Choom™ Cannabis Co.

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

Three Months Ended September 30, 2020

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The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Choom Holding Inc. (the "Company") as at September 30, 2020 and for the comparative three months ended September 30, 2019. This MD&A should be read in conjunction with the consolidated financial statements for years ended June 30, 2020 and 2019 and related notes available under our Company profile on SEDAR.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is November 30, 2020.

Throughout the report we refer to Choom Holdings Inc. as the "Company", "we", "us", "our" or "its". All these terms are used in respect of Choom Holdings Inc. Additional information on the Company can be found on SEDAR at www.sedar.com and the Company's website www.choom.ca

Cautionary Statement on Forward-Looking Information

This report contains certain statements, which may constitute "forward-looking information" within the meaning of Canadian securities law requirements ("**forward-looking statements**"). These forward-looking statements are made as of the date of this MD&A and Choom Holdings Inc. (the "**Company**") does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company's retail strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the competitive conditions of the cannabis industry;
- the expected growth of retail cannabis sales by the Company in the recreational market;
- conditions in the financial markets generally, and with respect to the prospects for Canadian retail cannabis companies specifically;
- the expected demand for the Company's services and products;
- whether the Company will have sufficient working capital and its ability to raise additional funding required in order to develop its retail business strategy and continue operations;
- future legislative and regulatory developments involving recreational cannabis;
- capital costs for the acquisition and development of its current and proposed retail opportunities; and
- the grant and the impact of any license or supplemental license to conduct activities with cannabis or any amendments thereto.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to become a retail cannabis licensee in the jurisdictions it has made applications in, the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the success of the Company's current and future development efforts, changes in prices of required commodities, competition, government regulations and other risks as set out under "Risk Factors" discussed in the section "Risk Factors" as well as those detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements which are filed and available for review under the Company's profile on SEDAR at www.sedar.com.

Overview of Business and Strategy

Overview of the Company

Choom was incorporated on September 18, 2006 under the *Business Corporations Act* (British Columbia) as "Orocan Resource Corp." On January 27, 2012, Choom received shareholder approval to change its name to "Standard Graphite Corporation" and on November 17, 2017, Choom received approval to change its name to "Choom Holdings Inc."

Choom is a Reporting Issuer in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario. On February 3, 2012, Choom began trading on the TSX Venture Exchange ("**TSX-V**") under the stock symbol "SGH". Choom was previously engaged in the acquisition and exploration of mineral properties located in Canada. During this time, Choom did not earn significant revenues and was considered to be in the exploration stage. As at June 30, 2017, Choom had written off all exploration and evaluation assets.

On November 17, 2017, Choom changed its name to Choom Holdings Inc. and completed a change of business to the business of cultivating and selling cannabis for medical proposes and related products under the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**"). On November 22, 2017, Choom's shares were delisted from the TSX-V, approved for listing on the Canadian Securities Exchange (the "**CSE**"), and commenced trading thereafter under the symbol "CHOO". On December 29, 2017, Choom obtained final approval for trading on the OTCQB operated by the OTC Markets Group Inc. and commenced trading under the symbol "CHOOF".

On December 10, 2018, management changed the Company's strategic plan to focus on developing a network of retail cannabis stores resulting in the decision not to pursue the cultivation sector of the cannabis industry and discontinued operations in connection with the cultivating and selling cannabis for medical purposes.

The Company has no current intention of becoming a licensed producer (being a licensed producer of cannabis for medical purposes under the ACMPR) a ("Licensed Producer") and has no current intention to apply for a license to produce cannabis under the Cannabis Act.

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018. To the extent that the Company pursues international expansion, it will only conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and applicable Canadian regulatory and stock exchange obligations.

On September 16, 2020 the Company completed a Plan of Arrangement with Phivida Holdings Inc. ("Phivida") as further described herein below. Phivida was a CSE listed company and upon completion of the Plan of Arrangement Phivida's shares were delisted from the CSE and upon receipt of an Exemption Order issued by the British Columbia Securities Commission dated October 9, 2020 Phivida ceased to be a reporting issuer and remains a wholly-owned subsidiary of Choom.

Choom Holdings Inc.'s corporate office and principal place of business is located at #208 – 1525 West 8th Avenue Vancouver, British Columbia V6J 1T5.

As at the date of this report Choom has the following wholly owned subsidiaries:

Name of Subsidiary	**Jurisdiction**
Medi-can Health Solutions Inc. ("Medi-Can)	British Columbia
Arbutus Brands Inc. ("Arbutus")	British Columbia
Island Green Cure ("IGC")	British Columbia
102047851 Saskatchewan Ltd. ("102047851")	Saskatchewan
2660837 Ontario Ltd ("2660837 ON")	Ontario
2668667 Ontario Ltd. ("2668667" ON")	Ontario
2151414 Alberta Ltd. ("2151414 AB")	Alberta
2150639 Alberta Ltd. ("2150639 AB")	Alberta
2150647 Alberta Ltd. ("2150647 AB")	Alberta
2168698 Alberta Ltd. ("2168698 AB")	Alberta
Universal Cannabis Coaching Inc. ("UCC")	British Columbia
Western Cannabis Coaching Centre Inc. ("WCC")	British Columbia
1165962 BC Ltd. ("11659262 BC")	British Columbia
Concord Medical Centre Inc. ("CMCI")	British Columbia
Choom BC Retail Holdings Inc. ("Choom BC")	British Columbia

Choom Holdings USA Inc. ("Choom US")	Delaware
835148 Yukon Inc. ("Choom Yukon")	Yukon
2688412 Ontario Inc. ("2688412 ON")	Ontario
Phivida Holdings Inc ("Phivida")	British Columbia
Phivida Organics Inc. ("Organics")	US
Wikala.com Inc ("Wikala")	Canada
Platform WD DOO	Serbia

Additionally, Choom holds a 9.8% interest in Sitka Weedworks Inc. ("SMP") through its holdings in Arbutus.

Description of Business

The Choom brand is inspired by the Choom Gang, a group of buddies in Honolulu during the 1970's who loved to smoke weed – or as the locals call it, "Choom". The Choom Gang pursued a 'live in the moment' lifestyle and their energy has helped shape the Choom culture, which is rooted in the shared belief of cultivating good times with good friends.

Choom's vision is to be the industry leader in cannabis retail, focusing on an elevated consumer experience. Choom demonstrates its strong brand story, through brand relevant art installations, centering on Choom's Aloha culture, easy product education with experienced staff, and a varied assortment of cannabis products and accessories

The future of retail is experiential. The Choom brand is focused on delivering an elevated cannabis customer experience, both online and in-store, through our curated retail environments.

