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

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023 and September 30, 2022

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

This Management's Discussion and Analysis ("MD&A") reports on the unaudited 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 and nine months ended September 30, 2023, and 2022. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2023, and September 30, 2022 (the "Interim Condensed Consolidated Financial Statements") which were prepared in accordance with International Accounting Standards 34, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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 herein to the Company's common shares (the "Common Shares") have been updated to reflect the consolidation of the Common Shares completed on November 8, 2022, whereby the issued and outstanding Common Shares were consolidation on a 10:1 ratio (the "Consolidation"), including any references herein to the pre-Consolidation Common Shares.

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 or on SEDAR+ at www.sedarplus.ca.

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, the Company's 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 the Company will not assert, to the fullest extent under applicable law, the Company's 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 the Company's strong ongoing relationships with its 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 the Company 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 November 28, 2023, the date of this MD&A.
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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 Condensed Consolidated Financial Statements. For an explanation of these measures to the most directly comparable financial information presented in the Interim Condensed 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:

- "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.
- "Adjusted Gross Profit before changes in fair value of biological assets adjusted" 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 the Company's 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 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 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, restructuring costs, transaction costs and miscellaneous one-off 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 measure provides 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.

- "Adjusted G&A" is a Non-IFRS 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 G&A as general and administrative expenses less termination costs, restructuring costs and any one-off expenses incurred.

A reconciliation of these Non-IFRS 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 head and registered office is located at 19100 Airport Way, Unit 518, Pitt Meadows, BC, V3Y 0E2. 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"), BZAM Management Inc., and its partially owned subsidiaries, Folium Life Science Inc. and BZAM Cannabis Corp. ("BCC"), 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") and in Edmonton, Alberta (the "Edmonton Facility").

The Company also has leases for and operating licences with facilities holding cultivation and processing licences in Vaudreuil, Québec (the "Québec Facility"), Saanichton, British Columbia (the "Saanichton Facility") and Pitt Meadows, British Columbia (the "Pitt Meadows Facility") and sells direct to customers under a retail sales licence from its leased store in Saskatchewan.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing a targeted international growth strategy, and has established strategic agreements for the distribution of cannabis derived medical products primarily focused on Germany, Australia 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 Canadian market leader and consumer favourite, en route to becoming a global cannabis company as foreign markets open. The central pillars supporting the Company's strategy and value proposition include:

1. **<u>Innovation:</u>** In Canada, the Company has a dynamic 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™, TABLE TOP™, as well as partner brands DUNN Cannabis, FRESH and Wyld. 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.
    - *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. Wyld is the #1 cannabis edible brand in North America.
    - *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.
    - *Craft:* The Company includes partner brands DUNN Cannabis and FRESH.

- *Vape:* The Company is strategically enhancing its standing as a leading player within this category. As part of this initiative, the Company is expanding its product portfolio to encompass a diverse range of offerings which includes the introduction of live rosin and liquid diamonds. Additionally, building on the success of BZAM vapes, the Company has launched a 1.2g offering and increased its vape potencies overall to align with market demand further cementing its commitment to innovation and quality in this category.

2. **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 product launches include:
    - BZAM Blackberry Breath 1g Live Rosin Cart
    - TGOD Greenhouse Variety Pack 4 x 3.5g flower
    - Different flavours of terpene-infused pre-rolls under line extension -ness Splash; Blue Kiwi 3x0.5g, Ninja Fruit 3x0.5g
    - -ness; Dark Cherry 1g vape, Spiced Vanilla & Strawberry Orange Smoothie twin pack 2 x 0.5g vape
    - Cross category products: -ness Pumpkin Spice 1g vape and 0.5g Infused pre-roll, -ness London Nog 1g vape and 3x0.5g Infused pre-roll
    - Seasonal LTOs; BZAM Festive Feast 3x0.5g Infused pre-roll
    - DUNN; Sticky Cake 3.5g, Double-Iced Vanilla Infused pre-roll
    - TGOD Durban Gorilla 14g flower
    - Highly Dutch Organic; Rotterdam pre-rolls 14 x 0.5g

3. **Sustainability:** Environmental stewardship and sustainability are important aspects of the Company's day-to-day operations. Environmental responsibility informs the Company's approach to cultivation, production, and waste disposal. Each facility employs specifically suited practices, including grinding plant waste and adding compost accelerator for faster decomposition, using a controlled drip water system to boost irrigation efficiency, 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.

    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.

Core Brands and Products

The Company's portfolio includes five core brands and three partner brands, 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**
BZAM	- Dried Flower - Pre-Rolls - Concentrates (Infused) - Vape - Hash	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nunavut, PEI, Northwest Territories
Highly dutch organic	- Dried Flower - Pre-Rolls - Extracts	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, PEI
-ness	- Dried Flower - Pre-Rolls - Concentrates (Infused) - Vape	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, Nunavut, PEI, Northwest Territories
GREEN ORGANIC DUTCHMAN - ESTABLISHED 2012 -	- Dried Flower - Pre-Rolls	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nunavut, PEI, Northwest Territories
TABLE TOP	- Dried Flower - Pre-Rolls - Extracts (milled)	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland, Nova Scotia, PEI
WYLD	- Edibles	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, PEI, Nova Scotia, Newfoundland
DUNN 2018 CRAFT	- Dried Flower - Pre-Rolls - Live Rosin Vape Cartridges	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Yukon
FRESH	- Dried Flower	British Columbia, Alberta, Quebec, Manitoba, Saskatchewan, Ontario, Yukon

Production Facilities and Licences

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

Facility	Location & Size (Sq Ft)	2023 Cultivation Capacity (1)	Activities	Expiry of Current License Terms
Hamilton Facility	Ancaster, ON 166,000 Sq Ft	17,230kg flower	Owned facility with a cultivation, processing and sales licence, as well as an R&D 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
Pitt Meadows Facility	Pitt Meadows, BC 39,098 Sq Ft Land 18,000 Sq Ft Processing	Processing	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
Québec Facility	Vaudreuil, QC 8,800 Sq Ft 1,500 Sq Ft Cultivation	Processing	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(2)	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

<u>Notes:</u>
(1) "2023 Capacity" refers to the potential cultivation 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 generally based on observed yields over the previous 12 months. 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.
(2) Listed for sale in August 2023. See "Recent Developments" below for more information.

KEY HIGHLIGHTS

During the three months ended September 30, 2023 ("Q3 2023"), the Company:

- Achieved quarterly gross revenues of $29.6 million, a 114% increase from the three months ended September 30, 2022 ("Q3 2022"), and a 1% decrease from the three months ended June 30, 2023 ("Q2 2023");
- Achieved quarterly net revenues of $21.0 million, a 112% increase from Q3 2022 and a 9% increase from Q2 2023;
- Implemented the final phase of the post-merger synergy plan to monetize redundant facilities, clean up inventory, and reduce expenses;
- Initiated deliveries further to various export agreements in three international markets, leveraging the Company's EU-EMP certification obtained in Q2 2023; and
- Achieved an adjusted G&A of 22% of gross revenues, reduced from 30% in Q3 2022, and slightly increased from 21% in Q2 2023, primarily as a result of increasing revenues whilst reducing relative headcount, renegotiating service level agreements with vendors, and maintaining cost discipline.

RECENT DEVELOPMENTS

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

Sale of Galaxie Assets (Puslinch Facility)

On June 30, 2023, the Company completed the sale of all of the issued and outstanding shares of Galaxie Brands Corporation ("Galaxie") to a third party, pursuant to a share purchase agreement, for net proceeds of $0.56 million (the "Galaxie Sale").

