of representations and warranties in favour of the Company in connection with these acquisitions, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of or issues concerning the acquired entities. Following the closing of any potential strategic acquisitions or investment opportunities, the Company may discover that it has acquired substantial undisclosed liabilities or that certain of the representations made by the vendors are untrue. There can be no assurance of recovery by the Company from potential insurers or potential vendors for any breach of the representations, warranties or covenants to be provided by such potential vendors under the applicable acquisition agreements because there can be no assurance that the amount and length of such potential insurance coverage or of the potential indemnification obligations will be sufficient to satisfy such potential obligations, or that such potential vendors will have any assets or continue to exist. The Company's eventual inability to claim for full indemnification from potential vendors could have a material and adverse effect on the Company.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect its share price, or result in the incurrence of debt with restrictive covenants that limit the Company's future uses of capital in pursuit of business opportunities. Additionally, the Company, and any potential target for a strategic acquisition or investment as a combined entity, is subject to numerous risks that could adversely affect the Company's growth and profitability, including: (i) the risk that the Company may not be able to successfully manage a potential target for a strategic acquisition or investment's operations, (ii) the risk that its operational, financial and management systems may be incompatible with, or inadequate to effectively integrate and manage systems acquired from potential target for a strategic acquisition or investment, (iii) the risk that a potential strategic acquisition or investment may require financial resources that could otherwise be used in the development of other aspects of its business, (v) the risk that the Company may not obtain the consents required under agreements entered into with third parties, (vi) the risk that the integration process may result in operational problems, costs, expenses, liabilities, including loss of contracts and customers, and (vii) the risk that the Company's key management or employees and of a potential target for a strategic acquisition or investment may not be retained or may leave following the strategic acquisition or investment, which could have a significant impact on the combined entity's operations, specifically if such departures were to occur in positions or roles which require significant technical and operational knowledge and for which qualified replacement personnel is scarce.

The successful integration of recent and potential strategic acquisitions or investments will also require cooperation between the Company's employees and the acquired companies or investees and is subject to the risk that personnel from the Company and the acquired companies or investees may not be able to work together successfully, which could adversely impact the Company's business, financial condition and results of operations. The Company may not be able to identify acquisition or investment opportunities that meet its strategic objectives, or to the extent such opportunities are identified, the Company may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to the Company.

### ***Permits and Approvals on Real Property***

The Company's operations may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing cannabis, occupational health, waste disposal, land use, environmental protections, and other matters. Adverse changes or developments affecting the Company's facilities, including but not limited to the failure to maintain all requisite regulatory and ancillary permits and licenses, the failure to comply with state or municipal regulations, or a breach of security, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. In addition, any breach of any leases relating to any of the Company's real property, or any failure to renew any applicable leases on materially similar or more favourable terms, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could also have an impact on the Company's ability to continue operating.

The Puslinch Facility is subject to provincial and municipal regulation and oversight, including the acquisition of all required regulatory and ancillary permits to conduct operations or undertake any construction. Any breach of regulatory requirements, security measures or other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by government regulators at all levels, could also have an impact on the Company's ability to keep the Puslinch Facility in good standing, and to continue operating its business. There can be no guarantee that the Company has or will be able to obtain all necessary permits and approvals.

The Puslinch Facility continues to operate with routine maintenance. The Company will bear many, if not all, of the costs of maintenance and upkeep of the Puslinch Facility, including replacement of components until it is sold. The Company's operations



and the Company's financial performance may be adversely affected if the Company is unable to keep up with maintenance requirements.

***The Company has expanded and intends to further expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so.***

As international demand grows, the Company intends to consider the expansion of its operations and business into jurisdictions outside of Canada, but there can be no assurance that any market for its products will develop in any such foreign jurisdiction. The continuation or expansion of its operations internationally will depend on the Company's ability to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. An agency's denial of or delay in issuing or renewing a permit, license, or other approval, or revocation or substantial modification of an existing permit or approval, could prevent the Company from continuing its operations in or exports to other countries.