Retail Cannabis

The Company's business strategy is to build one of Canada's premier retail cannabis chains, with locations across Canada in the provinces that allow for private retailers. The Company is operating and constructing retail locations to sell cannabis and cannabis related products under its recreational brand Choom™ with three key strategies in mind:

- ***Build a National Footprint of Corporate Owned Retail Locations***
- ***Maximize Profitable Growth Through Both the Optimization of Choom's Existing Business & New Store Expansion***
- ***Omni-Channel Focused Strategy***

The retail sale of adult-use cannabis is only permitted by approved store operators at licensed locations with applicable federal, provincial and municipal laws. Choom's purchase of cannabis products is determined by the applicable provincial regime. In Alberta, British Columbia and Ontario all purchases of cannabis products are made through a provincial wholesaler who acquires its cannabis products from Licensed Producers. Pricing for cannabis products for sale in its Alberta, British Columbia and Ontario stores is set by similar regimes by the provincial regulator.

Choom through its wholly owned subsidiary 2151414 AB operates the Alberta Stores and is authorized to purchase, store and sell cannabis and cannabis accessories and other goods in accordance with the terms and conditions of its cannabis retail store licenses authorized by the Alberta Gaming, Liquor & Cannabis Commission ("**AGLC**").

Choom through its wholly owned subsidiary 2688412 ON operates the Niagara Store and is authorized to purchase, store and sell cannabis and cannabis accessories and other goods in accordance with the terms and conditions of its cannabis retail store licenses authorized by the Alcohol and Gaming Commission of Ontario ("**AGCO**").

Choom through its wholly owned subsidiary Choom BC operates the Olympic Village Store and is authorized to purchase, store and sell cannabis and cannabis accessories and other goods in accordance with the terms and conditions of its cannabis retail store licenses authorized by the Liquor and Cannabis Regulations Branch ("**LCRB**").

Choom's in-store staff undergo training and educational programs to assist in educating customers on Choom's products; its cannabinoid composition encouraging customers to better understand the products available for purchase and how they may align with their desired experience.

Medical Clinics and Coaching Centres

As of the date of this MD&A, the Company divested the Medical Clinic and Coaching Centre assets which included patient lists, service agreements and two medical and two coaching clinics in British Columbia, for a nominal amount. The Company determined this was the most cost-effective way of disposing of the Medical Clinics, which has historically operated at a loss, to focus on cannabis retail. The employees and contractors of the Medical Clinics were terminated during the month of November 2020. As at September 30, 2020, Goodwill of $973,050 and intangible assets of $51,925 were written off and impairment recognized in the income statement.

Operational Highlights for the three months ended September 30, 2020 and as at the Date of this Report Include:

Choom's Retail Operations

Overall

As at the date of this report, Choom has 14 open and operating stores across the Country.

Alberta

At the date of this report, there are 12 store locations in Alberta opened and operating.

As the COVID-19 situation continues to evolve, the Company in taking cues from government and public health agencies, made the decision to temporarily close 6 of its retail locations in Alberta. Of these locations, 2 have been re-opened as of the date of this report. Management has decided it will not be re-opening the Airdrie location, which was closed during Q3 2020, and has impaired assets in connection with leasehold improvements of $115,435 (2019 - $Nil).

The Company continues to closely monitor the latest developments regarding COVID-19 and will continue to follow the direction of federal, provincial and municipal governments, and public health authorities.

British Columbia

At the date of this report, there is 1 store location in British Columbia opened and operating.

In British Columbia, the Company received its Approved in Principle ("AIP") licensing for its Olympic Village Store and Kitsilano location. The Olympic Village Store commenced operations on May 15, 2020. On August 20, 2020 the Company received its AIP for its Yaletown location and further on September 23, 2020 received its DP for its Dunsmuir location.

The Company is currently in the process of constructing the Yaletown location.

Ontario

At the date of this report, there is 1 store location in Ontario opened and operating and 4 locations in the pipeline.

Corporate – Phivida Transaction

On June 2, 2020, the Company and Phivida entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which Choom will acquire all of the issued and outstanding common shares of Phivida (the "Phivida Shares") in exchange for common shares of Choom (the "Choom Shares") in an arm's length all-share transaction valued at approximately $7.3 million (the "Transaction").

Under the terms of the Arrangement Agreement, Phivida shareholders received 0.72566 of a Choom Share in exchange for each Phivida Share held (the "Exchange Ratio") based on $0.082 per Phivida Share, representing a 10% premium to the 20-day volume weighted average price of the Phivida Shares ended June 2, 2020, and based on a 20-day volume weighted average price of the Choom Shares for the same period, being $0.113 per Choom Share.

On July 23, 2020, in connection with the Arrangement, Choom received a $500,000 in bridge financing (the "Bridge Financing") from Phivida. The Bridge Financing is evidenced by a convertible secured promissory note (a "Promissory Note") bearing interest at a rate of 15% per annum on the outstanding principal sum. The aggregate principal amount of the Bridge Financing and accrued and unpaid interest thereon is, in certain circumstances, convertible into common shares of Choom (the "Choom Shares") at a conversion price of $0.115 per share. Certain of Choom's subsidiaries have also agreed to guarantee Choom's obligations under the Bridge Financing. Pursuant to the terms of the Promissory Note, Choom and the guarantor subsidiaries thereof have granted Phivida a third ranking security interest over all of their respective present and after-acquired property. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and the guarantors and Phivida, dated July 23, 2020.

In connection with the Bridge Financing, Choom also granted Phivida 4,347,826 non-transferable common share purchase warrants (the "Warrants"). Each Warrant entitles Phivida to acquire one Choom Share at an exercise price of $0.115 per share for a period of three years from the date of issuance (subject to automatic earlier expiry immediately prior to the consummation of the transactions contemplated by the Arrangement Agreement). The Warrants are only exercisable from and after the termination of the Arrangement Agreement for any reason other than as a result of a breach of the Arrangement Agreement by Phivida.

The parties also amended the Arrangement Agreement in order to provide that the closing condition in favour of Choom that Phivida have not less than $2,000,000 in working capital surplus be reduced to $1,500,000, on account of the funds advanced to Choom under the Bridge Financing.

The Arrangement Agreement was unanimously approved by the boards of directors of Choom and Phivida. On September 4, 2020 the Phivida shareholders voted in favour of the Transaction. The board of directors of Phivida obtained a fairness opinion from Haywood Securities Inc. that, as of the date of the opinion, and subject to the assumptions, limitations, and qualifications on which such opinion is based, the consideration to be received by Phivida's shareholders pursuant to the Arrangement Agreement was considered fair, from a financial point of view, to the Phivida shareholders.

