



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

Management's discussion and analysis ("MD&A") provides a detailed analysis of the results and financial condition of SpeakEasy Cannabis Club Ltd. (the "Company" or "SpeakEasy") for the period ended April 30, 2021. The following MD&A should be read in conjunction with the unaudited consolidated financial statements for the period ended April 30, 2021 and 2020, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

This Management's Discussion and Analysis ("MD&A") is dated June 29, 2021 and discloses specified information up to that date. The condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise cited, references to dollar amounts are in Canadian dollars. This MD&A contains "forward-looking statements" that are subject to risk factors including those set out in the "Cautionary Statement" at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Company's Board of Directors as of June 29, 2021, unless otherwise indicated. Throughout this report we refer to "SpeakEasy", the "Company", "we", "us", "our", or "its". All these terms are used in respect of SpeakEasy Cannabis Club Ltd. We recommend that readers consult the "Cautionary Statement" on the last page of this report. Additional information relating to the Company is available on the Company's website at www.speakeasygrowers.com and on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Overview

SpeakEasy is a publicly traded company with a foundation based on a 5 generations of family farming. Our goal is to be a producer of top tier cannabis and cannabis-derived extracts and derivative for the Canadian market. Our strategy is to continue to grow at a low cost, at scale, and build target brands for a variety of cannabis consumer segments. The Company's wholly-owned subsidiary, 10161233 Canada Ltd, is a Licence Holder under the Cannabis Regulations, licenced for cultivation, processing and medical sales of cannabis since November 8, 2019. The head office of the Company is located at 1520-6 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

Our common shares are listed on the CSE under the symbol "EASY".

The Company, situated on 290 acres of fertile land in the Okanagan's renowned Golden Mile, has demonstrated adherence to the industry's rigorous compliance standards, and can now grow, process and sell its high quality, small-batch cannabis to certain markets.

In January 2021, the Company received an amendment to its Health Canada License which now allows us to sell flower into the recreational market and directly to medical patients. In November 2019, the Company announced that it had received Health Canada's licence for cultivation, processing and medical sales. In October 2020, the Company then received an amendment to its licence to include:

- an additional 13,300 sq ft of processing and secure storage space in the Company's newly licenced cannabis facility, to be used for extractions, concentrates and flower processing labs, occupying 1 of 4 floors in the complex,
- the remaining 39,900 sq ft of the facility, which is nearing completion and will be used for flower production, and, once fully operational, will provide an estimated 700 kilograms of high quality indoor craft cannabis per month,
- a fully enclosed SpeakEasy cannabis campus with the addition of 6 acres and a combined total of over 62,000 sq ft of production and processing space.



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The Company expects that in 2021 there will be a shift in the global cannabis industry into a consumer-packaged goods industry with the introduction of new product categories and increased segmentation in existing ones. The Company continues to develop a business model to include core value add ons that amplify our brand differentiation in what is expected to be a flourishing market. Building on its solid foundation, the Company intends to identify multiple revenue sources and replicate its operations in emerging global cannabis markets.

Moving from speculation to reality, a correction in the industry has taken place as customer dissatisfaction with current product offerings from competitors impacts sales projections. By focusing on both indoor and outdoor cultivation, and following the proven business frameworks of successful multinational farming cooperatives, SpeakEasy is well positioned to cultivate premium BC cannabis and realize significant cost efficiencies.

OPERATIONAL HIGHLIGHTS

- On June 26, 2021, the Company reported the progress of its product and sales and that it has achieved its projected maximum production of its indoor flower, extracts and pre-rolled joints and is fully sold out for the foreseeable future. Its partner, RC Frontier Labs Ltd, recently received state of the art equipment with a value of approximately CAD \$300,000 and expects it to be fully operational in early July. Pursuant to our agreement with Frontier, this provides the ability to increase production and more than quadruple the Company's current production capacity for extracts.

On June 24, 2021, the Company announce that it had entered into a share purchase agreement with Karolos Research Inc. and each of the security holders in connection with the proposed acquisition of all of the issued and outstanding securities of Karolos. Pursuant to the Definitive Agreement, SpeakEasy would acquire all of the Karolos Securities in exchange for the issuance of 11,500,000 common shares in the capital of SpeakEasy and 3,000,000 common share purchase warrants. Each Consideration Warrant entitles the holder to acquire an additional common share of the Company at an exercise price of \$0.59 per share for a period of 24 months following the date of issuance. In accordance with the terms of the Definitive Agreement, 2,000,000 of the Consideration Shares will be subject to a contractual hold period of 4 months from the date of issuance and an additional 2,000,000 Consideration Shares will be subject to a hold period of 1 year from the date of issuance, with 25% of such shares being released to the holder every 3 months during such year.

If completed as proposed, the acquisition would include an existing cash balance of approximately CAD \$1,000,000, intellectual property associated with a digital psychedelic database known as "XCYBIN" and a natural health company, known as Genetico Research. Genetico Research expects to specialize in product development in the cannabis industry, with a main focus on bringing CBG/CBD products to market. These CBG/CBD products are not expected to contain any psychoactive ingredient, making them more accessible to potential clients who would like to receive the medicinal benefits of cannabis without the psychoactive ingredient of full spectrum cannabis products.

The completion of the acquisition is subject to a number of conditions, including, without limitation, the approval of the Canadian Securities Exchange and the approval of the Company's minority shareholders. The Company anticipates calling a special meeting of shareholders with a view to seeking minority shareholder approval for the acquisition.

