



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

For the three and nine months ended March 31, 2021 and 2020

May 31, 2021

CHOOM HOLDINGS INC.

Management's Discussion and Analysis

For the three and nine months ended March 31, 2021



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" or "Choom") for the nine months ended March 31, 2021 and for the comparative nine months ended March 31, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for the year ended June 30, 2020 and the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended March 31, 2021 and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. For further information on the Company, reference should be made to its public filings on SEDAR at www.sedar.com.

This MD&A is prepared by management and approved by the Board of Directors as of May 31, 2021. This discussion covers the three and nine months ended March 31, 2021 ("Q3 2021" or the "Quarter") and the subsequent period up to the date of issuance of the MD&A. Certain prior period amounts have been reclassified to conform with the current period's presentation. All dollar amounts are in Canadian ("CAD") dollars, except where otherwise noted. 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.

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 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 may 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

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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, management's discussion and analysis, and annual information form which are filed and available for review under the Company's profile on SEDAR at www.sedar.com.

Business Overview

Operations description

Choom is a fast-expanding retail cannabis company with stores across Canada. The Choom brand is inspired by Hawaii's "Choom Gang" — a group of buddies in Honolulu during the 1970's who loved to smoke weed — or as the locals called it, "Choom". Evoking the spirit of the original Choom Gang, our brand caters to the Canadian market with the ethos of "cultivating good times". Choom is focused on delivering an elevated customer experience through our curated retail environments, offering a diversity of brands for Canadians across a national retail network.

Choom's vision is to be the industry leader in cannabis retail, focusing on an elevated consumer experience. 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 the following key strategies in mind:

- Finance: Maximizing profitable sales through responsible new store growth and optimization of the existing business
- Brand: Propelling the Choom story and unifying the in-store and online experience
- Culture: Enabling and rewarding a culture of high performance
- Operations: Investing and building best in class retail infrastructure

Choom's common shares trade under the symbol "CHOO" on the Canadian Stock Exchange ("CSE") and under the symbol "CHOOF" on the OTC Markets in Canada.

At the date of this report, Choom had the following open store locations across Canada:

Province	Licences	Stores in Operation	Licences Pending
Alberta	15	12	0
British Columbia	2	2	2
Ontario	1	1	3
Total	18	15	5

Highlights for the three months ended March 31, 2021

Finance:

Q3 Financial Highlights:

- **Q3 2021 Revenue of \$5.10M**
 - Increase of \$3.05M and 147.94% over Q3 2020 revenue of \$2.06M
- **Q3 2021 Gross Margin of 37.85%**
 - Increase of 8.46% over Q3 2020 gross margin of 29.39%
- **Q3 2021 Administrative and General of \$0.90M or 17.69% of revenue**
 - Versus \$1.12M or 54.46% of revenue in Q3 2020
- **Q3 2021 Salary, Wages, and Benefits of \$0.95M or 18.54% of revenue**
 - Versus \$0.98M or 47.54% of revenue in Q3 2020
- **Q3 2021 Adjusted EBITDA of \$0.05M or 0.92% of revenue**
 - Versus -\$1.59M or -77.12% of revenue in Q3 2020

Year to Date (9 months ending March 31, 2021) Financial Highlights:

- **YTD Revenue of \$17.17M**
 - Increase of \$13.76M and 403.67% over YTD 2020 revenue of \$3.41M
- **YTD Gross Margin of 36.49%**

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- Increase of 7.68% over YTD 2020 gross margin of 28.81%
- **YTD Administrative and General of \$2.67M or 15.52% of revenue**
 - Versus \$4.05M or 118.95% of revenue YTD 2020
- **YTD Salary, Wages, and Benefits of \$3.10M or 18.05% of revenue**
 - Versus \$1.76M or 51.77% of revenue YTD 2020
- **YTD Adjusted EBITDA of \$0.30M or 1.73% of revenue**
 - Versus -\$5.40M or -158.57% of revenue YTD 2020

During the quarter, the Company strengthened its balance sheet with a \$1.95M private placement. Proceeds are now being used for general working capital purposes as well as new store growth.