On September 16, 2020 Choom received the necessary regulatory, court and stock exchange approval to complete the acquisition of Phivida resulting in a total of 64,608,187 Choom Shares issued to the former holders of Phivida Shares, resulting in former Phivida shareholders holding approximately 28.6% of the total number of issued and outstanding Choom Shares (based on 225,753,870 Choom Shares issued and outstanding immediately after closing). In addition, the outstanding options to purchase Phivida Shares have been replaced with 7,881,837 options to purchase Choom Shares on the same terms and conditions, other than necessary adjustments to take into account the Exchange Ratio, as set out in the Plan of Arrangement.

Highlights of the Acquisition of Phivida include:

- *Combined entity will benefit from an integrated omnichannel strategy, focusing on analytic driven decision making across client, people, product and operations.*
- *Will strategically leverage Choom's current brick and mortar presence with Phivida's digital assets to create a best in class customer experience.*
- *Choom will leverage Phivida's available cash to accelerate the build-out of additional stores.*
- *Phivida's strong e-commerce solutions and content-rich marketing platforms to drive traffic, awareness and build a brand authority online.*

Under IFRS 3, the substance of the acquisition does not constitute a business combination and was accounted for as an asset acquisition recognized in property and equipment and the acquired development permits were recognized in intangible assets.

Acquisitions/Dispositions 2020 - 2019

Acquisitions

Niagara Acquisition

Effective April 1, 2020, the Company completed the acquisition of the Niagara Store as described hereinabove. Consideration for the acquisition, included cash of $2,000,000 of which $1,450,000 was paid from the cumulative operating cash flow from the Niagara Store and the remainder was settlement by a promissory note for $550,000 (the "Niagara Note"). Additionally, the Company issued 22,126,066 common shares. Also included the purchase consideration is the amounts paid for the Niagara Option of $1,000,000. The Transaction was completed with the consent of the AGCO following the expiry of certain restrictions on change of control established under the rules applicable to the first cannabis retail lottery conducted by the AGCO on January 11, 2019. In connection with the acquisition, the Company acquired all of the issued and outstanding shares of 2688412 ON which were wholly owned by the Vendor of a cannabis retail operator licence issued by the AGCO in the first lottery.

In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), the substance of a transaction constitutes a business combination as the business of 2688412 ON meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued and cash consideration paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate the fair value of net assets acquired of the Niagara Store.

On May 28, 2020, the Niagara Note was extinguished by way of the proceeds from the sale of property.

Clarity Cooperation Agreement

Pursuant to the terms a cooperation and option agreement (the "Cooperation Agreement") effective February 26, 2019 and further amended on October 10, 2019, the Company and Clarity Cannabis MD Holdings Inc. and its shareholders (the "Optionors") the Company agreed to acquire all assets held by Clarity in connection with 9 operating retail cannabis stores and further 18 in-progress retail opportunities including leasehold improvements and deposits, equipment, and retail cannabis municipal development permits issued thereto (the "Retail Opportunities"). On October 1, 2019, the Company exercised its right to acquire the Retail Opportunities. Subsequent to the Company receiving approvals on its applications for the nine operating locations from the AGLC, the acquisition was completed on October 28, 2019. The Company submitted and received AGLC approval on a further 4 applications for retail locations forming part of the Retail Opportunities.

Initial consideration for the option included among other things a cash payment of $2,000,000 and the issuance of an aggregate of 6,200,000 common shares of Choom.

On October 28, 2019, pursuant to Choom providing a notice to exercise the Clarity Option, the parties completed an asset purchase to acquire certain retail locations (the "Closing").

Consideration included:

- Cash Payment $500,100; ($250,100 paid)
- the issuance of 5,000,000 Payment Shares (issued); and
- the issuance of 1,103,608 Additional Shares (issued).

The Payment Shares issued will be held in escrow by the Company and released from escrow to the holders as follows: 20% on issuance and thereafter in four equal 20% releases every 6 months over 24 months commencing on the Effective Date.

Under IFRS 3, the substance of the acquisition does not constitute a business combination as no processes were acquired and was accounted for as an asset acquisition recognized in property and equipment and the acquired development permits were recognized in intangible assets

Medical Centre

On November 19, 2018, the Company entered into two share purchase agreements with the shareholders of Concord Medical, UCC, 1165962 BC, and WCC (collectively the "Medical Centre") to acquire the issued and outstanding shares of the Medical Centre. The transaction closed on December 10, 2018.

Consideration for the purchase was an aggregate cash payment of $100,002 and an aggregate 1,915,973 common shares (the "Consideration Shares") being the $900,000 equivalent of Choom shares calculated by the 10-day, VWAP. The Consideration Shares are subject to escrow provisions of which 20% (383,193) were released December 10, 2018 with the remaining balance to be released over the subsequent 24 months.

The acquisition of the Medical Centre is a proprietary telemedicine platform that provides important education, access and expertise for referring patients in the use of cannabis for medical purposes. The Medical Centre approach makes it simple for new patients to access legal medical cannabis products in Canada and streamlines the process of registering with a licensed producer.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the Medical Centre meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued and cash paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate fair value of the four operating clinics.

As of the date of this MD&A, the Company divested the Medical Clinic and Coaching Centre assets which included patient lists, service agreements and two medical and two coaching clinics in British Columbia, for a nominal amount. The Company determined this was the most cost-effective way of disposing of the Medical Clinics, which has historically operated at a loss, to focus on cannabis retail. The employees and contractors of the Medical Clinics were terminated during the month of November 2020. As at September 30, 2020, Goodwill of $973,050 and intangible assets of $51,925 were written off and impairment recognized in the income statement.

Dispositions

Property

During the three months ended September 30, 2020, the Company sold two buildings for gross proceeds of $469,426. The Company recognized an impairment expense of $177,100 to reduce the carrying amount of one building to the fair market value, as estimated based on fair value less cost of disposal, at June 30, 2020. A gain of $2,342 on the disposition was subsequently recorded for the three months ended September 30, 2020.

Sitka Weedworks Inc.

The Company, via its wholly owned subsidiary, Arbutus, acquired Sitka Weedworks Inc. (formerly Specialty Medijuana Products) by way of a share exchange agreement during the year ended June 30, 2018. On October 17, 2018, SMP received its cultivation license from Health Canada. Accordingly, management estimated the fair value of the Choom Share Commitments owed to the selling shareholders of SMP based market share price of $1.03 to be $41,167,957 being the share price on the date the cultivation license was granted and recorded it as an addition to the Arbutus intangible asset.