- On May 6, 2021, the Company announced it is 4 months into a 6-9 month application process to receiving its Narcotics Dealers License ("NDL") in-order to develop and standardize psilocybin cultivation.



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A NDL licenced dealer may produce, assemble, sell, provide, transport, send, deliver, import or export a controlled drug (psilocybin) if they comply with the terms and conditions of their dealer's licence and any permit issued under the licence. Upon receipt, the Company intends to immediately begin the process of preparing for the anticipation of the legal market.

Outdoor Cultivation

The Company is currently preparing for the 2021 outdoor grow operation which it expects will yield another successful harvest with a goal to achieve a 100% increase in yield over our initial harvest. Speakeasy's completion of its first outdoor harvest highlighted the importance of 5 generations of family farming experience, combined with genetics and the perfect climate. British Columbia's spring was not a typical one and less than perfect, with wet and cold weather. The fall ended early in spectacular fashion with freezing temperatures and snow, however, the summer was exactly what we expected for this area. The unusual fall weather showcased how critical it was to choose an outdoor genetic that finished early. SpeakEasy experienced no harm from weather this year for a variety of reasons. Using three different genetics and three different planting methods allowed us to spread our harvest period over 35 days. SpeakEasy plans to achieve 140,000 KG in 2021 by implementing the following:

- Plant Density – The 2021 growing season will see a number of changes from the successful 2020 season that management expects will lead to increased yields, including: increased planting density, physically larger plants during planting, additional space utilized and additional varieties.
- Additional Vegging Facilities – Last growing season, SpeakEasy was limited to 3,500 square feet of usable vegetative grow space. Our preparation space has climbed a staggering 1128% to 43,000 square feet, allowing SpeakEasy to grow larger healthier plants compared to last season.
- Earlier Planting – due to delays in the regulatory process, the Company was forced to start the 2020 planting season later than anticipated. With no anticipated licencing delays or other obstacles, SpeakEasy is set to start the 2021 planting season right on time.
- Increasing Harvest Efficiency -Using the data collected from last year, SpeakEasy plans to continue optimization of the different growing styles into the 2021 season to increase yield output efficiency.

The Company received Health Canada's approval for the outdoor campus on April 3, 2020, enabling the harvest of approximately 72,000 kg of cannabis and biomass (see breakdown below) in fiscal 2020. The Company developed its Phase 1 outdoor grow facility on the remaining land suitable for growing cannabis on its 290 acre property. Due to the long summer, dry harvest season, and favorable growing conditions, internal estimates project that SpeakEasy is positioning itself to be one of Canada's largest cannabis producers of affordable products and to be one of the lowest cost producers in the industry for trimmed flower and biomass for extraction.

On October 13, 2020, the Company received a third amendment to its license to include 13,300 sq ft of its 53,300 sq ft new facility to be used to process the Company's outdoor crop. Outdoor harvest started in September 2020 and yielded over 72,000 kg of dried and fresh frozen biomass.

Harvest yield breakdown of 72,000 kg:

- Dried Flower yielded 11,400 kg and will be used for a multitude of products including flower as a finished product, pre-rolls, shatter, distillate and a range of additional value-added products.
- Fresh Frozen flower yielded 13,684 kg and was harvested and immediately frozen to minus 30 degrees Celsius thus allowing preservation of volatile terpenes. This method of harvest allows for the creation of certain types of high value extracts only possible when made from fresh frozen material.



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- Biomass, which was received via a Letter of intent with a related party, yielded 47,250 kg and will be used for bulk extraction, the cannabinoids gleaned from that process will be the input material for many value added products.
- The Company entered into an agreement dated November 1, 2020 for the purchase of hemp biomass from a related party for consideration to be determined based on the ultimate selling price of the hemp. The seller retains a security interest in the hemp until paid in full.

Indoor cultivation

The Company has achieved its projected maximum production of its indoor flower, extracts and pre-rolled joints and is fully sold out for the foreseeable future.

In March 2021, the Company completed and opened one of its additional 13,300 square foot production facilities. Plants are currently being moved into the brand-new facility, which represents an increase of four times the flower production capacity from what we currently have. This is the first of three facilities all expected to be completed Q3-Q4 this year, resulting in a total of over 62,000 square feet of licensed indoor production/processing space.

In May 2020, we completed work on our processing building and expanded the perimeter. The Company submitted an evidence package and application for amendment to its licence to Health Canada in June 2020, receiving the amendment in October 2020. The amendment included 53,300 square feet of indoor production and processing space, an expanded perimeter fence that ties the first building, the outdoor field and the production and processing area together, bringing SpeakEasy's cannabis campus to over 66 acres.

Extraction processing

The Company, through an extraction agreement with RC Frontier Labs Ltd, has substantially completed its state-of-the-art 26,000 sq. ft processing and extraction facility. The Company expects to expand operations by processing up to 350,000 kilograms of cannabis products annually.

Upon receipt of appropriate amendments to its current licence, the Company intends to sell flower as a finished smokable product, made into pre-rolls and used in extractions for concentrates. Bulk biomass will be extracted on site and made into distillate for bulk sale and in-house value-added products.

On April 13, 2021, the Company announced that it has entered the final stage of amending its sales license to allow the sale of its extracts and concentrates. The Company expects to receive approval shortly however there have been some delays as the result of Covid-19,

FINANCIAL HIGHLIGHTS

Revenues and gross profit

During the nine months ended April 31, 2021, gross revenues from the sale of craft flower and extracts were \$1.5 million. Further, the Company reported an additional \$112,165 from providing flower trimming services. Total revenues for the 9 months ended April 30, 2021, was approximately \$1.5 million. Cost of sales associated with these sales was \$640,724 yielding a gross profit before changes in fair value of inventory sold of \$1,008,566.