Brand:

- Choom ecommerce sales continue to increase with the brand's new proprietary ecommerce platform which is now fully integrated and was available to the public in March 2021.
- Development of Choom Plus, the brand's new digital loyalty program is underway. The objective of the program is to attract, engage, connect, and retain loyal Choom members through promotional and other value-added programs.

Culture:

- Choom's Retail and Store Support Centre continues to attract, retain, and enable top talent. With the ongoing pandemic, which included store closures and capacity limitations, Choom's Senior Management Team voluntarily took a temporary pay reduction throughout Q3, supporting the future success of the Company.

Operations:

- During the quarter there were increased COVID-19 related restrictions in Alberta and Ontario. Choom's 12 Alberta locations saw in-store capacity reduced to as low as 15%. Choom's Niagara location was open for in-store purchases only 44 of the 90 calendar days in the quarter. Throughout this continued time of uncertainty, Choom remained committed to ensuring safety in all its locations.
- Choom opened its second Vancouver location, Yaletown, in late January 2021. The location has seen continued growth in the months since its opening and Choom is optimistic that the location will be amongst the brand's top performers.
- In March 2021 of the quarter, Choom broke ground on its first flagship location in Toronto's Liberty Village. The Company expects the store location to be open in Summer 2021.
- Construction of Choom's Hamilton location is currently out to tender.

Operational Highlights

Prospectus Offering

Subsequent to the quarter, the Company has entered into an engagement letter with Canaccord Genuity Corp. (the "Agent") in connection with a public offering (the "Offering") of units of the Company (the "Units") for aggregate gross proceeds of \$3,500,000 (the "Minimum Offering") and up to a maximum of \$5,000,000. Each Unit will consist of one common share of the Company ("Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant will entitle the holder to purchase one additional Common Share for a period of thirty-six (36) months from the closing of the Offering (the "Closing").

The Company will grant the Agent an option (the "Agent's Option") exercisable at any time up to 48 hours prior to Closing to increase the size of the Offering by up to 15%. The Company has agreed to pay the Agent a cash fee equal to 7.0% of the aggregate gross proceeds raised from the Offering (other than with respect to president's list sales, for which such fee will be reduced to 3.5%) and issue compensation options (the "Compensation Options") exercisable at any time up to thirty six (36) months following Closing to purchase compensation option units (the "Compensation Option Units") of the Company in an amount equal to up to 7.0% of the number of Units sold in connection with the Offering (other than with respect to president's list sales, for which the Company will issue Compensation Options exercisable to purchase Compensation Option Units in an amount equal to up to 3.5% of the number of Units sold in connection with such sales).

Each Compensation Option Unit will be comprised of one Common Share and one-half of one Common Share purchase warrant (each whole such warrant, a "Compensation Option Warrant"). Each Compensation Option Warrant will be

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exercisable into one Common Share for thirty-six (36) months from the Closing. In addition, the Company will pay the Agent a corporate finance fee in an amount equal to 3.0% of the number of Units issued pursuant to the Offering (including Units sold pursuant to the exercise of the Agent's Option), payable through the issuance of Units.

The Offering will be made by way of a short form prospectus, which has been filed with the relevant securities regulatory authorities in Canada.

Debt Restructuring

Subsequent to the quarter, the Company has entered into a series of agreements with existing debenture holders to restructure (the "Debt Restructuring") \$25,881,855 of the Company's outstanding debt, including \$21,781,855 million owing to Aurora represented by the Aurora Debenture having an aggregate principal amount of \$20,000,000 and \$1,781,855 in interest obligations as at March 31, 2021.

As part of the Debt Restructuring, immediately following the closing of the Offering (the "Effective Date") Aurora and Choom have agreed that the Aurora Debenture will be satisfied by:

- (i) Aurora converting into Common Shares such portion of the indebtedness represented by the Aurora Debenture as will result in Aurora holding 19.9% of the Company's issued and outstanding Common Shares on a post-Offering basis,
- (ii) the Company issuing to Aurora a new convertible debenture in the aggregate principal amount of \$6.0 million (the "2021 Debenture") maturing on December 23, 2024, and
- (iii) the Company paying to Aurora a perpetual debt restructuring fee equal to 1.25% of all revenue (net of taxes) received by the Company from the sale of products at the Company's (including its affiliates) retail cannabis locations (the "Restructuring Fee"); provided, however, that the Company shall have the option, exercisable at any time after the fifth (5th) anniversary of the Effective Date, to terminate the obligation to pay the Restructuring Fee upon paying Aurora a cash amount equal to six (6) times the preceding twelve-month Restructuring Fee.