On December 10, 2018, the Company entered into a share purchase agreement with the original key shareholders of SMP whereby Arbutus divested 90.2% of its interest in SMP in exchange for the cancellation of 37,970,445 Share Commitments (the "SMP Divesture"). Choom completed the SMP Divesture resulting in Choom indirectly holding an indirect 9.8% interest in SMP through Arbutus.

During the year ended June 30, 2019, the SMP Divesture resulted in a loss from the sale of $78,789,971 representing the elimination of assets and liabilities in SMP and impairment of intangible assets.

As at September 30, 2020, 749,416 (June 30, 2020 – 749,416) Choom Share Commitments remained outstanding at an aggregate value of $771,900 (2019 - $1,929,750) as determined by the market price of $1.03 on October 17, 2018.

The Company has recorded $1,732,665 (June 30, 2020 - $1,732,665) as long-term investments representing the 9.8% interest in SMP. As at September 30, 2020 the Company advanced a total of $172,282 (2019 - $172,282) in loans for the development of facilities which are recorded as loan receivable. The loan has no stated terms of repayment and is callable only if all shareholders of SMP agree to call on the loan. The Company does not expect repayment within 12 months and has classified this loan as a long-term receivable accordingly.

Selected Annual Information

The following table summarizes selected financial data reported by the Company for the three months ended September 30, 2020, 2019 and 2018. The following results are compliant with IFRS:

	Three Months Ended September 30		
	2020	2019	2018
	$	$	$
Total Revenue	6,121,238	188,540	Nil
Net loss from continuing operations	(2,953,614)	(2,954,159)	(24,074,195)
Net loss from discontinued operations	(25,526)	(25,440)	(165,613)
Net loss and comprehensive loss	(2,977,462)	(2,979,599)	(2,573,108)
Net loss from continuing operations per share basic and diluted	(0.01)	(0.02)	(0.02)
Net loss from discontinued operations per share basic and diluted	-	-	-
Total assets	38,708,104	29,969,270	99,076,295
Current liabilities	6,508,122	2,639,684	1,332,939
Non-current liabilities	33,981,032	17,009,962	-
Shareholders' equity	4,727,072	12,959,308	97,743,356
Number of Common Shares	128,328,331	117,082,298	110,536,301

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Results of Operations

	Three Months Ended September 30		
	2020	2019	**Variance**
	$	$	**$**
Revenue			
Recreational - Retail	**5,985,415**	-	**5,985,415**
Clinic services	**135,823**	188,540	**(52,717)**
Total revenue	**6,121,238**	188,540	**5,932,698**
Cost of sales			
Recreational - Retail	**(3,863,339)**	-	**(3,863,339)**
Doctor and coaching fees	**(34,292)**	(61,464)	**27,172**
Medical supplies	-	(3,419)	**3,419**
Gross profit	**2,223,607**	123,657	**2,099,950**
Expenses			
Administrative and general	**963,380**	1,664,010	**(700,630)**
Salary, wages, benefits	**1,116,527**	209,197	**907,330**
Depreciation and amortization	**590,796**	211,702	**379,094**
Foreign exchange	**(16)**	4,332	**(4,348)**
Marketing, website and media design	**98,348**	212,315	**(113,967)**
Application and termination of agreements costs	**-**	51,867	**(51,867)**
Share-based payments	**118,762**	345,009	**(226,247)**
	(2,887,797)	(2,698,432)	**(189,365)**
Loss before other items	**(664,190)**	(2,574,775)	**1,910,585**
Other items			
Interest income	**436**	116,289	**(115,853)**
Licensing income	**-**	50,000	**(50,000)**
Rental income	**9,663**	127,952	**(118,289)**
Other income	**19,235**	**-**	**19,235**
Gain on sale of property and equipment	**2,342**	**-**	**2,342**
Fair value loss on marketable securities	**(300)**	(100)	**(200)**
Loss on write-off of note receivable	**-**	(3,904)	**3,904**
Impairment on intangible assets	**(1,024,975)**	**-**	**(1,024,975)**
Impairment of property and equipment	**(115,435)**	**-**	**(115,435)**
Termination of agreement costs	**(50,000)**	**-**	**(50,000)**
Loss on settlement of debt	**(54,132)**	**-**	**(54,132)**
Financing costs	**(1,062,567)**	(669,622)	**(392,945)**
Other expenses	**(13,691)**	-	**(13,691)**
Loss before income tax	**(2,289,424)**	(2,954,159)	**664,735**
Deferred income tax recovery	**-**	-	**-**
Loss from continued operations	**(2,953,614)**	(2,954,159)	**545**
Loss from discontinued operations	**(25,526)**	(25,440)	**(86)**
Other comprehensive loss	**1,678**	(27,105)	**28,783**
Net loss and comprehensive loss	**(2,977,462)**	(3,006,704)	**29,242**
Net loss from continuing operations, basic and diluted	**$ (0.01)**	**$ (0.02)**	**$ (0.04)**
Net loss from discontinued operations, basic and diluted	**$ (0.00)**	**$ (0.00)**	**$ 0.49**

Financial Highlights for the three months ended September 30, 2020

- *Revenue of $6,121,238 for the quarter. An increase of 3147% from comparative quarter revenue of $188,540.*
- *Gross Profit of $2,223,607 for the quarter. An increase of 1698% from comparative quarter gross profit of $123,657.*
- *Administrative and General of $963,380 for the quarter. Administrative and general costs were 16% of revenue in Q1 2020 versus 883% in the comparative period.*
- *Salary, wages and benefits of $1,116,527 for the quarter. Salary, wages and benefits were 18% of revenue in Q1 2020 versus 111% in the comparative period.*

Revenue

Retail cannabis operations commenced on October 28, 2019. At the date of this report, the Company has 14 stores opened and operating.

Revenue from retail stores for the three months ended September 30, 2020 was $5,985,415 (2019 - $Nil) and revenues from Concord Medical Centre services of $135,823 (2019 - $188,540) for total revenues of $6,121,238 (2019 - $188,540). The decrease in revenues for the clinic services in the current year was primarily a result of legalization of cannabis and shifted business focus to the Company's retail operations.

Gross Profit

The operations for the three months ended September 30, 2020 resulted in retail gross profit of $2,122,076 or 34.67% (2019 - $Nil) and gross profit from clinic services of $101,531 or 74.75% (2019 - $123,657 or 65.59%).

Management continues to curate its product offering to maximize margins.