Sale of the Midway Facility

On August 4, 2023, the Company completed the sale of its outdoor cultivation facilities, equipment and accommodation building located at its cannabis cultivation facility in Midway, British Columbia (the "Midway Facility") sale for total net proceeds of $3.08 million (the "Midway Sale"). All cash proceeds from the Midway Sale were received by the Company by August 11, 2023. Pursuant to the Fifth Amendment (as defined herein) of the Revolver Loan (as defined herein), fifty percent of the net cash proceeds received, being $1.55 million were remitted to the Lender (as defined herein) as payment for the term portion of the Revolver Loan.

Sale of the Maple Ridge Facility

On September 28, 2023, the Company completed the sale of its facility located in Maple Ridge, British Columbia (the "Maple Ridge Facility") for total net proceeds of $3.68 million (the "Maple Ridge Sale"). Fifty percent of the cash proceeds from the Maple Ridge Sale were received by the Company on September 30, 2023. Pursuant to the Fifth Amendment of the Revolver Loan, fifty percent of the net cash proceeds, being $1.85 million, were paid directly to the Lender as payment for the term portion of the Revolver Loan.

Pending Sale of Edmonton Facility

As of September 30, 2023, the Edmonton Facility is listed for sale with an asking price of $10.8 million with expected commission fees of 3%.

Equity Issuances

On June 9, 2023 the Company completed a non-brokered private placement, whereby it issued 22,222,223 Units at a price of $0.225 per Unit for gross proceeds of $5 million (the "Offering"). Each Unit consisted 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.

EU-GMP certification and expansion into the United Kingdom

On May 23, 2023, the Company announced that the Company entered into a strategic distribution agreement with 4C LABS Ltd. ("4C Labs"), a London, United Kingdom based import & distribution company focused on the medical cannabis market. On October 31, 2023, the Company announced that it had completed its first shipment of Canadian certified organic, EU-GMP (as defined herein) medical cannabis to the United Kingdom on October 25, 2023. The Company was shipping its first 150kg of its top strains to 4C Labs for onward distribution to 4C Labs pharmacy clients in the United Kingdom. Pursuant to the agreement, the Company will supply 4C Labs with approximately 600kg of flower annually for the next two years.

Revolver Loan Credit Facility

On June 30, 2023, the Company entered into a fifth amendment (the "Fifth Amendment") to the amended and restated credit agreement dated September 29, 2021, as amended (the "Credit Agreement") between the Company and its Canadian lender (the "Lender") establishing the Company's secured revolving credit facility (the "Revolver Loan"). The Fifth Amendment, amongst other things: (i) stated that any repayment made in respect of the Base Facility Amount (as defined in the Credit Agreement) prior to March 24, 2024, being the maturity date (each such repayment, a "Base Facility Prepayment") shall permanently reduce the Base Facility Amount (but, for greater certainty, not the Maximum Revolving Facility Limit (as defined in the Credit Agreement)) by an amount equal to such Base Facility Prepayment; (ii) required the Company from September 30, 2023 to make Base Facility Prepayments, on a monthly basis, in amounts to be determined by the Lender acting reasonably; (iii) amended the EBITDA financial covenant to take effect on July 31, 2023; and (iv) required the Company to remit to the Lender no less than fifty percent of the proceeds from the Midway Sale, and no less than fifty percent of the proceeds from the sale of the Maple Ridge Facility, for an aggregate amount that is greater than or equal to $3.0 million.

On October 27, 2023, the Company entered into a waiver agreement with the Lender due to its breach of the covenant in the Fifth Amendment requiring positive EBITDA by July 31, 2023. The waiver was provided until January 31, 2024.

Additional Purchase of Shares of BCC

On August 10, 2023, the Company announced that it had closed its purchase of an aggregate of 270,000 class A shares in the capital of BCC from certain minority shareholders of BCC (the "BCC Shareholders") pursuant to share purchase agreements entered into with each of the BCC Shareholders (the "Share Purchase"). As consideration for the Share Purchase, the Company: (i) issued an aggregate of 475,000 Common Shares to certain BCC Shareholders at a price of between \$0.18 and \$0.23 per Common Share; and (ii) paid an aggregate of \$14,700 to other BCC Shareholders who did not receive Common Shares. The closing of the Share Purchase has resulted in the Company owning 88.2% of BCC, which is a 30.5% increase from the Company's prior ownership stake of BCC.

Stock Option Grants

On August 27, 2023, the Company granted options (each, an "Option") to purchase an aggregate of up to 85,000 Common Shares to certain employees of the Company. Each Option is exercisable into one Common Share at an exercise price per Common Share equal to \$0.16. 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. The Options are granted in accordance with the Company's share option plan adopted by the board of directors of the Company on May 12, 2021.

Post-Merger Synergy Plan

On September 18, 2023, the Company completed the final phase of its post-merger synergy plan, following the merger of BZAM Holdings Inc. and The Green Organic Dutchman Holdings Ltd. ("BZAM Transaction"); providing a positive outlook. The plan has focused on: (i) eliminating redundant facilities, (ii) realigning the Company's production activities across remaining sites to maximize efficiencies, and (iii) reducing selling, general and administrative ("SG&A") expenses to achieve its goal of positive EBITDA. In particular, the implementation of the last phase results in focusing the scope of activities at the Pitt Meadows Facility and concentrating other activities at its Hamilton Facility, which together allow the Company to reduce headcount by more than 90 additional personnel. In its press release announcing the completion of its post-merger synergy plan, the Company noted that it anticipated Q3 2023 net revenue of at least \$20.3 million, a 5% increase versus the prior quarter. As at the end of Q3 2023, the Company achieved quarterly net revenues of \$21 million, a 9% increase versus the prior quarter.

Change of Auditor

On October 13, 2023, the Company announced that it had appointed MNP LLP as auditor of the Company effective as of October 10, 2023. Following the recommendation from the audit committee of the board of directors of the Company (the "Board"), the Board requested, and were provided with, KPMG LLP's resignation as the auditor of the Company effective October 10, 2023.

Promissory Notes

On October 27, 2023, the Company entered into a \$1.19 million demand promissory note (the "Fourth Promissory Note") with Stone Pine Capital Ltd. ("Stone Pine"), a company controlled by the Company's largest shareholder and current Chairman. The Fourth Promissory Note bears interest at a rate of prime plus 8.0% per annum and matures no earlier than January 31, 2025. The Fourth Promissory Note is subordinate to the Revolver Loan.

On November 8, 2023, the Company entered into a \$0.6 million demand promissory note (the "Fifth Promissory Note") with Stone Pine. The Fifth Promissory Note bears interest at a rate of prime plus 8.0% per annum and matures no earlier than January 31, 2025. The Fifth Promissory Note is subordinate to the Revolver Loan.

Other Strategic Initiatives Including International Expansion

As of September 30, 2023, the Company has international distribution agreements in Germany, Australia and the United Kingdom, and continues to pursue further growth opportunities internationally. The Company also continues to review other strategic initiatives to maximize shareholder value, including acquisitions in Canada.

Refer to the Company's summary of regulatory framework for the international markets in the "Regulatory Landscape" section below.

OUTLOOK

The Company continues to monitor and adapt to changing market conditions. This section should be read in conjunction with "*Risk Factors and Uncertainties*" section below.

At this time, the Company's outlook remains positive on the cannabis market both in Canada and internationally. In the third quarter of 2023, Canada's regulated market for recreational cannabis continued on its growth trajectory, with total sales of cannabis products reaching $1.3 billion, reflecting a 15% increase compared to the same period in the preceding year. Moreover, data sourced from Statistics Canada, substantiates the upward trajectory in the third quarter of 2023 with the sales of recreational cannabis products increasing by 6.1% in comparison to the preceding quarter.