Operations in non-Canadian markets may expose the Company to new or unexpected risks or significantly increase the Company's exposure to one or more existing risk factors. Some governmental regulations may require the Company to award contracts in, employ citizens of, and/or purchase supplies from the jurisdiction. These factors may limit the Company's capability to successfully expand the Company's operations and may have a material adverse effect on the Company's business, financial condition and operations.

In addition, the Company is further subject to a wide variety of laws and regulations domestically and internationally with respect to the flow of funds and product across international borders and the amount of cannabis the Company exports may be limited by the various drug control conventions to which Canada is a signatory.

While the Company continues to monitor developments and policies in the markets in which the Company operates and assess the impact thereof to the Company's operations, such developments cannot be accurately predicted and could have an adverse effect on the Company's business, operations or profitability.

***As the cannabis market continues to mature, the Company's products may become obsolete, less competitive, or less marketable.***

Because the cannabis market and associated products and technology are rapidly evolving, both domestically and internationally, the Company may be unable to anticipate and/or respond to developments in a timely and cost-efficient manner. The process of developing the Company's products is complex and requires significant costs, development efforts, and third-party commitments. The Company's failure to develop new products and technologies and the potential disuse of the Company's existing products and technologies could adversely affect the Company's business, financial condition and operations. The Company's success will depend, in part, on the Company's ability to continually invest in research and development and enhance the Company's existing technologies and products in a competitive manner.

***The Company competes for market share with a number of competitors, and many of the Company's current and future competitors may have longer operating histories, more financial resources, and lower costs than us.***

As the cannabis market continues to mature, both domestically and internationally, the overall demand for products and the number of competitors is expected to change. Such shifts in market demand, and other factors that the Company cannot currently anticipate, could potentially reduce the market for the Company's products, which could ultimately have a material adverse effect on the Company's business, financial condition and operations.

The cannabis industry is undergoing substantial change, which has resulted in an increase in new and existing competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company's business in a number of ways, including losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats. There is potential that the Company will face intense competition from not only existing companies but from new entrants, all of which could harm the Company's operating results.

The Company also faces competition from illegal cannabis dispensaries and 'black market' operations and participants, who do not have a valid license, that are selling cannabis to individuals, including products with higher concentrations of active ingredients, using flavours or other additives or engaging in advertising and promotion activities that are not permitted by law. Because they do not comply with the regulations governing the cannabis industry, illegal market participants' operations may also have significantly lower costs.

The Company's future success depends upon the Company's ability to maintain competitive production costs through economies of scale and the Company's ability to recognize higher margins through the sale of higher margin products. To the extent that the Company is not able to continue to produce the Company's products at competitive prices or consumers prioritize established low margin products over innovative, higher margin products, the Company's business, financial conditions and operations could be materially adversely affected.

## DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer (the “Certifying Officers”), in accordance with National Instrument 52-109, have certified that they have reviewed the Interim Condensed Consolidated Financial Statements and this MD&A (the “Filings”) and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

Since the Company’s Common Shares are traded on the CSE, the Company is considered a “Venture Issuer” as defined in National Instrument 51-102 *Continuous Disclosure Obligations* and is not required to certify the design and evaluation of its disclosure controls and procedures (“DC&P”) nor internal controls over financial reporting (“ICFR”) and has not completed such an evaluation. The inherent limitations on the ability of the Certifying Officer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of annual filings and other reports provided under securities legislation.

The Certifying Officers believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Common Shares <sup>(1)</sup>	158,121,729
Warrants <sup>(2)</sup>	25,874,588
RSUs issued to employees	187,500
Stock options	7,525,700

### **Notes:**

(1) The Company completed the Consolidation on November 8, 2022 whereby its issued and outstanding Common Shares were consolidated on a 10:1 ratio.

(2) The Consolidation Ratio also applies to the Warrants which are currently exercisable on the basis of one Warrant for one Common Share. Accordingly, effective as of the Consolidation date, the holders of Warrants will be entitled to receive one post-Consolidation Common Share on the exercise of ten Warrants.

See the Company’s Interim Consolidated Financial Statements for a detailed description of these securities. The Warrants, RSUs, and stock options are each convertible into Common Shares.