Expenses

Administrative and General Expenses

	Three Months Ended September 30		
	2020	2019	Variance
	$	$	$
Accounting and legal	**181,128**	304,985	(123,857)
Business licenses and permits	**10,481**	-	10,481
Conferences	**1,894**	16,136	(14,242)
Consulting	**213,200**	698,884	(485,684)
Insurance	**123,780**	33,021	90,759
Interest and service charges	**76,929**	-	76,929
Office and administration fees	**123,904**	83,118	40,786
Property taxes	**11,282**	-	11,282
Realtor commissions and fees	**22,807**	111,753	(88,946)
Regulatory fees	**3,750**	4,586	(836)
Rent, utilties & security, net of rent received	**132,148**	119,582	12,566
Shareholder communications	**4,187**	44,418	(40,231)
Transfer agent fees	**423**	2,300	(1,877)
Travel	**26,268**	48,096	(21,828)
Terminated leases	**31,199**	197,131	(165,932)
Total administrative and general expenses	**963,380**	1,664,010	(700,630)

The Company recorded an overall $963,380 or 42% decrease in administrative and general expenses. Significant variances to note were:

Accounting and legal: The Company had undergone a number of corporate transactions, including acquisitions and divestures in prior years, which resulted in increased accounting and legal fees in the comparative period.. Additionally, legal fees associated with the Phivida Transaction were capitalized.

Consulting: The decrease in consulting can be explained by reduced number of consultants used during the period – majority of outsourced engagements were transitioned to and completed by the Company's employees.

Insurance: Insurance premiums increased with operational activity and the opening of cannabis retail stores.

Interest and service charges: High volume of retail cannabis sales and purchase transaction is carried out through debit and credit cards, resulting in increased expense during the period.

Realtor commissions and fees: These costs relate to securing prime leasehold opportunities in a very competitive retail cannabis market. For the three months ended September 3, 2020, there was less spent on the procurement of leasehold locations as Choom now has an optimal pipeline of future store locations.

Conferences & Travel: The decrease in both expenses was primarily associated with less associated spending recorded for the quarter as a result of COVID-19 restrictions.

Terminated leases: These costs relate to installation payments to terminate certain Alberta leases, including the lease for the Airdrie location, which was impaired $115,435 for the three months ended September 30, 2020. For the comparative period, the termination costs were for Ontario leases as a result of the Company not winning the license application in Ontario.

Salary, Wages and Benefits: The increase in wages was a result of the engagement of in-house personnel and the commencement of its retail operations in Alberta, BC and Ontario, which resulted in significant increase of the Company's headcount. Salary, wages and benefits were 18% of revenue in Q1 2020 versus 111% in the comparative period.

Depreciation and amortization: The increase in expenses in the current year relates to the adoption of IFRS 16 Leases, recognizing of two major leases in Ontario, and the recording of amortization of right of use assets, as well as the depreciation for leasehold improvements for stores in use.

Marketing, website and media design: The Company saw a decrease from the prior year where additional expenses were incurred from an aggressive marketing strategy as a result from the Company's refocus to the retail cannabis sector as described hereinabove. During the current period, the Company continued to develop its design and marketing materials. Additionally, the Company continued to participate in various marketing campaigns with media service providers to create awareness for the Company in a highly competitive market, however the number of campaigns considered has decreased as management focused its resources on the expansions of its operations and utilized in-house personnel.

Share-based payments: The decrease in share-based payments was primarily a result of options granted in the current year were subject to vesting schedules and expenses related thereto are expensed on a pro-rata basis over the vesting period whereas in the prior comparative year the options granted were primarily vested on grant.

Other Items

Licensing income: Licensing income in the preceding quarter is pursuant to a licensing agreement in connection with the Niagara Store as described hereinabove for $25,000 per month up until the acquisition was completed on April 1, 2020.

Rental income: Rental income is a result of a sub-lease agreement held by the Company. The Company has disposed of its real estate property which reduced the sub-lease income relative to the comparative period, contributing to the variance. Additionally, rent is no longer received for the Niagara location after the acquisition on April 1, 2020.

Loss on sale of property and equipment: During the period ended September 30, 2020, the Company completed the sale of certain buildings included in property and equipment for gross proceeds of approximately $469,426 (2019 - $Nil).The Company recorded a gain on the sale of these buildings of $2,342 (2019 - $Nil).

Impairment of intangibles: Subsequent to the three months ended September 30, 2020, through a divesture for a nominal amount, the Company disposed of the Medical Clinic assets, including the Patient List. The Company recognized goodwill of $973,050 in connection with the acquisition of the Medical Centre. The Company recorded impairment of $973,050 against goodwill and $51,925 against the Patient List for the three months ended September 30, 2020 (September 30, 2019 - $Nil).

Impairment of property and equipment: During the period ended September 30, 2020, the Company impaired assets in connection with leasehold improvements of a closed store location that the Company does not intend to re-open with a book value of $115,435 (2019 - $Nil).

Financing costs: Financing costs, which include interest and accretion for the convertible debentures and lease interest expenses, increased due to significant additions to lease liabilities during fiscal 2019 and three months ended September 30, 2020.

Financial Condition, Liquidity and Capital Resources

	September 30 2020	June 30 2020	**Variance**
	$	$	**$**
Selected Financial Information:			
Cash and cash equivalents	**822,819**	461,100	**361,719**
Working capital	**(3,033,073)**	(3,693,757)	**660,684**
Trade payables	**3,966,049**	3,982,739	**(16,690)**
Lease liabilities - current	**1,498,073**	1,350,201	**147,872**
Convertible debentures	**17,994,159**	17,606,912	**387,247**
Right of use assets	**9,621,651**	8,096,315	**1,525,336**
Property and equipment	**7,500,636**	7,131,547	**369,089**
Investment	**1,904,947**	1,904,947	**-**
Intangible assets	**12,660,943**	7,934,688	**4,726,255**
Total Assets	**38,708,104**	32,621,271	**6,086,833**
Shareholders' equity	**4,727,072**	583,348	**4,143,724**

Key changes to the Company’s financial condition were a net increase in working capital of $660,884 as the result from expenditures as described hereinabove.

The proceeds from the recent financings have been allocated for general corporate purposes, acquisitions and costs incurred to secure retail sites and leasehold improvements and equipment. Additional funds will be required for the further development of the Company’s retail cannabis buildout strategy and to meet its debt obligations as outlined below. The Company’s future financing efforts may be affected by the overall general economic conditions, volatility in market conditions not only the retail cannabis sector but overall response to the current Covid-19 pandemic. The ability to expand the Company’s operations will be reliant on but not limited to securing the necessary retail real estate locations, securing the necessary capital to build out its target retail spaces and the ability to generate positive operating cash flow to meet its growth objectives and general working capital requirements.