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On April 9, 2021, the Company entered into a convertible loan agreement with 10161233 Canada Limited (the "Guarantor"), 1287866 B.C. Ltd. (the "Lender") and Bhayana Ventures Ltd (the "administrative agent"). The Lender has agreed to loan the Company \$3.0 million for working capital purposes and capital expenditures. In accordance with the terms and conditions of the Loan Agreement, the Loan will accrue interest at a rate of 6.0% per annum, payable monthly in arrears, and will be repayable on the second anniversary date of the closing date, subject to acceleration in certain circumstances. The Guarantor has guaranteed SpeakEasy's obligations under the 2021 Loan Agreement. In connection with the Loan, the Company has agreed to:

- pay the Administrative Agent a fee equal to 5.0% of the principal amount of the Loan (the "Finder's Fee") which Finder's Fee shall be satisfied by the issuance of common shares in the capital of the Company (the "Common Shares") at a deemed price per Common Share equal to the Conversion Price;
- grant to the Administrative Agent such number of Common Share purchase warrants (the "Warrants") as is equal to the principal amount of the Loan divided by the Conversion Price. Each Warrant entitles the holder to purchase a Common Share at a purchase price of \$0.70 per Common Share, subject to adjustment, for a period of three years following the date of issuance;
- pay the Administrative Agent from and following the first anniversary of the closing date of the Loan a monthly administration fee (the "Administration Fee") equal to 0.5% of the principal amount of the Loan and all accrued and unpaid interest thereon. The principal amount of the Loan and any accrued but unpaid interest thereon will be convertible into Common Shares at the option of the Administrative Agent (on behalf of the Lender) at a price (the "Conversion Price") equal to lower of (i) \$0.52; and (ii) the closing price of the Common Shares on the day before the closing date, each subject to adjustment on the terms and conditions set forth in the 2021 Loan Agreement.

As security for the Loan, the Company granted to the Lender of a first mortgage over the Guarantor's property in Rock Creek, British Columbia and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

CORPORATE HIGHLIGHTS

Non-binding letter of intent for supply agreement

On March 31, 2021, the Company signed Definitive Supply Agreement with a Canadian Licensed Producer whereby the Company agrees to supply and process cannabis for the LP with its value-added products, including extracts, pre-rolls and packaged flower from our indoor and outdoor facilities for an initial term of six (6) months with an option to extend for an additional six (6) month term upon mutual agreement of the parties.



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Appointment of new director

In February, the Company announced the appointment of Dr. Charles Williams to the board of directors as an independent member. Dr. Williams currently holds full security clearance and obtained a Ph.D. from McGill university in organic chemistry. Charles brings extensive regulatory experience having over 25 years of direct regulatory experience. Charles operated a consulting firm for over 20 years serving clients in a wide variety of regulatory aspects from environmental regulations, food, compliance and pesticide registrations.

Having served the past 3 plus years as Director of Quality Assurance he has overseen all regulatory aspects of Mernova Medicinal Inc.. He has overseen Mernova Medicinal Inc. from the initial Health Canada application under the Access to Cannabis for Medical Purpose Regulations (ACMPR) to Mernova being licensed for processing and sales under Health Canada's Cannabis Act and Regulations.

Charles also brings experience and training in Good Laboratory Practices, Good Manufacturing Practices, and Good Production Practices.

Close of \$4.3M private placement equity financing

In February 2021, the Company closed a non-brokered private placement for \$4.3M issuing a total of 8,605,000 units at a price of \$0.50 per unit. Each unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire an additional Common Share at a price of \$0.70 for a period of 36 months from the closing of the Offering.

Registered and Licensed to Sell in Province of Saskatchewan

On April 1, 2021, the Company announced it has achieved its registration and licence to distribute product in Saskatchewan. First purchase orders have been received and SpeakEasy began shipping under this brand "B.C. Batts" in June 2021. The Company has also submitted its license registrations in Alberta and British Columbia and expects to receive confirmation of approval during Q4, 2021.

Covid-19 Update

During the nine months ended April 30, 2021, certain Canadian provinces re-enacted increased province wide restrictions and protocols as a response to the rapid increase in COVID 19 cases. As of the date of this MD&A, the cannabis industry remains to be deemed an essential service to Canadians. During the period, the Company's results, operations and financial position were not materially impacted by the COVID-19 global pandemic. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome, and duration, it is not possible to estimate the future impact on our business operations and financial results, however, the impact could be material. Refer to the "Risk Factors" section for further COVID-19 related risks to the business.

BCSC Settlement

In May 2020, SpeakEasy entered into a settlement agreement with the British Columbia Securities Commission ("BCSC") in connection with certain aspects of the Company's historical activities. This settlement resolves the BCSC's review of SpeakEasy's involvement in the ongoing BCSC investigation relating to, among other things, the use of the consultant exemption from prospectus requirements as part of financings conducted by CSE-listed companies in British Columbia (the "BCSC Matter"). Under the terms of the settlement, the BCSC will not seek any orders against the Company, including financial orders.

The Board of Directors and officers continue to develop and implement high standards for the Company, the Company's service providers, employees, consultants, officers and directors.



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Further, the Company continues to seek qualified professional independent board members who share similar values on corporate governance.

There is a clear mandate on the importance of solid corporate governance policies. It is the duty of the Board of Directors and officers to be prudent in its fiduciary obligations to the shareholders and oversee the management of the Company's business. The Company has worked closely with independent advisors and follows the procedures and standards that are set forth in the guidelines by the relevant regulatory bodies.