This period also witnessed significant shifts in the relative share of different product categories, as consumer preferences continue to evolve. Notable among these shifts was the relative reduction in market share for the flower segment, which moved from 40.4% to 37.6% over the past twelve months. Conversely, the market share of pre-rolls increased by 30.5%, reaching a 32.7% share of the product mix. In addition, the vape market increased by 14.8%, reaching a 15.5% share of the overall adult use market. In aggregate, these three product categories make up approximately 86% of the recreational market.
In this context, the Company plans to:

- Continue to bolster and build upon existing provincial and retail partner relationships, through focused programming and strategic product launches;
- Continue to strengthen its product portfolio by focusing on efficient, high volume, high margin SKUs while adding innovation into trending categories like pre-rolls and vapes;
- Strategically launch new co-manufacturing partners' SKUs into select provinces; and
- Deliver on signed international agreements, grow international sales, and increase B2B revenue.

Increased demand for the Company's products is evidenced by the Company's national adult-use recreational cannabis retail market share in Canada. Some of the Company's best performing SKUs include:

Category	Brand	SKU	Nationwide Rank (all presentations within respective category)
Flower	Highly Dutch	Amsterdam Sativa - 28g	#2
Hash	Highly Dutch	Organic Afghan Black Hash - 2g	#4
Vape	-ness	Ninja Fruit - 1mL	#5

Management believes that the Company is well equipped to increase and fulfill demand in 2023. The Company is focused on improving operating cashflow from the streamlining of operations, implementing cost containment initiatives, a continued transition towards automation, and improving its 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 2024:

- Introduction and continuation of favourable accretive product mix and discontinuation of products at lower margin/price points;
- Continuing to concentrate activities and maximizing utilization at its two core facilities (Hamilton Facility and Pitt Meadows Facility), now operating at a higher percentage of facility capacity, continuing to improve absorption of fixed overhead costs;
- Cultivation improvements with higher Yield Per Plant achieved in Q2 2023 have continued through Q3 2023, lowering the cash cost price per gram. Also, utilizing a higher percentage of flower in higher margin SKU formats;
- Transitioning activities between facilities to maximize economies of scale, specialization, automation and operational efficiencies as well as continually improving processing and manufacturing KPIs and ensuring the Company can scale to higher volumes in the future;
- Supply chain optimization, standardization and logistics and freight saving initiatives;
- 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; 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 is focused on growing its net revenue, improving margins and reducing SG&A costs in order to become cash flow positive in subsequent quarters.

One of the biggest challenges on the Company's path towards profitability is the excise tax regime. The federal government created the taxation system based on expected $10 wholesale price for one gram of cannabis or 10% of the wholesale price. With the abundance of licensed producers and over supply of flower, as well as the need to entice more consumers away from the legacy market, the wholesale price for a gram of cannabis has fallen to less than approximately $3 per gram, with $1 minimum still needing to be paid as excise tax. With the wholesale price compression and excise dollar value fixed, the effective excise percentage has increased to approximately 33% as a result. This excise tax, compounded with the 2.5% regulatory fee on gross sales, has cannabis businesses licensed by the federal government struggling under the weight of taxes and fees, in an intensely competitive market.

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 loss (as reported) and Adjusted EBITDA for the periods presented.

	For the three months ended		For the nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Adjusted EBITDA (non-IFRS measure)				
Net loss from continuing operations	$ (16,981)	$ (6,862)	$ (101,770)	$ (26,696)
Adjustments:				
Realized fair value adjustment on sale of inventories	8,400	8,597	20,885	14,877
Unrealized gain on changes in fair value of biological assets	(6,895)	(8,998)	(18,011)	(21,986)
Depreciation and amortization	2,532	3,209	8,640	10,046
Share based compensation	(665)	370	313	1,207
Foreign exchange loss (gain)	45	1,373	226	2,995
Finance costs	1,759	1,296	5,222	3,409
Accretion expense	261	384	924	1,186
Finance income	(16)	(6)	(30)	(13)
Revaluation loss of contingent consideration	—	(1,716)	(15,870)	(2,601)
Loss (gain) on disposal of assets	37	—	29	(8)
Lease modification	—	—	389	—
Impairment charge for non-financial assets	—	—	61,791	6,183
Debt Modification	—	—	404	48
Gain on debt settlement	—	—	(65)	—
Impairment loss on remeasurement of disposal group	—	—	—	2,489
Net gain on disposal of subsidiary	—	(3,187)	(16)	(3,187)
Impairment on assets held for sale	1,963	—	11,986	—
Change in fair value of investments	12	—	86	—
One-off restructuring and termination costs	1,390	—	3,511	—
Returns provision	—	—	140	—
Inventory provisions on cost	175	—	3,274	—
Adjusted EBITDA (non-IFRS measure)	(7,983)	(5,540)	(17,942)	(12,051)
Adjusted EBITDA as a percentage of net revenue (non-IFRS measure)	(38%)	(56%)	(28%)	(38%)

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

ii) 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.

iii) Inventory provisions relate to obsolescence for items that are in inventory as of September 30, 2023.

iv) Impairment arising from impairment assessment of cash generating unit ("CGU") - During Q2 2023, as a consequence of the half year actual results and forecast for the next half year management determined that there were economic indicators of impairment warranting a calculation of the recoverable amount of the Company's CGU. The impairment test considers several factors including fair values of the Company's assets, forecasted operational cash flows (net of tax impact), on-going investments into working capital and sustaining capital expenditures, post-tax discount rates and terminal value growth rate. This analysis resulted in the recognition of an impairment loss of $61,453. A meaningful contributing factor to the quantum of the impairment charge was the deterioration in fair values as a result of the proliferation of distressed listings of cannabis property assets. The impairment loss was allocated in the amount of $34,657 to intangible assets and goodwill and $26,886 in relation to property, plant and equipment (refer to Note 7 and Note 8 of the Interim Condensed Consolidated Financial Statements for further information). No additional impairment recognized in Q3 2023.

SUMMARY OF THREE MONTHS ENDED SEPTEMBER 30, 2023 – Q3 2023 as compared to Q3 2022 and Q2 2023

		Q3-2023	Q2-2023	Q1 2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Gross revenue	$	**29,599**	29,974	34,970	24,789	13,819	15,841	14,353	12,372	9,745
Loss from operations	$	**(12,920)**	(12,097)	(11,677)	(19,040)	(8,718)	(3,016)	(4,461)	(5,670)	(9,151)
Impairment loss on remeasurement of disposal group	$	-	-	-	-	-	(2,489)	-	(676)	(4,442)
Gain/(loss) on disposal of subsidiary	$	-	16	-	(4,353)	3,187	-	-	-	-
Impairment on assets held for sale	$	**(1,963)**	(8,281)	(1,742)	-	-	-	-	-	-
Impairment on non-financial assets	$	-	(61,791)	-	(22,821)	-	-	(6,183)	-	-
Loss on lease termination/modification	$	-	-	(389)	(541)	-	-	-	-	-
Net loss from continuing operations	$	**(16,981)**	(65,467)	(19,322)	(9,663)	(6,862)	(6,622)	(13,212)	(6,278)	(13,941)
Gain/(loss) from discontinued operations	$	-	-	-	-	21	(159)	(294)	(1,458)	(603)
Revaluation gain/(loss) of contingent consideration	$	-	19,405	(3,535)	35,416	1,716	2,245	(1,360)	1,812	-
Comprehensive loss	$	**(17,000)**	(65,556)	(19,253)	(7,518)	(8,851)	(7,161)	(14,015)	(8,097)	(14,061)
Net loss per share (basic & diluted) - continuing operations	$	**(0.09)**	**(0.40)**	**(0.12)**	**(0.08)**	**(0.09)**	**(0.09)**	**(0.18)**	**(0.10)**	**(0.30)**