The Company will continue to have to rely on equity and or debt financings until such time as it has achieved profitability to meet its development objectives over the next 6 to 12 months as well as meet its working capital requirements.

Convertible Debentures

December 2019 Financing

On December 23, 2019, the Company completed a non-brokered private placement of debenture units at $250,000 per unit for gross proceeds of $4,100,000 (the “December 2019 Debentures”).

The December 2019 Debentures will mature on December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months and will accrue interest at the rate of 10% per annum, payable semi-annually. At a holder’s option, the December 2019 Debentures may be converted into common shares of Choom at a conversion price of $0.15 per share. Under the Offering, the Company also issued 1,666,666 transferable common share purchase warrants per debenture unit for an aggregate 27,333,330, each such warrant to be exercisable to acquire one common share for a four-year period at an exercise price of $0.20 per share.

The December 2019 Debentures are secured by certain property of the Company, and rank pari passu in right of payment of principal and interest and may be redeemed by the Company on certain conditions. The maximum amount of principal secured may be increased with the consent of the December 2019 Debenture holders representing the majority of the outstanding principal.

Two related parties of the Company participated in the December 2019 Debentures offering and acquired debenture units for $2,100,000 (See Related Party Transaction).

Aurora

On June 24, 2020, the parties amended the terms of the Aurora Debenture (the "Amended and Restated Aurora Debenture") wherein Choom, among other things granted to Aurora a second ranking security interest over all of its present and after-acquired property of Choom. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and Aurora dated June 24, 2020. Among other amendments, the Amended and Restated Aurora Debenture includes amendments reflecting (i) a 90-day exclusivity period during which the Aurora has agreed not to sell, transfer or assign its indebtedness to any third party, (ii) a right of first refusal in favour of Choom in respect of any future proposed sale, transfer or assignment of the indebtedness by Aurora, and (iii) a reduction of the conversion price of the debenture from $1.25 to $0.65 per share.

The Amended and Restated Aurora Debenture is, as at June 30, 2020, a secured convertible debenture maturing on November 2, 2022 (the "Maturity Date"), convertible into common shares: (i) at the option of Aurora, any time prior to the Maturity Date at a conversion price of $0.65 per common share, subject to a minimum conversion amount of $5,000,000, and (ii) at the option of Choom any time after the hold period has expired and the volume weighted average trading price ("VWAP") of the common shares is $3.00 or more for a period of 10 consecutive trading days.

Commitments and Contractual Obligations

Leases

The Company has entered into arrangements for office, clinic and retail spaces. Cash commitments for minimum lease payments in relation to these commitments are payable as follows:

		September 30 2020		June 30 2020
Not later than 1 year	**$**	2,426,378	$	2,178,097
Later than 1 year and not later than 5 years		6,252,379		6,351,983
Later than 5 years and not later than 10 years		3,418,031		2,767,459
	$	12,096,788	$	11,297,539

As at September 30, 2020, the Company has $681,091 (June 30, 2020 - $574,310) in lease deposits of which $245,665 (June 30, 2020 - $211,852) is classified as current and $435,426 (June 30, 2020 - $362,458) is classified as non-current. The Company has prepaid expenses of $429,847 (June 30, 2020 - $435,375) of which $429,847 (June 30, 2020 - $257,559) is classified as current and $0 (June 30, 2020 - $177,816) is classified as non-current.

Coastal Green

On July 23, 2019, a $300,000 convertible debenture was issued to Choom by Coastal Green Holdings Ltd. (the "Coastal Green Note"). The Coastal Green Note carries interest at 6% per annum. Choom will, on conversion of the debenture, acquire a 19.9% equity interest in Coastal Green. Coastal Green must complete certain expenditures prior to Choom advancing any funds under the Coastal Green Note.

On July 10, 2020, the parties terminated the Coastal Green Note for consideration of $50,000 cash payment. This has been included in Termination of agreement costs for the three months ended September 30, 2020.

Related Party Transactions

		September 30 2020		September 30 2019
Key management personnel compensation comprised:	$			
Consulting fees		**102,200**	$	95,998
Administration		**37,548**	$	34,495
Wages		**45,377**		30,682
Share based payments		**82,999**		108,987
	$	**268,124**	$	270,162

Key Management Compensation

i) Wages of $45,377 (2019 – $30,682) were paid to Corey Gillon the Company's CEO. Mr. Gillon was appointed CEO effective December 1, 2019 (previously appointed as President on August 26, 2019);
ii) Consulting fees of $75,000 (2019 – $60,000) were paid or accrued to 0954041 BC Ltd. ("0954041"), a company controlled by Chris Bogart, the Company's President. Mr. Bogart was re-appointed as the Company's President on December 1, 2019 (previously the Company's CEO);
iii) Consulting fees of $27,200 (2019 – $35,998) were paid to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Company's Chief Financial Officer and Secretary;
iv) Administration fees of $37,548 (2019 - $34,495) were paid or accrued to Minco in relation to providing administrative and accounting employment services; and
v) Share-based payments are the fair value of options granted to key management personnel.

Significant Accounting Judgments, Estimates and Assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Asset Acquisitions Versus Business Combinations

Management had to apply judgment with respect to whether the acquisition of the Medical Centre, the Clarity Retail Acquisition, the Niagara Acquisition, the Green Room Retail Acquisition, the Medical Centre Acquisition and the Phivida Transaction were asset acquisitions or business combinations. The assessments required management to assess the inputs, processes and outputs of the companies acquired at the time of acquisition. Pursuant to the assessment, the Clarity Retail Acquisition and Phivida Transaction was considered to be an asset acquisition and the Medical Centre and Niagara Acquisition were considered to be business combinations.

Determination of Purchase Price Allocations and Contingent Consideration

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Income Taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumptions would be inappropriate.

Convertible Debentures

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures and the fair value of the right of use assets and lease liabilities. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

Assets Held for Sale and Discontinued Operations

The Company uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Company also uses its judgment to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

Valuation of Share-based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Impairment of Property and Equipment, Intangible Assets and Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Estimated Useful Lives and Depreciation/Amortization of Property and Equipment and Intangible Assets

Depreciation/amortization of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Fair Value Measurements

Certain of the Company's assets such as share purchase options, share purchase warrants, marketable securities, short-term investments, other assets, loan receivable and investment are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

Recoverability of Trade and Accounts Receivable, Deposits, Notes Receivable and Loan Receivable

Estimates and judgments are inherent in the on-going assessment of the recoverability of trade and accounts receivable, deposits, notes receivable and loan receivable. The Company maintains an allowance for doubtful accounts to reflect expected credit losses. The Company is not able to predict changes in financial conditions of its customers and note holders and the Company's judgment related to the recoverability of trade and accounts receivable and notes receivable may be material.