Warrant Extension

On February 16, 2021, the Company announced the extension of the expiry date for certain of its Share purchase warrants issued pursuant to private placements that closed on each of March 8, 2019 (the "March 2019 Warrants") and April 24, 2019, and April 25, 2019 (collectively, the "April 2019 Warrants"). The Company wishes to rectify such disclosure and confirm that the terms of the March 2019 Warrants and April 2019 Warrants have not been amended and that all such warrants have now expired in accordance with their original terms.

Change in Auditor

the board of directors of the Company has appointed Manning Elliott LLP (the "Successor Auditor") as the Company's new auditor, replacing Davidson & Company LLP (the "Former Auditor"). At the request of the Company, the Former Auditor resigned as the auditor of the Company effective March 19, 2021, and the board of directors of the Company appointed the Successor Auditor as the Company's auditor effective March 19, 2021.



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FINANCIAL STATEMENTS GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue its operations for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

To date, the Company's operations have been financed primarily by issuing common shares. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at April 30, 2021, the Company began generating revenues from operations however had a deficit of \$39,320,729 (July 31, 2020 - \$37,062,817). The Company is actively seeking additional sources of financing, although the Company also expects that future cash flow from operations will be sufficient to fund ongoing growth and continued operations of the business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern and that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these uncertainties do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

Non-IFRS Measures

The Company uses certain non-IFRS performance measures in this MD&A. We employ these measures internally to measure our operating and financial performance. We believe that these non-IFRS financial measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate our operating results, underlying performance and future prospects in a manner similar to management. As there are no standardized methods of calculating these non-IFRS measures, our methods may differ from those used by other organizations, and accordingly, these measures may not be directly comparable to similarly titled measures used by others. Accordingly, these non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Gross profit before adjustments

This measure is utilized for those reasons as presented in "Gross profit before fair value adjustments" with the adjustment that this metric excludes biological assets. The Company has identified this metric as useful and relevant information as it represents the gross profit for operational purposes based on costs to produce, package and ship inventory sold, exclusive of impairments and other write downs due to changes to internal or external influences impacting the net realizable value of inventory and inventory disposal costs.



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FINANCIAL RESULTS

Summary of Select Quarterly Results

(000's)	2021 Apr 30 Q3	2021 Jan 31 Q2	2020 Oct 31 Q1	2020 Jul 31 Q4	2020 Apr 30 Q3	2020 Jan 31 Q2	2019 Oct 31 Q1	2019 Jul 31 Q4
Revenue	\$925,550	\$723,740	-	-	-	-	-	-
Net income (loss)	(7,433,583)	1,151,809	3,008,864	1,564,586	(233,971)	(2,091,141)	(1,917,396)	(5,982,395)
Earnings (loss) per share from all operations basic	\$(0.06)	\$0.01	\$0.03	\$(0.03)	\$(0.00)	\$(0.02)	\$(0.02)	\$(0.20)
Earnings (loss) per share from all operations - diluted	\$(0.06)	\$0.01	\$0.03	\$(0.03)	\$(0.00)	\$(0.02)	\$(0.02)	\$(0.20)
Total Assets	\$36,394,764	\$35,208,328	\$29,993,229	\$23,804,245	\$18,064,206	\$14,315,504	\$14,942,402	\$17,308,129

- Revenues were \$925,550 during the current quarter. Q2 2021 was the first quarter that the Company has generated sales from the sale of cannabis flower. During the quarter the Company sold approximately 80,000 grams of cannabis flower and 17,000 grams of extracts to another licenced LP with a retail sales license.
- Net loss was \$7.4 for the quarter. The quarterly incomes figure will often fluctuate from quarter to quarter as the result of the changes in fair value of biological assets or with the issuance of share-based payments. In Q2 2021, the net loss was primarily the result in changes in the fair value biological assets, a non cash figure Other factors affecting net income are operating expenses which the Company has decreased as part of cost reduction initiatives.
- Total assets were \$36.4M as at April 30, 2021. The quarter over quarter increases are primarily the result of increases of biological assets and related inventory but also from the ongoing expansion of the Company's grow and processing operations.

Working Capital

	Apr 30, 2021	July 31, 2020
Current assets	\$17,829,761	\$7,187,463
Current liabilities	(6,583,669)	(5,146,209)
Working capital	\$11,246,092	\$2,041,254



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Three months ended April 30, 2021, compared to the three months ended April 30, 2020:

	2021	2020	Note
Revenue from sale of goods	\$ 813,385	\$ -	1
Revenue from services	112,165	\$ -	1
Cost of sales	(560,430)	-	2
Gross profit before fair value adjustments	365,120	-	2
Changes in fair value of inventory sold	(503,690)	-	
Unrealized gain on change in fair value of biological assets	(4,859,040)	3,269,165	
Gross profit from the sale of goods	(4,997,610)	3,269,165	
Operating Expenses			
Accretion	24,000	-	
Advertising and promotion	310,673	251,350	
Amortization and depreciation	162,943	103,613	3
Automobile	5,365	32,972	
Consulting fees	208,534	277,280	4
Filing and listing fees	8,834	7,685	5
Interest expense	305,371	-	6
Interest income	(146)	(13)	
Legal and professional fees	74,751	193,176	7
Loss on settlement of debt	150,255	-	8
Meals and entertainment	4,132	1,455	
Other expense	78,622	-	
Office and general expenses	682,806	201,290	9
Repairs and maintenance	1,411	9,791	
Share-based compensation	237,392	1,315,456	10
Travel	28,196	4,066	
Salaries and wages	152,834	637,073	11
	(2,435,973)	(3,035,194)	
Loss and comprehensive loss	\$(7,433,583)	\$(233,971)	12
Basic and diluted loss per share	\$ (0.06)	\$ (0.00)	12
Weighted average number of ordinary shares outstanding – basic and diluted	128,664,069	101,179,681	12