Gross Revenue

	For the three months ended				Three months ended		
	September 30, 2023	**September 30, 2022**	**Variance to Q3-2022 ($)**	**Variance to Q3-2022 (%)**	**June 30, 2023**	**Variance to Q2-2023 ($)**	**Variance to Q2-2023 (%)**
Revenue from adult-use cannabis products	**27,651**	13,271	14,380	108%	29,004	(1,353)	(5%)
Revenue from medical cannabis products	**629**	543	86	16%	355	274	77%
Revenue from toll and other agreements	**1,319**	5	1,314	26280%	615	704	114%
Gross revenue	**29,599**	13,819	15,780	114%	29,974	(375)	(1%)

Gross revenue recognized for Q3 2023, amounted to $29,599, an increase of 114% compared to Q3 2022, mainly attributable to incremental sales under -ness, Table Top and BZAM brands (as a result of the BZAM Transaction for a total of $11,862) as well as increased demand under Highly Dutch Organic™ (increased by $4,472), which was offset by the discontinuation of products under Cruuzy ($940 decrease) and Ripple brands ($271 decrease), as well as a decline in the TGOD Organic brand ($743 decrease).

Gross revenue recognized for Q3 2023 was almost flat compared to Q2 2023, with a change in mix by channel. The decline in the adult-use segment was mainly associated with the dried flower category (see table below), further to the planned discontinuation of low margin SKUs and was partly offset by growth in sales from the medical segment and from toll and other sales agreements (B2B).

	For the three months ended				Three months ended		
	September 30, 2023	**September 30, 2022**	**Variance to Q3-2022 ($)**	**Variance to Q3-2022 (%)**	**June 30, 2023**	**Variance to Q2-2023 ($)**	**Variance to Q2-2023 (%)**
Revenue from dried flower	**16,591**	8,596	7,995	93%	17,879	(1,288)	(7%)
Revenue from pre-rolls	**1,090**	980	110	11%	962	128	13%
Revenue from vapes	**5,151**	431	4,720	1095%	5,612	(461)	(8%)
Revenue from hash	**2,416**	2,474	(58)	(2%)	2,345	71	3%
Revenues from infused pre-rolls	**2,401**	505	1,896	375%	2,201	200	9%
Revenue from other products	**2**	285	(283)	(99%)	5	(3)	(60%)
Total adult-use cannabis products	**27,651**	13,271	14,380	108%	29,004	(1,353)	(5%)

The adult-use cannabis segment generated gross revenues of $27,651 for Q3 2023, an increase of $14,380 compared to the same period of the prior year, with flower as the main contributor followed by vapes and infused pre-rolls. Flower gross revenue increased by $7,995 for the same period comparison, mainly due to higher demand in Highly Dutch Organic™ (by $4,680 or 82% growth), and the net impact of acquired brands BZAM, Table Top, -ness as part of the BZAM Transaction (for a total of $3,299). The vapes and infused pre-rolls gross revenue increase is mainly due to the Company's expanded portfolio as a result of the BZAM Transaction, with the main contributors being the -ness brand with $5,101 and BZAM brand with $2,516, respectively. The vapes and infused pre-rolls gross revenue increase for the same period comparison was partly negatively impacted by the discontinuation of the Cruuzy brand ($824 decrease).

The adult-use cannabis segment decreased by 5% in comparison to Q2 2023, largely due to changes in product mix in the flower category, showing higher demand in Highly Dutch Organic™ ($1,228 increase or 13%), lower demand in TGOD Organic ($702 decrease or -21%), and the impact of SKU rationalizations and price compression, particularly under Table Top ($1,957 decrease or -41%).

Gross Profit

	Three months ended				**Three months ended**		
	September 30, 2023	**September 30, 2022**	**Variance to Q3-2022 ($)**	**Variance to Q3-2022 (%)**	**June 30, 2023**	**Variance to Q2-2023 ($)**	**Variance to Q2-2023 (%)**
Net revenue	**21,045**	9,922	11,123	112%	19,284	1,761	9%
Cost of sales	**(19,433)**	(9,326)	(10,107)	108%	(16,224)	(3,209)	20%
Gross profit before changes in fair value of biological assets	**1,612**	596	1,016	170%	3,060	(1,448)	(47%)
Gross profit percentage before changes in fair value of biological assets	**8%**	6%			16%		
Realized fair value adjustment on sale of inventory	**(8,400)**	(8,597)	197	(2%)	(7,882)	(518)	7%
Unrealized gain on changes in fair value of biological assets	**6,895**	8,998	(2,103)	(23%)	6,656	239	4%
Gross profit	**107**	997	(890)	(89%)	1,834	(1,727)	(94%)
Gross profit %	***1%***	*10%*			*10%*		

The Company's gross profit before changes in fair value of biological assets ("**direct gross profit**") was $1,612 for Q3 2023, representing 8% gross profit percentage before changes in fair value of biological assets (Q3 2022 –$596, representing 6% direct gross profit). The increase in direct gross profit percentage compared to the prior year is primarily a result of better inventory utilization into revenue.

The Company achieved an overall gross profit percentage for Q3 2023 of 1% (Q3 2022 – gross profit percentage of 10%) which has decreased from Q3 2022 mainly as a result of price compression, inventory cost provisions, the sale of excess inventory at or below cost and inflationary pressures.

In comparison to Q2 2023, the direct gross profit percentage decreased by 8% as a result of the reasons outlined above.

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

Adjusted Gross Profit

Adjusted Gross Profit is defined as gross profit excluding the adjustments for 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 (non-IFRS measure)	Three months ended				Three months ended		
	September 30, 2023	September 30, 2022	Variance to Q3-2022 ($)	Variance to Q3-2022 (%)	June 30, 2023	Variance to Q2-2023 ($)	Variance to Q2-2023 (%)
Gross profit before changes in fair value of biological assets	**1,612**	596	1,016	170%	3,060	(1,448)	(47%)
Inventory provisions - cost	**175**		175	n/a	464	(289)	(62%)
Adjusted gross profit before changes in fair value of biological assets (non-IFRS measure)	**1,787**	596	1,191	200%	3,524	(1,737)	
Adjusted gross profit percentage before changes in fair value of biological assets (non-IFRS measure)	**8%**	6%			18%		
Gross profit	**107**	997	(890)	(89%)	1,834	(2,334)	(94%)
Inventory provisions - cost	**175**		175	n/a	464	(289)	(62%)
Inventory provisions - fair value	**(422)**		(422)	n/a	1,982	(2,404)	(121%)
Adjusted gross profit (non-IFRS measure)	**(140)**	997			4,280		
Adjusted gross profit percentage (non-IFRS measure)	**(1)%**	10%			22%		

Sales and Marketing Expenses

	Three months ended				Three months ended		
	September 30, 2023	September 30, 2022	Variance to Q3-2022 ($)	Variance to Q3-2022 (%)	June 30, 2023	Variance to Q2-2023 ($)	Variance to Q2-2023 (%)
Personnel costs	**1,244**	358	886	247%	1,182	62	5%
Third party marketing expenses	**2,489**	749	1,740	232%	1,688	801	47%
Travel and promotion expenses	**(47)**	20	(67)	(335%)	334	(381)	(114%)
Sales agency costs	**(81)**	528	(609)	(115%)	78	(159)	(204%)
Other marketing expenses	**366**	169	197	117%	1,177	(811)	(69%)
	3,971	1,824	2,147	118%	4,459	(488)	(11%)

Sales and marketing expenses of $3,971 for Q3 2023, increased in comparison to expenses of $1,824 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 Q2 2023, sales and marketing expenses decreased by $488 or 11%, primarily due to reduced travel cost and other marketing expenses as a result of cost savings achieved from the post-merger synergy plan.