The principal amount of the 2021 Debenture will bear interest at a rate of 7.0% per annum, payable at maturity. The Company's obligations under the 2021 Debenture will be secured by a second ranking security interest in all of the Company's present and after-acquired assets.

The Company has also entered into an amending agreement with the holders of the \$4,100,000 December 2019 Debentures, amending the terms to provide, among other things, that the maturity date be extended to December 23, 2024. These amendments are contingent on the amendment to the maturity date of the Aurora Debenture from November 2, 2022 to December 23, 2024 through the issuance of the 2021 Debenture. The Company has also agreed to extend the expiry date of the Common Share purchase warrants issued in connection with the 2019 Debentures from December 23, 2023 to December 23, 2024.

The completion of the Debt Restructuring is conditional upon, among other things, the receipt of all requisite regulatory approvals and the completion of the Minimum Offering.

Financing

On February 4, 2021, the Company completed the non-brokered private placement for gross proceeds of \$1,950,000 through the issuance of 27,857,143 units ("Units") at a price of \$0.07 per unit. Each Unit consists of one common share and one-half of one non-transferrable warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase an additional common share at an exercise price of \$0.12 per share until February 3, 2023. Proceeds will be used for general working capital purposes as well as future store growth.

Additionally, the Company has paid an aggregate finder's fees of \$64,627 in cash and issued 249,900 common shares and 1,173,140 finder's warrants ("Finder Warrant"). Each Finder Warrant entitles the holder to acquire one additional common share at a price of \$0.12 per share on the same terms as the Warrants until February 3, 2023.

Medical Clinics and Coaching Centres

During the period, 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 to a former employee of the Company. The Company determined this was the most cost-effective way of disposing of the Medical Clinics, which

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has historically operated at a loss, to focus on cannabis retail. As a result of the divestiture, Goodwill of \$973,050 and intangible assets of \$51,925 were written off and impairment recognized in discontinued operations.

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 in an arm's length all-share transaction.

On July 23, 2020, in connection with the Arrangement Agreement, Choom received a \$500,000 in bridge financing (the "Bridge Financing") from Phivida. The Bridge Financing is evidenced by a convertible secured promissory note (the "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 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. The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation.

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 were 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. Subsequent to the completion of the Arrangement Agreement on September 16, 2020, the warrants expired.

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.

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.

Under IFRS 3, *Business Combinations*, ("IFRS 3"), the substance of the acquisition does not constitute a business combination and the transaction was accounted for as an asset acquisition. The purchase price is based on the fair value of the common shares issued at acquisition, capitalized transaction costs and replacement options issued. The value of the assets and liabilities was based on management's assessment of the fair value at the date of acquisition and applying the initial measurement requirements of each applicable standard to the identifiable assets and liabilities assumed. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

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Fair value of 64,608,187 Choom common shares issued	\$	6,460,819
Transaction Costs		285,498
Replacement Options		134,384
Total Purchase Price	\$	6,880,701
Choom Bridge Financing Loan		500,000
Cash		1,232,885
Term Deposit		50,236
Prepaid Expenses		89,419
Inventory		164,700
Accounts Receivable		110,341
Property and equipment		508,515
Intangible asset		4,776,257
Accounts Payable		(379,837)
Government Assistance		(171,815)
Net assets acquired	\$	6,880,701

Consideration for the Phivida Transaction included:

- the issuance of an aggregate 64,608,187 common shares to the former holders of Phivida valued at the market rate on the day of closing at \$0.10 per share,
- the Company's professional fees to complete the transaction of \$285,498,
- the adjusted fair value measurement of Phivida options that were replaced with Company options. The fair value measurement difference of \$134,384 was added to the purchase price and recognized in Contributed Surplus.

The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation. The Intangible assets acquired are attributed to the proprietary technology platforms which will be re-purposed and integrated with the Company.

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, and
- Phivida's strong e-commerce solutions and content-rich marketing platforms to drive traffic, awareness and build a brand authority online.