1. Sales were \$925,550 for the current quarter compared to \$nil in the comparative period. The Company began sales of product in Q3 2021 as compared to no product available to sell in 2020.
2. Costs associated with the sale of 78,856 grams of flower and 17,000 of processed extracts was \$560,430 providing a gross profit for the period of \$365,120. The change is also due to the related fair value changes in biological assets included in inventory sold. There were no sales or cost of sales in the comparative period.



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3. Amortization and depreciation in the prior period was \$162,943 compared to \$103,613 in the current period. The increase is due to more property and equipment being available for use.
4. Consulting fees decreased to \$208,534 during the quarter compared to \$277,280. The Company employed fewer consultants as part of cost reduction initiatives. Further, some consulting fees were capitalized in connection to biological assets during the current period.
5. Filing and listing fees were higher during the current quarter due to an increase in regulatory activity.
6. Interest expense of \$305,371 (2020 - \$Nil) increased due to accretion of interest with the right-of-use assets and the convertible loan during the current period.
7. Legal and professional fees decreased from \$193,176 to \$74,751. The decrease is the result of legal fees associated with the class action suit that took place in the comparative quarter.
8. Loss on settlement of debt of \$150,255, (2020 - \$Nil) from issuance of common shares to settle debts during the current quarter.
9. Office and general expense increased by \$481,516 from \$201,290 in the comparable quarter. The increase is due to additional admin costs to transition into production and processing. The Company also spent a significant amount on PPE items to adhere to provincial Covid 19 guidelines.
10. Share-based compensation was \$237,392 (2020 - \$1,315,456) as the result of few options being granted during the quarter.
11. Wages and salaries of \$152,834 (2020 - \$637,073) decreased primarily as a result of capitalization of certain wages and salaries costs in connection to biological assets during the current period.
12. As a result of the foregoing, net loss from operations for the three months ended April 30, 2021, was \$7,433,583 compared to a loss of \$3,035,194 in the comparable quarter. The increase in loss resulted in a basic and diluted loss per share from continuing operations of \$0.06 for the quarter ended April 30, 2021, compared to \$Nil in the comparative quarter.



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Nine months ended April 30, 2021, compared to the nine months ended April 30, 2020:

	2021	2020	Note
Revenue from sale of goods	\$ 1,537,125	\$ -	1
Revenue from services	112,165	\$ -	1
Cost of sales	(640,724)	-	2
Gross profit before fair value adjustments	1,008,566	-	2
Changes in fair value of inventory sold	(136,604)	-	
Unrealized gain on change in fair value of biological assets	2,670,528	3,003,956	
Gross profit from the sale of goods	3,542,490	3,003,956	
Operating Expenses			
Accretion	72,000	-	3
Advertising and promotion	478,193	343,899	5
Amortization and depreciation	369,623	291,686	
Automobile	23,596	75,584	
Consulting fees	643,261	868,772	6
Filing and listing fees	36,138	33,087	5
Interest expense	860,787	-	7
Interest income	(146)	(12,583)	
Legal and professional fees	422,575	391,468	8
Loss on settlement of debt	394,152	-	9
Meals and entertainment	4,132	6,980	
Other income	(135,057)	-	10
Office and general expenses	999,007	824,690	11
Repairs and maintenance	1,411	17,650	
Share-based compensation	1,144,973	1,414,806	12
Travel	41,327	28,011	
Salaries and wages	446,533	2,494,472	13
Write-off of right-of-use assets	5,513	-	
	(5,808,018)	(6,778,522)	
Loss and comprehensive loss	(2,265,528)	(3,744,566)	14
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)	14
Weighted average number of ordinary shares outstanding – basic and diluted	120,031,516	95,223,664	14

1. Sales for period were \$1,649,290 for the period compared to \$nil in the comparative period. The Company began sales of product in Q2 2021 as a result there was no product to sell in 2020.
2. Cost associated with sale of 366,593 grams of flower and 17,000 of extracts was approximately \$640,724 providing a gross profit for the period of \$1,008,566. The change is also due to the related fair value changes in biological assets included in inventory sold. There were no sales or cost of sales in the comparative period.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