Application of IFRS 16 *Leases* ("IFRS 16")

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. Lease term reflect the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilizes. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and right of use assets, for which the lease term is the basis for determining useful life.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Modification versus Extinguishment of Financial Liability

Judgment is required in applying IAS 39 and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the convertible debentures are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original convertible debenture.

Changes in Accounting Policies

Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets out are reviewed periodically by the Board of Directors if and when there are any changes or updates required. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

<u>Market Risk</u>

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices are comprised of interest rate, commodity price risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash and cash equivalent balances that bear interest at market rates. The Company's financial liabilities consist primarily fixed rate debt. The Company's current policy is to invest excess cash in GICs or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

Cash and GICs are subject to floating interest rates.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investment in marketable securities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

<u>Credit Risk</u>

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, short-term investments, trade and accounts receivable, notes receivable, loan receivable and refundable deposits. Cash and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand.

The Company's notes receivable and loan receivable are subject to the expected credit loss model. While cash, trade and accounts receivable are also subject to the impairment requirements of IFRS 9, the identified impairment loss was minimal.

The carrying amount of the accounts receivable, notes receivable, loan receivable and refundable deposits represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other payable and option payment commitments. The Company's trade and other payables are all due within 90 days. The amount of the Company's remaining contractual maturities for the convertible debt, notes payable, government assistance lease liabilities and advances from shareholders is approximately $5,127,298 due within 12 months, and $35,413,028 beyond 12 months.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The consolidated statements of financial position carrying amounts for cash, short-term investments, trade and accounts receivable, note receivable, loan receivable, trade and other payables, notes payable and advances to shareholders approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents, short-term deposit, short-term investments and marketable securities are measured as Level 1 financial instruments. The notes receivable, loan receivable, government assistance, convertible debentures and lease liabilities are measured as Level 2 financial instruments. Investment is measured as Level 3 financial statements.

Capital Management

The Company considers its share capital and convertible debentures as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period.

Off balance-sheet arrangements

The Company has no off balance-sheet arrangements.

Outstanding Share Data

The Company's authorized capital is unlimited common shares without par value. As at September 30, 2020, 294,599,193 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Stock Options Outstanding			
Date of Grant	**Date of Expiry**	**No. of Options**	**Price**
16-Nov-17	16-Nov-22	2,900,000	$0.17
27-Feb-18	27-Feb-23	100,000	$0.75
13-Apr-18	13-Apr-23	110,000	$0.91
15-Jun-18	13-Jun-23	1,000,000	$0.35
7-Nov-18	7-Nov-23	100,000	$0.91
10-Dec-18	10-Dec-23	200,000	$0.465
11-Mar-19	11-Mar-24	75,000	$0.69
04-Nov-19	04-Nov-24	200,000	$0.235
30-Dec-19	30-Dec-24	8,755,000	$0.165
18-Feb-20	18-Feb-25	300,000	$0.145
16-Sep-20 [1]	23-Nov-20 to 17-June-2021	7,881,837	$0.145 – 0.90
Totals:		**21,621,837**	
Warrants Outstanding			
Date of Grant	**Date of Expiry**	**No. of Warrants**	**Price**
18-Jan-19	18-Jan-24	150,000	$0.42
20-Sep-19	20-Mar-21	1,250,000	$0.60
23-Dec-19	23-Dec-23	27,333,330	$0.15
Totals:		**28,733,330**	

1: As part of the Phivida Transaction, the outstanding options to purchase Phivida Shares were replaced with 7,881,837 options to purchase Choom Shares on the same terms and conditions, other than necessary adjustments to take into account the Exchange Ratio, as set out in the Plan of Arrangement.

Restricted Share Units

On April 13, 2020 Choom adopted a restricted share unit plan ("RSU Plan"), subject to ratification by the Company's shareholders at the next annual meeting thereof.

The maximum number of RSUs issuable under the RSU Plan is up to 20% of the issued and outstanding common shares provided however that at no time may the number of RSUs issuable under the RSU Plan, together with the number of common shares issuable under options that are outstanding under the Company's Stock Option Plan, exceed 20% of the issued and outstanding common shares as at the date of a grant under the RSU Plan or the Stock Option Plan, as the case may be.

Pursuant to RSU Plan on September 3, 2020 the Company granted to directors and officers, an aggregate 4,000,000 RSUs with an expiry of September 4, 2023 with a vesting schedule of 50% at date of grant and 25% every three months thereafter.

Escrowed Shares

As at September 30, 2020, there were 28,870,072 (2019 – 14,382,780) common shares held in escrow as follows:

i) 1,875,000 common shares (June 30, 2020 – 1,875,000) held in escrow in connection with the Medi-can Acquisition. Every six months, 1,875,000 common shares are released from escrow;

ii) 172,500 common shares (June 30, 2020 – 172,500) held in escrow in connection with the purchase of intangible assets. Every six months 86,250 are released from escrow;

iii) 1,000,000 common shares (June 30, 2020 – 3,000,000) held in escrow in connection with the Clarity Option as described in Note 15. Every six months 1,000,000 shares are released from escrow;

iv) 766,394 common shares (June 30, 2020 – 766,394) held in escrow in connection with the Medical Clinic acquisition as described in Note 5. Every six months 383,193 shares are released from escrow; and

v) 930,112 common shares (June 30, 2020 – 930,112) held in escrow in connection with the Green Room Retail Acquisition as described in Note 5. Every six month 465,057 shares are released from escrow.

vi) 19,913,459 common shares (June 30, 2020 – 21,126,066) held in escrow in connection with the Niagara acquisition as described in Note 5. These shares held in escrow are released as follows: 10% four months after closing of the Niagara acquisition, 10% on December 31, 2020, and the balance 12 months after closing of the Niagara acquisition.

Other Requirements

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at www.sedar.com.

Risk Factors

The following are certain factors relating to Choom's business which prospective investors should carefully consider before deciding whether to invest in Choom. For the purpose of this section, any reference to Choom's business and operations includes that of Choom and its subsidiaries.

The following information is a summary only of certain risk factors and must be read in conjunction with the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones Choom is facing. Additional risk and uncertainties not presently known to Choom, or that Choom currently deems immaterial, may also impair Choom's operations. If any such risks actually occur, the business, financial condition, liquidity and results of Choom's operations could be materially adversely affected.