Research and Development ("R&D") Expenses

	Three months ended				Three months ended		
	September 30, 2023	September 30, 2022	Variance to Q3-2022 ($)	Variance to Q3-2022 (%)	June 30, 2023	Variance to Q2-2023 ($)	Variance to Q2-2023 (%)
Personnel costs	**7**	49	(42)	(86%)	19	(12)	(63%)
Product development	**185**	34	151	444 %	5	180	3600 %
Other R&D expenses	**6**	38	(32)	(84%)	-	6	n/a
	198	121	77	64%	24	174	725%

R&D expenses of $198 for Q3 2023, increased by $77 in comparison to the R&D expenses for Q3 2022 as a result of increased product development initiatives.

In comparison to Q2 2023, R&D expenses increased by $174 due to increased product development costs for new SKUs, notably infused pre-rolls.

General and Administrative (“G&A”) Expenses

	Three months ended					Three months ended		
	September 30, 2023	**September 30, 2022**	**Variance to Q3-2022 ($)**	**Variance to Q3-2022 (%)**		**June 30, 2023**	**Variance to Q2-2023 ($)**	**Variance to Q2-2023 (%)**
Personnel costs	**3,772**	1,952	1,820	93%		3,519	253	7%
Office and other administrative expenses	**2,333**	261	2,072	794%		1,051	1,282	122%
Third party professional, consulting, legal fees	**152**	1,820	(1,668)	(92%)		1,441	(1,289)	(89%)
Computer and IT expenses	**584**	158	426	270%		481	103	21%
Termination costs	**1,065**	-	1,065	n/a		393	672	n/a
Allowance for expected credit losses	**129**	-	129	n/a		-	129	n/a
	8,035	4,191	3,844	92%		6,885	1,150	17%

G&A expenses of $8,035 for Q3 2023 increased by $3,844 in comparison to expenses of $4,191 for Q3 2022. The increase was primarily due to the increase in administrative overheads arising from the BZAM Transaction, as well as severance costs related to restructuring of operations as part of the post-merger synergy rationalization plans. Refer below for the table showing the G&A less non-recurring costs.

Compared to Q2 2023 G&A expenses increased by $1,150 or 17% due to the increase in termination costs as part of the post-merger synergy plan in Q3 2023.

Adjusted G&A (non-IFRS measure)	Three months ended					Three months ended		
	September 30, 2023	**September 30, 2022**	**Variance to Q3-2022 ($)**	**Variance to Q3-2022 (%)**		**June 30, 2023**	**Variance to Q2-2023 ($)**	**Variance to Q2-2023 (%)**
General and administrative expenses	**8,035**	4,191	3,844	92%		6,885	1,150	17%
Termination costs	**(1,065)**	-	(1,065)	n/a		(393)	(672)	171%
Restructuring and one-off costs	**(325)**	-	(325)	n/a		(329)	4	(1%)
Adjusted G&A (non-IFRS measure)	**6,645**	4,191	2,454	59%		6,163	482	8%
Adjusted G&A as a percentage of net revenue (non-IFRS measure)	**32%**	42%				32%		
Adjusted G&A as a percentage of gross revenue (non-IFRS measure)	**22%**	30%				21%		

Adjusted G&A impacts include termination costs from the restructuring of head count in the quarter, committed costs for non-operational sites and continuation of projects to integrate the combined Company and ERP implementation costs.

Share Based Compensation Expenses

The Company recognized share-based compensation recovery of expenses of $665 for Q3 2023, compared to an expense of $370 for Q3 2022. The change was due to significant expiries and terminations of employee options in August and September 2023.

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

In comparison to Q2 2023, share based compensation expense decreased by $1,058 primarily as a result of expiry and cancellation of Options in Q3 2023 for terminated employees.

Depreciation and Amortization

The Company recognized depreciation and amortization expense of $1,488 in Q3 2023, compared to $3,209 for the same period in the prior year quarter primarily due to the lower depreciation based on the reducing balance method as well as increased capitalization of depreciation to inventory.

Loss from Operations

Loss from operations was $12,920 in Q3 2023, compared to $8,718 for Q3 2022, with the difference primarily driven by lower gross profit, and termination and restructuring costs in 2023 as discussed above.

Impairment Loss

In Q2 2023, the Company recorded an impairment loss of $61,453 from the impairment assessment on cannabis related activities from production at the Company's facilities ("BZAM CGU"). The impairment assessment was primarily triggered by a deterioration in the economic environment affecting cannabis companies adversely, as reflected by contemporaneous sales of assets and properties by cannabis companies, and in cannabis companies' market capitalizations. There was also $338 from the impairment of assets sold in the Galaxie Sale and $8,136 impairment arising on classification of the Midway Facility to assets held for sale, as well as $145 from the remeasurement of the Maple Ridge Facility assets held for sale to updated expectations of the fair value less costs to sell (Q2 2022 – $Nil).

In Q3 2023, the Company recorded $1,963 from the impairment arising on classification of the Edmonton Facility to assets held for sale to updated expectations of the fair value less costs to sell (Q3 2022 - $Nil)

Net Loss from Continuing Operations

The Company's net loss from continuing operations in Q3 2023, was $16,981 (Q3 2022 – net loss of $6,862) with the difference primarily due to loss from operations mentioned above, as well as an increase in impairment and higher finance costs as a result of increased utilization of the Revolver Loan and higher interest rates, which was partially offset by the gain on revaluation of the contingent consideration.

Comprehensive Loss

The Company's comprehensive loss in Q3 2023, was $17,000 (Q3 2022 - $8,851) and is comprised primarily of the net loss from continuing operations discussed above.

In comparison to Q2 2023, the Company's comprehensive loss in Q3 2023 decreased by $48,556, primarily due to the impairment in Q2 2023 as discussed above.

SUMMARY OF NINE MONTHS ENDED SEPTEMBER 30, 2023 ("YTD") – YTD 2023 as compared to YTD 2022

Gross Revenue

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Revenue from adult-use cannabis products	**90,798**	41,918	48,880	117%
Revenue from medical cannabis products	**1,449**	1,828	(379)	(21%)
Revenue from toll agreements	**2,296**	267	2,029	760%
Gross revenue	**94,543**	44,013	50,530	115%

Gross revenue recognized for YTD 2023, amounted to $94,543, an increase of 115% compared to YTD 2022, mainly attributable to incremental sales under -ness, BZAM and Table Top brands (as a result of the BZAM Transaction for a total of $41,548), increased demand in Highly Dutch brand (by $11,859 or 48%) and an increase in sales through B2B channels (by $2,029), offset by the discontinuation of products under Cruuzy ($3,058 decrease) and Ripple brands ($454 decrease), as well as lower demand for TGOD Organic (a decrease of $1,015 or 8%).

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Revenue from dried flower	**55,826**	30,023	25,803	86%
Revenue from pre-rolls	**4,144**	2,009	2,135	106%
Revenue from vapes	**18,141**	822	17,319	2107%
Revenue from hash	**6,739**	6,406	333	5%
Revenues from infused pre-rolls/flower	**5,796**	1,970	3,826	194%
Revenue from other products	**152**	688	(536)	(78%)
Total adult-use cannabis products	**90,798**	41,918	48,880	117%

The adult-use cannabis segment generated gross revenue of $90,798 for YTD 2023, an increase of $48,880 compared to the same period of the prior year. Flower gross revenue increased by 86%, attributable to new products under the -ness, BZAM, Table Top and other brands acquired as part of the BZAM Transaction (for a total of $14,591), and increased demand in Highly Dutch Organic™ (by $11,269 or 61%). The vapes gross revenue increase is mainly due to the Company's expanded portfolio as a result of the BZAM Transaction (by $18,074), offset by the discontinuation of products under the Cruuzy and TGOD Organic brand ($736 decrease). The infused pre-rolls gross revenue increase is mainly due to the Company's expanded portfolio as a result of the BZAM Transaction (by $5,920), offset by the discontinuation of products under the Cruuzy brand ($2,084 decrease).