On March 14, 2021, the Choom launched its new proprietary ecommerce platform using the digital assets acquired through the Phivida Transaction. Key attributes of the fully customized ecommerce site include full mobile optimization, increased speed, best-in-class SEO, SMS notifications and in-store fulfilment, including delivery and pickup options. The newly developed proprietary ecommerce platform resulted in capitalized software development costs of \$203,587.

Property

During the nine months ended March 31, 2021, the Company sold two buildings for gross proceeds of \$469,426. A gain of \$2,342 on the disposition was recorded for the nine months ended March 31, 2021.

As part of the Phivida Transaction, the Company acquired a Bottling Machine. At March 31, 2021, the Company is actively looking to locate a buyer to sell the Bottling Machine. In the period, the Company recognized impairment of \$361,826 to reduce the carrying amount of the equipment to its fair market value, as estimated based on the fair value less cost of disposal. \$113,175 was classified as assets held for sale at March 31, 2021.

Managing COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, retail store closures, self-imposed quarantine periods and physical distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Choom continues to maintain business continuity during the COVID-19 pandemic and takes its cues from the government and public health officials to keep employees and customers safe and healthy. During the pandemic, enhanced store procedures including safety shields, more frequent cleaning, curbside pickup of product and delivery services, where permissible, were enacted.

Choom did not experience a decrease in sales for the three and nine months ended March 31, 2021 compared to the prior period. However, it is not possible to reliably measure or quantify the impact COVID-19 has had on the financial results of the Company. If the COVID-19 pandemic continues for an extended period, it may materially adversely impact business operations and, consequently, future financial results.

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Results of Operations

At the March 31, 2021, Choom had the following open store locations across Canada:

Province	Licences	Stores in Operation	Licences Pending
Alberta	15	12	0
British Columbia	2	2	2
Ontario	1	1	3
Total	18	15	5

The following table presents the condensed consolidated financial information for the periods indicated. The summary interim financial information for the three and nine months ended March 31, 2021 and 2020 have been derived from the unaudited condensed consolidated interim financial statements, prepared in accordance with IFRS.

	Nine months ended March 31				
	2021	% of Sales	2020	% of Sales	\$ Change
Retail revenue	\$ 17,167,414		\$ 3,408,479		13,758,935
Retail cost of sales	(10,903,076)		(2,426,604)		(8,476,472)
Gross profit	6,264,338	36.49%	981,875	28.81%	5,282,463
Expenses					
Administrative and general	\$ 2,665,068	15.52%	\$ 4,054,529	118.95%	(1,389,461)
Salary, wages, benefits	3,098,689	18.05%	1,764,715	51.77%	1,333,974
Depreciation and amortization	2,475,404	14.42%	1,043,792	30.62%	1,431,612
Foreign exchange	6,406	0.04%	4,332	0.13%	2,074
Marketing, website and media design	197,182	1.15%	563,030	16.52%	(365,848)
Share-based payments	727,046	4.24%	906,059	26.58%	(179,013)
Operating expenses	(9,169,795)		(8,336,457)		(833,338)
Loss from operations	(2,905,457)		(7,354,582)		4,449,125
Other items					
Financing costs	(3,706,816)	-21.59%	(2,603,487)	-76.38%	(1,103,329)
Impairment	(990,933)	-5.77%	(4,571,128)	-134.11%	3,580,195
Other income and expenses	(949,841)	-5.53%	441,372	12.95%	(1,391,213)
Loss before income tax	(8,553,047)		(14,087,825)		5,534,778
Tax expense	(82,829)		-		(82,829)
Loss from continuing operations	(8,635,876)		(14,087,825)		5,451,949
Loss from discontinued operations	(1,391,287)		(239,289)		(1,151,998)
Net loss for the period	(10,027,163)		(14,327,114)		4,299,951
Other comprehensive loss	(10,286)		-		(10,286)
Net loss and comprehensive loss	\$ (10,037,449)		\$ (14,327,114)		4,289,665
Net loss per share					
Continuing operations, basic and diluted	\$ (0.03)		\$ (0.07)		0.04
Discontinued operations, basic and diluted	\$ (0.00)		\$ (0.00)		(0.00)

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Results of Operations (cont'd)