3. Accretion of \$72,000 (2020 - \$Nil) primarily as a result of the discount on the promissory note as finder's fee in connection with the convertible loan.
4. Advertising and promotion of \$478,193 (2020 - \$343,899) increased primarily as the result of increase in activities in the current period to raise awareness regarding the Company's activities.
5. Amortization and depreciation of \$369,623 (2020 - \$291,686) due to an amortization of right-of-use assets and addition equipment becoming available for use during the current period.
6. Consulting fees decreased to \$643,261 during the period compared to \$868,772. The Company employed fewer consultants as part of cost reduction review. Further, some consulting fees were capitalized in connection to biological assets during the current period.
7. Interest expense of \$860,787 (2020 - \$Nil) increased due to accretion of interest with the right-of-use assets and the convertible loan during the current period. There were no such debt instruments in the comparable period.
8. Legal and professional fees increased from \$391,468 to \$422,575. The increase is the result of legal fees associated with the class action suit and for general corporate matters in the comparable 9-month period.
9. Loss on settlement of debt of \$394,152 (2020 - \$Nil) related to issuance of 6,119,288 common shares valued at \$3,324,978 to settle debt of \$2,930,826 during the current period.
10. Other income of \$135,057 relates to the sale of planting material that is no longer needed and for "trimming services" provided to another licensed producer. There was no such sales or services provided in the comparable period.
11. The increase is due to additional admin costs to transition into production and processing. The Company also spent a significant amount on PPE items to adhere to provincial Covid 19 guidelines..
12. Share-based compensation of \$1,144,973 (2020 - \$1,414,806) decreased primarily as a result of fewer options granted during the current period. During the period the Company granted 3,287,162 options with a weighted average exercise price of \$0.58 per option compared to 840,000 at weighted average exercise price of \$0.53 per option in the comparable period.
13. Wages and salaries of \$446,533 (2020 - \$2,494,472) decreased primarily as a result of capitalization of certain wages and salaries costs in connection to biological assets during the current period.
14. As a result of the foregoing, net loss from operations for the nine months ended April 30, 2021, was \$2,265,528 compared to a loss of \$3,744,566 in the comparable period. Decrease in loss resulted in a basic and diluted loss per share from continuing operations of \$0.02, compared to a loss per share of \$0.04, for the quarter ended April 30, 2020.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED APRIL 30, 2021**

Statement of Financial Position

	Apr 30, 2021	July 31, 2020
Cash	\$ 2,746,366	\$ 125,887
Working capital	11,246,092	2,041,254
Accumulated Deficit	(39,320,729)	(37,062,817)

Cash Flow

	Apr 30, 2021	April 30, 2020
Cash used in operating activities	\$ (3,937,380)	\$ (4,745,195)
Cash generated by financing activities	9,221,269	2,030,250
Cash used in investing activities	(2,663,657)	(1,115,818)
Decrease in cash	(2,620,479)	(3,830,763)
Cash, beginning of period	125,887	3,922,921
Cash, end of period	\$ 2,746,366	\$ 92,158

Operating Activities

Cash used in operating activities was \$3,937,380 (2020 - \$4,745,195). Operating activities consist of cash used for items on the condensed interim consolidated statement of income (loss) and comprehensive income (loss), adjusted for timing/changes in non-cash working capital items.

Financing Activities

Cash provided by financing activities was \$9,221,269 (2020 - \$2,030,250). The cash provided in 2021 consisted of \$7,001,136 in cash received for the issuance of shares net of share issuance costs, advances repaid of \$665,000, and 2,975,000 of convertible note proceeds.

Investing Activities

Cash used in investing activities was \$2,663,410 (2020 – 1,115,818). The cash used in both 2021 and 2020 consisted primarily of expenditures on property, plant and equipment and obligations to right-of-use assets.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 2021, the Company had working capital of \$11,246,092 (July 31, 2020 – \$2,041,254).

The Company continues to use its cash resources to fund its administrative requirements and to complete its facility expansion plans. As the Company does not currently generate revenue, cash balances will continue to decline as funds are used to conduct its operations and on-going expansion plans, unless replenished by capital fundraising. The Company is actively seeking additional sources of financing. While the Company has been successful in the past, there is no guarantee that the Company will be successful at raising additional funding in the future.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

The Company and the lender entered into a definitive agreement on April 22, 2020, with the aggregate principal amount revised to \$2,000,000 but other terms unchanged, as described in the following paragraphs.

Prior to Q2 2021, the Company did not generate cash flow, and its long-term financial success was dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company's primary capital assets as at April 30, 2021 consist of property and equipment and inventory. Other than the ongoing Facility expansion plans, the Company has no other commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company's capital resources.

Shares issued

During the period from August 1, 2020 to June 29, 2021, the Company:

- i) closed the non-brokered private placement of 3,530,000 units at a price of \$0.37 for gross proceeds of \$1,306,100. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finder's fees of \$78,366 and issued 211,800 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing.
- ii) closed the non-brokered private placement of 3,763,610 units at a price of \$0.37 for gross proceeds of \$1,392,536. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finder's fees of \$47,952 and issued 129,600 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing. The Company applied \$100,000 in advances payable towards the financing.
- iii) issued 6,119,288 common shares valued at \$3,324,978 in settlement of debts in the amount of \$2,930,826, which resulted in a loss of \$394,152.
- iv) issued 8,605,000 units at a price of \$0.50 per unit for proceeds of \$4,302,500. Each Unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into a common share at an exercise price of \$0.70 for a period of 36 months following closing. In connection with the private placement, the Company paid finder's fees of \$200,550 and issued an aggregate of 401,100 finder warrants. Each finder warrant entitles the holder to acquire one common share at a price of \$0.70 for a period of 36 months following closing.
- v) Issued 11,588 commons shares pursuant to the exercise of warrants for gross proceeds of \$6,941, and accordingly, the Company reallocated \$1,745 of equity reserve to share capital.