Gross Profit

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Net revenue	**64,426**	32,124	32,302	101%
Cost of sales	**(56,652)**	(25,328)	(31,324)	124%
Gross profit before changes in fair value of biological assets	**7,774**	6,796	978	14%
Gross profit percentage before changes in fair value of biological assets	***12%***	*21%*		
Realized fair value adjustment on sale of inventory	**(20,885)**	(14,877)	(6,008)	40%
Unrealized gain on changes in fair value of biological assets	**18,011**	21,986	(3,975)	(18%)
Gross profit	**4,900**	13,905	(9,005)	(65%)
Gross profit percentage	***8%***	*43%*		

The Company's gross profit before changes in fair value of biological assets ("**direct gross profit**") was $7,774, representing 12% gross profit percentage before changes in fair value of biological assets (YTD 2022 –$6,796, representing 21% direct gross profit). The decrease in direct gross profit percentage in YTD 2023 is primarily as a result of price compression, inventory cost provisions, the sale of excess inventory at or below cost and inflationary pressures.

The Company achieved an overall gross profit percentage for YTD 2023 of 8% (YTD 2022 – gross profit percentage of 43%) which has decreased from YTD 2022 for the reasons outlined above as well as an increase in realized fair value downward adjustment on the sale of inventory. Refer to the Adjusted Gross Profit table below that shows the effect of the inventory provisions.

Adjusted Gross Profit

Adjusted Gross Profit is defined as gross profit excluding the adjustments for 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 (non-IFRS measure)	**For the nine months ended**			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Gross profit before changes in fair value of biological assets	**7,774**	6,796	978	14%
Returns provisions	**140**		140	n/a
Inventory provisions and write-offs - cost	**3,274**		3,274	n/a
Adjusted gross profit before changes in fair value of biological assets adjusted (non-IFRS measure)	**11,188**	6,796	4,392	
Adjusted gross profit percentage before changes in fair value of biological assets adjusted (non-IFRS measure)	**17%**	21%	(4%)	
Gross profit	**4,900**	13,905	(9,005)	(65%)
Returns provisions	**140**		140	n/a
Inventory provisions and write-offs - cost	**3,274**		3,274	n/a
Inventory provisions - fair value	**2,695**		2,695	n/a
Adjusted gross profit (non-IFRS measure)	**11,009**	13,905	(2,896)	(65%)
Adjusted gross profit percentage (non-IFRS measure)	**17%**	43%	(26%)	

Sales and Marketing Expenses

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Personnel costs	**3,894**	1,389	2,505	180%
Third party marketing expenses	**4,798**	2,191	2,607	119%
Travel and promotion expenses	**383**	47	336	715%
Sales agency costs	**-**	1,478	(1,478)	(100%)
Other marketing expenses	**2,678**	311	2,367	761%
Termination benefits	**97**	-	97	n/a
	11,850	5,416	6,434	119%

Sales and marketing expenses of $11,850 for YTD 2023, increased in comparison to expenses of $5,416 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.

Research and Development ("R&D") Expenses

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Personnel costs	**76**	333	(257)	(77%)
Product development	**190**	36	154	428%
Travel related expenses	**-**	10	(10)	(100%)
Other R&D expenses	**6**	43	(37)	(86%)
	272	422	(150)	(36%)

R&D expenses of $272 for YTD 2023, decreased by $150 in comparison to the R&D expenses for YTD 2022. The Company incurred lower R&D costs due to post-merger synergies as a result of the BZAM Transaction.

General and Administrative ("G&A") Expenses

	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
Personnel costs	**11,295**	6,359	4,936	78%
Office and other administrative expenses	**5,330**	2,192	3,138	143%
Third party professional, consulting, legal fees	**3,151**	4,116	(965)	(23%)
Computer and IT expenses	**1,614**	342	1,272	372%
Termination costs	**1,816**	-	1,816	n/a
Allowance for expected credit losses	**129**	-	129	n/a
	23,335	13,009	10,326	79%

G&A expenses of $23,335 for YTD 2023, increased by $10,326 in comparison to expenses of $13,009 for YTD 2022. The increase was primarily due to the increase in administrative overheads arising from the BZAM Transaction, as well as severance costs related to the restructuring of operations as part of the post-merger synergy rationalization plans. Refer below for the table showing the G&A less non-recurring costs.

Adjusted G&A (non-IFRS measure)	For the nine months ended			
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**	**Variance to 2022 (%)**
General and administrative expenses	**23,335**	13,009	10,326	79%
Termination costs	**(1,816)**	-	(1,816)	n/a
Restructuring and one-off costs	**(654)**	-	(654)	n/a
Adjusted G&A (non-IFRS measure)	**20,865**	13,009	7,856	60%
Adjusted G&A as a percentage of net revenue (non-IFRS measure)	**32%**	40%		
Adjusted G&A as a percentage of gross revenue (non-IFRS measure)	**22%**	30%		

Adjusted G&A impacts include termination costs from the restructuring of head count in YTD 2023, committed costs for non-operational sites and continuation of projects to integrate the combined Company and ERP implementation costs.

Share Based Compensation Expenses

The Company recognized a share-based compensation expense of $313 for YTD 2023, compared to $1,207 for YTD 2022. The decrease is due primarily to the cancellation of options to terminated employees and expiries in 2023.

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

Depreciation and Amortization

The Company recognized depreciation and amortization expense of $5,824 for YTD 2023, compared to $10,046 for the same period in the prior year primarily due to the lower depreciation based on the reducing balance method as well as increased capitalization of depreciation to inventory.

Loss from Operations

Loss from operations was $36,694 in YTD 2023, compared to $16,195 for YTD 2022, with the increase primarily driven by inventory cost provisions, as well as restructuring and termination costs.

Impairment Loss

For YTD 2023, the Company recorded an impairment loss of $61,791 from the impairment assessment on cannabis related activities from production at the Company's facilities ("BZAM CGU"). The impairment assessment was triggered by a deterioration in the economic environment affecting cannabis companies adversely, as reflected by distressed sales of assets and properties by cannabis companies, decreases in cannabis companies' market capitalizations, as well as actual operating results being below expected target (refer to Note 7 of the Interim Condensed Consolidated Financial Statements). There was also $338 from the impairment of assets sold in the Galaxie Sale, $8,136 from the impairment of assets sold in the Midway Facility, $1,887 from the impairment of assets sold in the Maple Ridge Sale, and 1,963 impairment arising from the classification of the Edmonton Facility to assets held for sale (YTD 2022 – $6,183 asset specific impairment loss related to the Puslinch Facility leasehold improvements).

Net Loss from Continuing Operations

The Company's net loss from continuing operations in YTD 2023, was $101,770 (Q3 2022 – net loss of $26,696), with the difference primarily due to impairment loss assessed on the Company's facilities, and the loss from operations, which was partially offset by the gain on revaluation of the contingent consideration.

Comprehensive Loss

The Company's comprehensive loss for YTD 2023, was $101,809 (YTD 2022 - $30,027) and is comprised primarily of impairment assessed on the Company's facilities, as well as inventory cost provisions, restructuring and termination costs mentioned above.

ASSETS HELD FOR SALE

Edmonton Facility

As at September 30, 2023, management was committed to a plan to sell the Company's cultivation facilities and equipment located at the Edmonton Facility that were acquired as part of the BZAM Transaction. Accordingly, the Company reclassified these assets as held for sale. Efforts to sell the Edmonton Facility have commenced and a sale is expected within the next twelve months of reclassifying the assets held for sale.