	Three months ended March 31				
	2021	% of Sales	2020	% of Sales	\$ Change
Retail revenue	\$ 5,104,476		\$ 2,058,775		3,045,701
Retail cost of sales	(3,172,438)		(1,453,699)		(1,718,739)
Gross profit	1,932,038	37.85%	605,076	29.39%	1,326,962
Expenses					
Administrative and general	\$ 902,803	17.69%	\$ 1,121,280	54.46%	(218,477)
Salary, wages, benefits	946,288	18.54%	978,746	47.54%	(32,458)
Depreciation and amortization	1,265,168	24.79%	440,223	21.38%	824,945
Foreign exchange	4,077	0.08%	-	0.00%	4,077
Marketing, website and media design	32,164	0.63%	92,701	4.50%	(60,537)
Share-based payments	167,979	3.29%	216,076	10.50%	(48,097)
Operating expenses	(3,318,479)		(2,849,026)		(469,453)
Loss from operations	(1,386,441)		(2,243,950)		857,509
Other items					
Financing costs	(1,225,369)	-24.01%	(1,076,604)	-52.29%	(148,765)
Impairment	(839,903)	-16.45%	(401,189)	-19.49%	(438,714)
Other income and expenses	(104,453)	-2.05%	(161,318)	-7.84%	56,865
Loss before income tax	(3,556,166)		(3,883,062)		326,896
Tax expense	(82,829)		-		(82,829)
Loss from continuing operations	(3,638,995)		(3,883,062)		244,067
Loss from discontinued operations	(46,002)		(83,711)		37,709
Net loss for the period	(3,684,997)		(3,966,773)		281,776
Other comprehensive income/(loss)	(5,930)		58,992		(64,922)
Net loss and comprehensive loss	\$ (3,690,927)		\$ (3,907,781)		216,854
Net loss per share					
Continuing operations, basic and diluted	\$ (0.01)		\$ (0.02)		0.01
Discontinued operations, basic and diluted	\$ (0.00)		\$ (0.00)		(0.00)

Non-IFRS Financial Measures

Adjusted EBITDA is a Non-IFRS metric used by management and does not have any standardized meaning prescribed by IFRS. The metric may not be comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as the Income (loss) for the period, as reported, before interest, tax, depreciation and amortization, share based payments, interest income, rental income, gains and losses, fair value adjustments on marketable securities, impairment, termination costs, debt extinguishments, discontinued operations and other non-recurring income and expenses. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance.

Non-IFRS Financial Measures	Three Months Ended March 31		Nine Months Ended March 31	
	2021	2020	2021	2020
Net loss for the period - as reported	(3,684,997)	(3,966,773)	(10,027,163)	(14,327,114)
Income tax	82,829	-	82,829	-
Depreciation and amortization	1,265,168	440,223	2,475,404	1,043,792
Financing costs	1,225,369	1,076,604	3,706,816	2,603,487
Loss from discontinued operations	46,002	83,711	1,391,287	239,289
Share-based payments	167,979	216,076	727,046	906,059
Impairment	839,903	401,189	990,933	4,571,128
Other income and expenses	104,453	161,318	949,841	(441,372)
Adjusted EBITDA	46,706	(1,587,652)	296,993	(5,404,731)

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*Retail Revenue*

Revenue for the nine months ended March 31, 2021 was \$17.2 million representing an increase of \$13.8 million or 403.67% over revenue in the comparative period. Revenue for the three months ended March 31, 2021 was \$5.1 million representing an increase of \$3.1 million or 147.94% over revenue in the comparative period. The increase in sales aligns with Choom's decision made in 2019 to shift the Company's focus to growth and development of retail operations beginning October 28, 2019. In 2020 Choom made a few strategic acquisitions, significantly increasing the number of its revenue-generating store locations, which contributed to revenue growth over the comparable periods.

Gross Profit

Gross profit for the nine months ended March 31, 2021 was \$6.3 million or 36.49% of sales (March 31, 2020 - \$1.0 million or 28.81% of sales). The increase of \$5.3 million or 7.68% over gross margin in the comparative period aligns with the Company's initiative to grow its retail operations and curate its product offering to maximize margins.