Escrowed shares

At June 29, 2021, there were \$nil shares held in escrow.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the nine months ended April 30, 2021, the Company:

- i) incurred wages, labour and management fees of \$205,000 (2020 - \$180,000) to a former director and CEO of the Company, namely Marc Geen. 10,000,000 bonus shares valued at \$5,000,000 were issued during the year ended July 31, 2020 that had fully vested as at July 31, 2019.
- ii) incurred wages, labour and management fees of \$Nil (2020 - \$180,000) to the former CEO, namely Bin Huang, of the Company.
- iii) incurred wages, labour, and management fees of \$237,760 (2020 - \$136,000) capitalized to biological assets to a director of the Company, namely Frey Garabagi.
- iv) incurred consulting fees and wages of \$147,603 (2020 - \$90,000) to the corporate secretary of the Company for corporate secretary services, namely Deborah Cotter.
- v) incurred wages, labour and management fees of \$135,120 (2020 - \$108,000) capitalized to biological assets to a director of the Company, namely Patrick Geen.
- vi) incurred consulting fees of \$155,000 (2020 - \$Nil) to the CEO of the Company, namely Malcolm Davidson.
- vii) incurred consulting fees of \$Nil (2020 - \$80,000) capitalized to biological assets to a company owned by a former director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. An additional \$63,000 was paid as severance recorded through the statement of income (loss) during the year ended July 31, 2020.
- viii) granted 1,095,000 (2020 - Nil) stock options to related parties with a value of \$256,050 (2020 - \$Nil) for options vested during the period.

As at April 30, 2021, the Company had balances due to related parties of:

- i) \$520 (July 31, 2020 - due to \$8,858) which is due to the corporate secretary of the Company, namely Deborah Cotter.
- ii) \$713 (July 31, 2020 - \$713) which is due to the president of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.
- iii) \$Nil (July 31, 2020 - \$24,107) which is due to the former CEO, namely Bin Huang, of the Company.
- iv) \$8,121 (July 31, 2020 - \$20,351) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.
- v) \$Nil (July 31, 2020 - \$33,712) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.
- vi) \$Nil (July 31, 2020 - \$6,000) which is due to a director of the Company, namely Patrick Geen.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

vii) \$8,390 (July 31, 2020 - \$Nil) which is due to the CEO of the Company, namely Malcolm Davidson.

viii) \$127,637 (July 31, 2020 - \$30,820), which is due from a former director and CEO of the Company, namely Marc Geen.

Included in prepaid expenses and deposits at April 30, 2021 is \$36,750 (July 31, 2020 - \$Nil) owed to an officer and the corporate secretary of the Company.

Included in due from related parties at April 30, 2021 is \$267,420 (July 31, 2020 - \$Nil) owed from a former director and CEO of the Company of the Company.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

CURRENT AND FUTURE ACCOUNTING POLICIES

Please refer to the condensed interim consolidated Financial Statements for the period ended April 30, 2021 on www.sedar.com.

FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND CAPITAL MANAGEMENT AND POLICIES

Please refer to the condensed interim consolidated Financial Statements for the period ended April 30, 2021 on www.sedar.com.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company, which factors investors should carefully consider when making an investment decision concerning the shares of the Company. The Company will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or which are currently deemed immaterial, may also impair the operations of the Company. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A.

Even though the Company was successful in obtaining the Cultivation, Processing and Medical Sales Licence, the Licence will be subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

Furthermore, the Licence has an expiry date. Prior to the expiration of the Licence, the Company would be required to submit an application for renewal to Health Canada containing the information prescribed under the Cannabis Regulations, and renewal cannot be assured.



Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market that is very competitive and evolving rapidly. The Company's ability to grow, store and sell cannabis in Canada is dependent on the Licence from Health Canada and the need to maintain the Licence in good standing. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs, or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of cannabis and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Limited operating history

The Company is subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Net Losses

The Company has incurred operating losses since incorporation and may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative Operating Cash Flow

The Company has not generated operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Reliance on a Single Site

The Company's activities and resources are focused in its Facilities in Rock Creek, British Columbia and are expected to continue to be focused on these Facilities for the foreseeable future. Adverse changes or developments affecting the existing Facilities could have a material and adverse effect on the Company's ability, if and when it acquires and/or sustains the Licences from Health Canada, to produce cannabis.

Factors Related to the Facilities

As of the date of this MD&A, the certain facilities at the Rock Creek site have been completed, others are still under construction. Any adverse changes or developments affecting the Facilities and commencement of production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- (a) delays in obtaining, or conditions imposed by, regulatory approvals;
- (b) plant design errors;
- (c) environmental pollution;
- (d) non-performance by third party contractors;
- (e) increases in materials or labour costs;
- (f) construction performance falling below expected levels of output or efficiency;
- (g) breakdown, aging or failure of equipment or processes;
- (h) contractor or operator errors;
- (i) labour disputes, disruptions, or declines in productivity;
- (j) inability to attract sufficient numbers of qualified workers;
- (k) disruption in the supply of energy and utilities; or
- (l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the costs of commencing production may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

Expansion

Expansion and licensing of additional Facilities are subject to approvals by Health Canada. While management does not anticipate significant issues receiving any necessary approvals in the future, the delay or denial of such approvals may have a material adverse impact on the business and may result in the Company not meeting anticipated or future demand when it arises.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.



Restrictions on Sales Activities

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasigovernmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Competition

The Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. To date, the Canadian government has only issued a limited number of licences under the Cannabis Regulations to cultivate, process and sell cannabis. The number of licences granted could have an impact on the business, financial condition and operating results of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there are currently 279 Licence Holders as the date of this MD&A. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and operating results of the Company.

Client Acquisition and Retention

The Company's success will depend on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's client-acquisition plan and the continued growth in the client base. The Company's failure to acquire and retain clients would have a material adverse effect on the business, financial condition and operating results of the Company.

Transportation Risks

Due to the perishable nature of some of the Company's proposed products, the Company will depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third-party transportation services which will be used by the Company to ship its proposed products may also adversely impact the business of the Company and its ability to operate profitably.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as environmental control, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

Energy Costs

The Company's indoor growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

Management believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis products produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical or recreational marijuana in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its proposed products, either inhaled or ingested, are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the proposed products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of proposed products.



Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's proposed products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company intends to have detailed procedures in place for testing proposed finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's proposed products were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Additional Financing

The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating consistent positive cash flows. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

Dilution

The Company may issue additional equity securities to finance its activities, including acquisitions. If the Company were to issue common shares, existing holders of such shares may experience dilution in the Company. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be materially adversely affected.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited financial statements.

CAUTIONARY FORWARD-LOOKING STATEMENTS

Statements contained in this MD&A that are not historical facts but are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties). Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- the ability to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the Company's business strategies, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facilities and their costs;
- the suitability of the Facilities;
- expectations regarding production costs, capacity and yields of the Company and growth thereof;
- the Company's intentions to develop its business and operations;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company;
- risks related to the Company's dependence on key personnel;
- estimates used in the Company's financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at January 31, 2021 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no

assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

NON-RELATED CONSULTING TRANSACTIONS

Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company. As at April 30, 2021, accounts payable and accrued liabilities of \$320,000 (July 31, 2020 – \$320,000) was owing to the above parties.

As at April 30, 2021 advances payable of \$100,000 (July 31, 2020 - \$100,000) is owing to above noted parties.

OUTSTANDING SHARES, OPTIONS AND WARRANTS

Common Shares

The authorized capital of the issuer consists of an unlimited number of common shares without par value of which 131,542,895 are outstanding as of June 29, 2021. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Stock Options

The following table sets out the details of the stock options granted and outstanding as at June 29, 2021:

<u>Expiry date</u>	<u>Exercise price (\$)</u>	<u>Number of options outstanding</u>	<u>Number of options exercisable</u>
October 15, 2022	0.60	417,162	417,162
March 26, 2023	0.95	825,000	825,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 3, 2024	0.54	200,000	200,000
March 12, 2024	0.80	805,000	805,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.86	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
August 8, 2024	0.70	150,000	108,333
November 11, 2024	0.70	210,000	133,333



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January 30, 2025	0.39	100,000	50,000
April 8, 2025	0.53	545,000	466,667
May 25, 2025	0.42	50,000	12,500
October 15, 2025	0.48	1,000,000	250,000
January 25, 2026	0.65	1,010,000	1,010,000
February 23, 2026	0.54	300,000	75,000
April 9, 2026	0.76	160,000	40,000
April 22, 2026	0.70	200,000	50,000
		10,535,495	9,006,328

Warrants

The following table sets out the details of the warrants issued and outstanding as at June 29, 2021:

Expiry date	Exercise price (\$)	Number of warrants outstanding
September 27, 2021	1.00	1,931,902
December 6, 2021	0.80	3,287,500
August 25, 2022	0.60	3,530,000
August 25, 2022	0.60	211,800
October 15, 2022	0.60	3,763,610
October 15, 2022	0.60	118,032
February 16, 2024	0.70	8,605,000
February 16, 2024	0.70	401,100
		21,848,944

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

The MD&A contains certain forward-looking information relating to the Company's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "intend", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "budget", "forecast", "should", "believe", "plans", "intends", "confident" and similar expressions are used to identify forward-looking information. In particular, but without limiting the foregoing, the MD&A may contain forward-looking information pertaining to the following:

- i. Product sales expectations.
- ii. Gross margin expectations and corresponding cost control and measurement.
- iii. Expectations regarding production capacity, costs, yields and cannabis prices.
- iv. Expectations regarding general and administrative cost levels.
- v. The completion of construction of production facilities, associated costs, and receipt of related licenses from associated regulatory authorities.



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED APRIL 30, 2021

- vi. The successful completion and integration of historical and in-process acquisitions into the Company's operations.
- vii. Expectations regarding regulatory and legislative uncertainties and potential changes in tax laws.

The forward-looking information is based on information available as of the date of the MD&A and the Company is under no obligation, and specifically disclaims any intention or obligation to update or revise such forward-looking information because of new information, future events or otherwise, except as expressly required by applicable law. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking information throughout the MD&A. The forward-looking information included in the MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking information is based on current expectations, estimates and projections that involve numerous risks and uncertainties which could cause actual results to differ materially from those anticipated and described in the forward-looking information.

COMMITMENTS AND CONTINGENCIES

The Company has entered into the following commitments:

- i) A legal claim was brought against the Company during the year by a consultant. Management considers this claim to be unjustified and the probability that it will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.
- ii) There is a petition proceeding in which the petitioners seek leave to commence claims under s. 140.3 of the Securities Act, R.S.B.C. 1996, c. 418 for alleged misrepresentations made by the Company and 10 other issuers. The petitioners wish to have those claims heard as part of the class action. The Petition to the Court was filed on February 24, 2020. The Company filed a Response to Petition on February 27, 2020.
- iii) On July 11, 2019, a Notice of Civil Claim was filed against the Company along with 10 other issuers. The notice of claim alleges that the Company and the other defendants made certain misrepresentations and conspired with each other and certain consultants to injure the plaintiffs. Most defendants, including the Company, have yet to file a Response to Civil Claim. The plaintiffs have not yet delivered their materials for the certification application. Without these materials it is difficult for the Company to assess the likelihood of the case being certified or the likelihood of the plaintiffs ultimately succeeding on their claims. The Company intends to vigorously oppose the certification application if and when it is brought against the Company.

The Company may become party to litigation, from time to time, in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the market price for the Common Shares, and could use significant resources.

Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's name.