As at September 30, 2023, these assets were stated at fair value less costs to sell and comprised of the following:

	As at September 30, 2023
Land	2,300
Buildings	7,239
Production equipment	712
Furniture and fixtures	—
Computer equipment	225
Assets held for sale	**10,476**

Measurement of Fair Values

The fair value less costs to sell of the assets and liabilities was estimated to be $10,476 (December 31, 2022 - not applicable) using a market approach (level 2 on the fair value hierarchy), from the listing contract entered into on August 15, 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 $10,800 less expected selling costs of $324.

Impairment Losses Related to the Assets Held for Sale

Impairment losses of $1,963 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 and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 - $Nil).

Midway Facility

On August 4, 2023, the Company completed the Midway Sale for total net proceeds of $3,082. Pursuant to the Fifth Amendment of the Revolver Loan, fifty percent of the net cash proceeds received, being $1,554, were remitted to the Lender as payment for the term portion of the Revolver Loan.

As a result of the disposal, a loss on disposal arose as follows:

	Midway Facility
Proceeds from Sale	3,082
Less: Net assets at Disposal	(3,112)
Losses on disposal	**(30)**

Maple Ridge Facility

On September 28, 2023, the Company completed the Maple Ridge Sale for total net proceeds of $3,679. Pursuant to the Fifth Amendment of the Revolver Loan, fifty percent of the net cash proceeds, being $1,846, were paid directly to the Lender as payment for the term portion of the Revolver Loan.

As a result of the disposal, a loss on disposal arose as follows:

	Maple Ridge Facility
Proceeds from Sale	3,679
Less: Net assets at Disposal	(3,686)
Losses on disposal	**(7)**

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 September 30, 2023	As at December 31, 2022	As at December 31, 2021	As at December 31, 2020
Total assets	**$ 172,067**	$ 274,444	$ 194,346	$ 211,575
Total current liabilities	**$ 70,149**	$ 42,214	$ 29,391	$ 66,377
Total non-current liabilities	**$ 16,464**	$ 53,919	$ 28,144	$ 5,394
Total shareholders' equity	**$ 85,454**	$ 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 September 30, 2023 as compared to December 31, 2022.

Assets

The Company's consolidated cash and cash equivalents of $4,982 as at September 30, 2023 increased from $4,650 as at December 31, 2022 primarily as a result of proceeds received in financing activities, offset by cash used in operating and investing activities. The slight decrease in the Company's trade receivables to $9,698 as at September 30, 2023 (December 31, 2022 - $10,256) relates primarily to the timing of receivables. As at September 30, 2023, the Company had $38,186 in inventory as compared to $52,416 as at December 31, 2022 primarily as a result of better utilization of inventory into revenue, and additional inventory provisions. The Company's property, plant and equipment decreased by $53,570 to $75,799 primarily as a result of depreciation, impairment and assets moving to held for sale as discussed above.

Liabilities

The Company's accounts payable and accrued liabilities were $33,086 as at September 30, 2023, an increase from $29,511 as at December 31, 2022, with the increase primarily relating to higher SG&A and cost of sales. Payments were primarily funded by additional funds drawn under the Revolver Loan, as well as proceeds from the non-brokered private placement completed in June 2023, whereby the Company issued 22,222,223 units of the Company (the "Units") at a price of $0.225 per Unit for gross proceeds of $5,000 (the "Offering"). Each Unit consisted of one Common Share and one Common Share purchase warrant.

The Company's loans payable increased to $36,300 at September 30, 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 $85,454 as at September 30, 2023, primarily due to the increase in the accumulated deficit of $97,160 related to the loss from operations for the period, partially offset by an increase in share capital of $8,767 primarily due to Common Share issuances in relation to promissory notes, Common Shares exchanged in the BZAM Transaction, Common Shares issued to settle debt and to acquire additional shares in BCC, and Common Shares issued in connection with the Offering.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2023, the Company financed its operations and met its capital requirements through revenue generated from domestic cannabis production and sales together with draws on the Revolver Loan, an equity private placement and certain loans, evidenced by promissory notes, from Stone Pine. 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 September 30, 2023, the Company had a positive working capital of $1,424 (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 BZAM Loan from non-current liabilities to current liabilities. The total cash position was $5,640, including $658 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, issuance of promissory notes to Stone Pine 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 Condensed 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 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. Subsequent to September 30, 2023, the Company entered into a waiver agreement with its lender, waiving the covenant requiring positive EBITDA from July 1, 2023 until January 31, 2024.

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 (Edmonton Facility).

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 nine months ended		
	September 30, 2023	**September 30, 2022**	**Variance to 2022 ($)**
Net cash used in operating activities	$ **(10,271)**	$ (11,681)	$ 1,410
Net cash provided/(used) in investing activities	**6,128**	2,046	4,082
Net cash provided by financing activities	**4,475**	6,001	(1,526)
Net effects of foreign exchange	**-**	532	(532)
Net cash inflow/(outflow)	$ **332**	$ (3,102)	$ 3,434

Operating Activities

For YTD 2023, net cash used in operating activities was $1,410 lower than YTD 2022. The difference was primarily due to lower SG&A costs expensed relative to net revenue.

Investing Activities

For YTD 2023, the net cash used in investing activities was $4,082 higher than YTD 2022. The increase was primarily due to proceeds from the disposal of Galaxie, the Midway Facility and the Maple Ridge Facility in YTD 2023.

Financing Activities

For YTD 2023, net cash provided in financing activities was $1,526 lower than YTD 2022. The decrease was primarily the result of $3,825 from the promissory notes received from Stone Pine, the proceeds from the Offering and net proceeds from the Revolver Loan, which in aggregate was lower than the total Credit Facility drawdowns in YTD 2022, due to principal repayments from the proceeds from the Midway Sale and the Maple Ridge Sale and also partially offset by an increase in interest paid in YTD 2023.

Contractual Obligations

The Company had the following estimated gross contractual obligations as at September 30, 2023, which were expected to be payable in the following respective periods:

	Carrying amount	Total	September 2024	September 2025	September 2026	September 2027	September 2028	Thereafter
	$	**$**	$	$	$	$	$	$
Accounts payable and accrued liabilities	**33,086**	**33,086**	33,086	-	-	-	-	-
Sales taxes payable	**3,362**	**3,362**	3,362	-	-	-	-	-
Loans	**36,300**	**39,945**	34,070	500	5,375	-	-	-
Lease liabilities	**13,865**	**20,621**	2,400	2,410	2,406	2,398	2,424	8,583
Total contractual obligations	**86,613**	**97,014**	**72,918**	**2,910**	**7,781**	**2,398**	**2,424**	**8,583**

(1) 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.

The contractual cash flows in the table above include the relevant interest and principal payments related to the total of $27,963 drawn on the Revolver Loan as at September 30, 2023, payable until maturity dates. Over the balance on September 30, 2023, the Company expects further draws on the $6,037 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 September 30, 2023, 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 September 30, 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 most recent Annual Information Form, 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.

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 nine months ended September 30, 2023. The preparation of the Interim Condensed Consolidated Financial Statements requires the use of estimates and judgments 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 September 30, 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 nine months ended September 30, 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 September 30, 2023, the Company had two customers whose balances individually were greater than 10% of total trade receivables as at September 30, 2023 (December 31, 2022 – three customers). Customer A accounted for 38% and Customer B accounted for 13% of trade receivables as at September 30, 2023 (December 31, 2022 – Customer A accounted for 36%, Customer B accounted for 15% and Customer C accounted for 23%). Customer A and B are provincial government entities.