Salary, Wages and Benefits

Salary, wages, and benefits for the nine months ended March 31, 2021, were \$3.1 million, a \$1.3 million or 75.59% increase from the prior year comparative. The increase was a result of the commencement of retail operations in Alberta, British Columbia, and Ontario, which resulted in a significant increase to the Company's headcount. Salary, wages, and benefits represent 18.05% of revenue for the nine months ended March 31, 2021, as opposed to 51.77% in the prior year. The Company has been focusing its efforts on right sizing expenditures and hiring and retaining top talent to support the business.

Marketing, Website, and Media Design

The Company saw a decrease of \$0.4 million or 64.98% in marketing, website, and media design relative to the prior year, where additional expenses were incurred due to an aggressive marketing strategy as a result of the Company's refocus to the retail cannabis sector. During the current period, the Company continued to develop its design and marketing materials and participate in various marketing campaigns with media service providers to create awareness for the Company in a highly competitive market.

Administrative and General Expenses

	Nine Months Ended March 31			
	2021	% of Sales	2020	% of Sales
Retail Revenue	17,167,414		3,408,479	
General and Administrative Expenses:				
Accounting and legal	471,062	2.74%	782,850	22.97%
Business licenses and permits	39,809	0.23%	142,807	4.19%
Conferences	1,894	0.01%	19,778	0.58%
Consulting	501,808	2.92%	1,470,444	43.14%
Insurance	485,683	2.83%	109,135	3.20%
Interest and service charges	244,983	1.43%	105,141	3.08%
Office and administration fees	373,984	2.18%	468,613	13.75%
Property taxes	11,282	0.07%	-	0.00%
Realtor commissions and fees	24,035	0.14%	195,217	5.73%
Regulatory fees	22,927	0.13%	48,173	1.41%
Rent, utilities & security, net of rent received	226,880	1.32%	157,122	4.61%
Shareholder communications	28,608	0.17%	88,773	2.60%
Transfer agent fees	5,697	0.03%	11,530	0.34%
Travel	58,985	0.34%	265,545	7.79%
Bad debt expense	339	0.00%	-	0.00%
Terminated lease agreements	167,092	0.97%	189,401	5.56%
Total administrative and general expenses	2,665,068	15.52%	4,054,529	118.95%

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In 2019, the Company made a major shift to focus on retail operations and right size Company's expenditures. As a result, for the period ending March 31, 2021, Choom's general and administrative expenses represent only 15.52% of the sales, compared to 118.95% as at March 31, 2020.

Accounting and legal: The Company had undergone a number of corporate transactions, including acquisitions and divestitures in prior years, which resulted in increased accounting and legal fees in the comparative period. Additionally, Choom used external accounting consulting services in the prior years. In 2020, Choom hired in-house personnel to oversee the finance and accounting functions of the Company.

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.

Office administration fees: These costs are associated with corporate office expenses, courier and postage costs, and increased IT software licensing and maintenance fees, to support growing retail operations and the increased Company's headcount.

Rent, utilities & security, net of rent received: Lease related costs, utilities and security increased with operational activity and the opening of additional cannabis retail stores.

Realtor commissions and fees: These costs relate to securing prime leasehold opportunities in a very competitive retail cannabis market. In the nine months ended March 31, 2021, the Company spent less on the procurement of leasehold locations as Choom now has an optimal pipeline of future store locations.

Travel: The decrease was primarily associated with conscious effort to right size expenses and as a result of COVID-19 restrictions.

Terminated lease agreements: These costs relate to lease agreement termination payments for seven retail locations in Alberta and Ontario. For the comparative period, termination costs were mainly a result of the Company not winning license applications in Ontario. The Company is likely to incur additional termination payments as it focuses on optimizing its portfolio of prime retail locations.