Risks of Retail Store Operations

Growth of the Company's retail network depends, among other things, on the Company's ability to secure desirable locations on terms acceptable to the Company. The Company faces competition for retail locations from its competitors and from operators of other businesses. The success of many retail locations is significantly influenced by location. There can be no assurance that the Company's retail locations will continue to be attractive, or that additional retail storefronts can be located and secured as demographic and traffic patterns change. Also, there is no guarantee that the property leases in respect of prospective retail locations can be established on terms acceptable to the Company, or at all, and that property leases in respect of existing retail locations will be renewed or that suitable alternative locations can be obtained. It is possible that the locations or economic conditions where retail locations are located could decline in the future, resulting in reduced sales in those locations. There is no assurance that future sites will produce the same results as past sites.

Additional Financing

Choom requires additional financing to meet its business objectives. Choom's ability to obtain additional financing, if and when required, will depend on investor demand, operating performance, the condition of the capital markets and other factors. If Choom raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of holders of the Common Shares, and existing holders of such shares may experience dilution.

Tax Consequences

The Clarity and Niagara acquisitions described herein, including but not limited to the acquisition, ownership and disposition of the Common Shares may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein and disclosure is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

Lease Risks

The retail store locations are primarily located on property that is not owned by Choom or its subsidiaries. Such property is subject to a long-term lease and similar arrangements in which the underlying land is owned by a third party and leased to Choom's subsidiaries. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the lease term. In addition, an event of default by Choom's subsidiaries under the terms of the lease could also result in a loss of the property should the default not be rectified in a reasonable period of time. The reversion or loss of such properties could have a material adverse effect on Choom and its subsidiaries' operations and results.

Holding Company Status

Choom is largely a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in Choom are subject to the risks attributable to its subsidiaries. As a holding company, Choom conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Choom's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Choom. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of Choom's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Choom.

Limited Operating History

Choom 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 Choom will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Management of Growth

Choom may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Choom to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of Choom to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

The success of Choom is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Choom's business, operating results or financial condition.

Litigation

Choom may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which Choom becomes involved be determined against it, such a decision may adversely affect Choom's ability to continue operating, adversely affect the market price of Common Shares and use significant resources. Even if Choom is involved in litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Choom's brand.

Choom received a statement of claim in February 2020 brought by CFPM Management Services Ltd. The claim alleges a breach of contract by Choom pursuant to an agreement with CFPM. The claim was initiated in Alberta, which is the wrong forum under the CFPM agreement and Choom is seeking to have this claim stayed on that basis. Choom believes the claim is without merit.

Choom received a statement of claim on April 8, 2020 brought by Nissman Holdings Limited. The claim alleges Choom's wholly owned subsidiary 2660837 Ontario Ltd. ("2660837") did not enter into a lease agreement pursuant to an offer to lease regarding a commercial property located in Ottawa. Choom believes the claim is without merit and on September 23, 2020 Choom has filed its statement of defense.

Dividends

Choom's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in Choom's businesses. Therefore, Choom does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the

Board of Choom and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board of Choom may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of Choom.

The size of Choom's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in Choom and, few, if any, established companies whose business model Choom can follow or upon whose success Choom can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in Choom. There can be no assurance that Choom's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. Choom regularly purchases and follows market research.

Liquidity Risk

Choom's ability to remain liquid over the long term depends on its ability to obtain additional financing. Choom has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Choom's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Conflicts of Interest

Choom may be subject to various potential conflicts of interest because some of their officers and directors may be engaged in a range of business activities. In addition, Choom's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to either company. In some cases, Choom's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to Choom's business and affairs and that could adversely affect Choom's operations. These business interests could require significant time and attention of Choom's executive officers and directors.

In addition, Choom may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which Choom may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of Choom. In addition, from time to time, these persons may be competing with Choom for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of Choom's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Choom are required to act honestly, in good faith and in the best interests of their respective companies.

Regulatory Risks

The Company's business is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the operation of its business. The cannabis industry is a new industry and the Company cannot predict the impact of the changes to the compliance regime. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its business, or the extent of documentation that may be required by governmental authorities. The impact of cannabis regulatory compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products, and sales initiatives and could have a material adverse effect 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 in 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.

Changes in government levies, including taxes, could reduce Choom's earnings and could make future capital investments or Choom's operations uneconomic. 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.

Government Regulations

The Company's operations are subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in imposition of fines and penalties. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all governmental laws and regulations. There can be no assurance, however, that all permits which the Company may require for its operations and activities will be obtainable on reasonable terms or on a timely basis or such laws and regulations would not have an adverse effect on the Company's business.

Competition

The impact of any developments in cannabis legislation and regulation may be negative for Choom and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the retail cannabis market in which Choom will operate.

There is potential that Choom will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Choom. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Choom.

Because of the early stage of the industry in which Choom operates, Choom expects to face additional competition from new entrants. To remain competitive, Choom will require a continued level of investment in research and development, marketing, sales and client support. Choom 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 results of operations of Choom.

Operating Risk and Insurance Coverage

Choom has insurance to protect its assets, operations and employees. While Choom believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which Choom is exposed. However, Choom may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause Choom to incur significant costs that could have a material adverse effect upon Choom's financial performance and results of operations.

Choom could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against Choom. Choom is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to Choom that violates: (i) government regulations; or (ii) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for Choom to identify and deter misconduct by its employees and other third parties, and the precautions taken by Choom to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Choom from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Choom, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on Choom's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Choom's operations, any of which could have a material adverse effect on Choom's business, financial condition and results of operations.

Choom will be reliant on information technology systems and may be subject to damaging cyber-attacks. Choom has entered into agreements with third parties for hardware, software, telecommunications and other information technology

("**IT**") services in connection with its operations. Choom's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Choom's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Choom's reputation and results of operations.

Choom has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that Choom will not incur such losses in the future. Choom's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, Choom may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Forecast Uncertainties

The Company will need to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical and retail cannabis industry in Canada. A failure in the demand for its business to materialize as a result of competition, technological change or other factors could have a material adverse effect on the proposed investments, business, results of operations, and financial condition of the Company.

Reputational Risk

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all shareholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations, and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows, and growth prospects.

Cannabis Prices

The price of Choom's shares and its financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently no established market price for cannabis and the price of cannabis is affected by several factors beyond Choom's control. The Company's profitability may be directly related to the price of cannabis. Choom's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry as its operating income will be derived from the sale of cannabis.