RELATED PARTY TRANSACTIONS

Identification of Related Parties

Related parties as at September 30, 2023 have been identified as follows:

Related party	Business relationship	Measurement basis
Chris Schnarr	Director	Exchange amount
Keith Merker	Director	Exchange amount
Bassam Alghanim	Director	Exchange amount
Wendy Kaufman	Director	Exchange amount
Sherry Tross	Director	Exchange amount
Sean Bovingdon	Director, 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

On closing of the BZAM Transaction on November 3, 2022 ("Closing"), the Company paid a purchase price (the "Purchase Price") as follows:

1. A cash payment on Closing in the amount of $100.00; and
2. The issuance on Closing of an aggregate of 655,227,815 Combined Entity Shares, being 650,313,607 Combined Entity Shares issued to the BZAM Shareholder, and 4,914,208 Combined Entity Shares issued to Clarus Securities Inc. ("Clarus") as payment by the BZAM Shareholder for certain finders fees owed by the BZAM Shareholder to Clarus in connection with the Transaction, which constitutes, on a pro forma basis immediately following Closing, 49.5% of the aggregate number of Combined Entity Shares issued and outstanding as of immediately following the Closing (the "Closing Shares"). For purposes of calculating the Closing Shares, the determination of the issued and outstanding Combined Entity Shares as of immediately following the Closing did not take into account (i) any securities issued by the Company that are convertible into, or exercisable for, Combined Entity Shares; or (ii) the 85,714,286 Common Shares (the "Milestone Escrow Shares") held in escrow pursuant to a certain indemnity escrow agreement dated November 17, 2021, between the Company, Computershare Trust Company of Canada, and certain securityholders of the Company.

Following the release from escrow on January 23, 2023, of the Milestone Escrow Shares, the Company issued 1,120,226 of Combined Entity Shares, equal to 49.5% of the aggregate number of Milestone Escrow Shares not returned to treasury of the Combined Entity, and issued to the escrow securityholders to the BZAM Shareholder, at the Issue Price.

On June 9, 2023 the Company issued 22,222,223 Common Shares pursuant to the Offering detailed in "Equity Issuances" above. The Common Shares were issued to Stone Pine Capital Ltd. ("Stone Pine") a company controlled by the Chairman of the Board. Aside from the Offering, 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 nine months ended September 30, 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 nine months ended September 30, 2023. As at September 30, 2023, the Company has outstanding promissory notes from Stone Pine, totalling $3,825 (December 31, 2022 – $2,200), the notes are subordinate to the Revolver Loan. There are no other receivable or payable balances with key management personnel and $69 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 (Arzneitmittel- 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.

Australia

In 2016, Australia legalized the medicinal use of cannabis at the federal level. To access medicinal cannabis, patients must obtain a prescription from an authorized medical practitioner. The Therapeutic Goods Administration (“TGA”) oversees the regulation of medicinal cannabis products. Products must be registered on the Australian Register of Therapeutic Goods (ARTG) or be listed in the Special Access Scheme or the Authorised Prescriber Scheme.

Importation of cannabis is subject to certain regulations. Only authorized parties can import medicinal cannabis, and it must comply with the TGA regulations. In order to export cannabis to Australia, the Company is required to hold necessary Health Canada licenses as well as the appropriate export and import permits from both the Canadian and Australian regulatory bodies.

United Kingdom

In 2018, the United Kingdom legalized medicinal cannabis, which is considered a Class B controlled drug in the United Kingdom under the Misuse of Drugs (Amendments) (Cannabis and License Fees) (England, Wales and Scotland) Regulations 2018.

Importing medicinal cannabis to the United Kingdom from Canada is subject to various regulatory requirements, including (i) having the required licenses and import/export authorizations from both the United Kingdom and Canadian regulatory bodies and (ii) compliance with specific quality and safety standards. In the United Kingdom, the Medicines and Healthcare Regulatory Agency (MHRA) and the Home Office are key authorities in this regard.

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 most recent Annual Information Form as updated by subsequent reports, filed with securities regulators and available on the Company's SEDAR+ profile at www.sedarplus.ca, 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 may not be able to sell its Edmonton Facility within twelve months at its asking price of $10.8 million;
- 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 the Company's shareholders and otherwise disrupt 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 has 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.

Failure to dispose of assets held for sale

There can be no assurance that the Company's efforts to dispose of the current assets and liabilities held for sale, being the Edmonton Facility, will be successful and that it will result in a sale on terms favourable to the Company. Further, there can be no assurance that the disposal of the assets and liabilities held for sale will be completed on the assumed timeline. If the disposal of the assets and liabilities held for sale is not completed, the business of the Company may be adversely affected as a result of the costs (including opportunity costs) incurred in respect of pursuing the sales.

Controlling shareholder exercises significant control

Mr. Bassam Alghanim, the Chairman of the Board, beneficially owns or exercises control or direction of over 50% of the issued and outstanding Common Shares. As the Corporation's largest shareholder, Mr. Alghanim has the ability to exercise significant influence over the Corporation's business and operations due to his ownership interest.

This significant ownership by Mr. Alghanim may adversely affect the trading price for the Common Shares because investors often perceive disadvantages in owning shares in companies with significant shareholders. In addition, Mr. Alganhim may be able to exercise significant influence over certain matters requiring shareholder approval, including the election of directors, approval of security-based compensation arrangements and approval of corporate transactions, such as a merger or other sale of the Corporation or its assets. This concentration of ownership could limit investors' ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation, or other business combination involving the Corporation, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit the Corporation's other shareholders.

Controversy surrounding vaporizers and vaporizer products

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaporizer devices and/or products used in such devices (such as vaporizer liquids). The focus is currently on the vaporizer devices, the manner in which the devices were used and the related vaporizer device products - THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaporizer products. Some states, provinces, territories and cities in Canada and the U.S. have already taken steps to prohibit the sale or distribution of vaporizers, restrict the sale and distribution of such products or impose restrictions on flavors or use of such vaporizers. This trend may continue, accelerate and expand.

Cannabis vaporizers in Canada are regulated under the Cannabis Act and Cannabis Regulations. Negative public sentiment may prompt regulators to decide to further limit or defer the industry's ability to sell cannabis vaporizer products, and may also diminish consumer demand for such products. For instance, Health Canada has proposed new regulations that would place stricter limits on the advertising and promotion of vaping products and make health warnings on vaping products mandatory, although such regulations explicitly exclude cannabis and cannabis accessories. The provincial governments in Quebec, Alberta and Newfoundland and Labrador have imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the Company's vaping products. There can be no assurance that the Company will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in face of unexpected changes in market conditions.

This controversy could well extend to non-nicotine vaporizer devices and other product formats. Any such extension could materially and adversely affect the Company's business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaporizer products is accelerating and that litigation could potentially expand to include the Company's products, which would materially and adversely affect the Company's business, financial condition, operating results, liquidity, cash flow and operational performance.

Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If the scientific or medical community were to determine conclusively that use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation, reputational harm and significant regulation.

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.

The Company relies on international advisors and consultants in foreign jurisdictions.

The legal and regulatory requirements in the foreign countries in which the Company currently or intends to operate are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to ensure the Company's compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, to assist with governmental relations and enhance the Company's understanding of and appreciation for the local business culture and practices. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Company's control. The impact of any such changes may adversely affect the Company's business, financial condition and operations.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer (the "Certifying Officers"), in accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, 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	180,818,952
Warrants	48,096,811
Restricted share units issued to employees	187,500
Stock options	6,140,333

See the Company's Interim Condensed Consolidated Financial Statements for a detailed description of these securities. The Warrants, restricted share units, and Options are each convertible into Common Shares.