Selected Financial Position Information

Selected Financial Position Information	March 31	June 30	\$ Change	% Change
	2021	2020		
Total assets	\$ 35,995,009	\$ 32,621,271	3,373,738	10.34%
Total non-current assets	33,057,881	29,689,603	3,368,278	11.34%
Total liabilities	(35,672,183)	(32,037,923)	(3,634,260)	11.34%
Total non-current liabilities	(24,902,837)	(25,398,188)	495,351	-1.95%

As at March 31, 2021, the Company has total assets of \$36.0 million, an increase of \$3.4 million compared to \$32.6 million as at June 30, 2020. The increase in total assets was mainly due to increase of \$1.0 million in right-of-use leased assets as the Company secured three new retail locations and terminated nine lease agreements in the period, \$4.1 million increase in intangible assets assumed upon completion of the Phivida transactions, and \$0.4 million increase in working capital. This increase was offset by \$1.0 million goodwill impairment related to the divestiture of Medical Clinics, \$0.5 million decrease in assets held for sale as the Company completed the sale of certain buildings, \$0.6 million decrease in property and equipment due to depreciation and impairment changes incurred during the period.

As at March 31, 2021, the Company has total liabilities of \$35.7 million, an increase of \$3.6 million compared to \$32.0 million at the end of June 30, 2020. The increase can be explained by \$1.3 million increase in lease liabilities as described above, offset by lease interest and principal payments made in the period, \$1.4 million interest accretion on the notes payable and convertible debentures, offset by interest payments made in the period, \$0.2 million increase in notes payable pursuant to the amended promissory note agreement, offset by payments made in the period, \$0.2 million increase in

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government assistance as the Company received additional Canada Emergency Business Account ("CEBA") loan from the Canadian government and assumed a deferred payment loan of US \$130,400 from the federal U.S. agency as part of the Phivida Transaction, and \$0.5 million increase in trade and other payables due to the volume and timing of payments.

Summary of Quarterly Results

	Fiscal Quarter Ended							
	March 31 2021	December 31 2020	September 30 2020	June 30 2020	March 31 2020	December 31 2019	September 30 2019	June 30 2019
Total revenue ¹	5,104,476	6,077,523	5,985,415	4,078,108	2,191,083	1,487,344	188,540	268,321
Loss from continuing operations ¹	(3,638,995)	(3,080,089)	(2,953,614)	(5,995,335)	(3,938,314)	(7,352,941)	(2,954,159)	(1,528,290)
Loss per share - continuing operations, basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.04)	(0.02)	(0.01)

¹Total revenue and loss from continuing operations for the previous six quarters (June 30, 2019 – September 30, 2020) include Medical Clinics operations, which have been discontinued in the period ended December 31, 2020.

Choom has incurred significant losses over the last eight quarters as it continues to grow its operations and execute its long-term business strategy to build one of Canada's premier retail cannabis chains. Results have varied between these fiscal quarters principally because of the following:

- The evolution of the legalization of the adult-use cannabis market,
- Restructuring costs due to the Company's focus shift to retail operations,
- A number of strategic acquisitions,
- Increased salaries and wages explained by the Company's rapid growth,
- Increased financing cost as the Company entered into more lease agreements to secure prime retail locations,
- Impairment charges, and
- Increased debt and financing costs to provide for immediate cash flows and support the expansion of the Company's retail operations.

Financial Condition, Liquidity, and Capital Resources

	March 31 2021	June 30 2020	\$ Change	% Change
Current assets	\$ 2,937,128	\$ 2,931,668	5,460	0.19%
Current liabilities	(10,769,346)	(6,639,735)	(4,129,611)	62.20%
Working capital	(7,832,218)	(3,708,067)	(4,124,151)	111.22%
Long-term notes payable	1,250,000	-	1,250,000	100.00%
Long-term convertible debentures	15,297,087	17,606,912	(2,309,825)	-13.12%

Key changes to the Company's financial condition during the period ended March 31, 2021 included a net decrease in working capital of \$4.1 million which was primarily a result of the "December 2019 Debentures", due December 2021, being classified as current (see description below).

The proceeds from 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 volatility in market conditions and 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 six to twelve months as well as meet its working capital requirements.

Cash Flow Statement

Sources and Uses of Cash	Nine months ended March 31			
	2021	2020	\$ Change	% Change
Cash used in operations prior to changes in working capital	\$ (1,280,959)	\$ (6,524,875)	5,243,916	-80.37%
Changes in non-cash working capital	999,787	1,695,372	(695,585)	-41.03%
Net cash used in discontinued operations	(57,353)	(161,224)	103,871	-64.43%
Cash used in operating activities	(338,525)	(4,990,727)	4,652,202	-93.22%
Cash provided by/(used in) investing activities	1,263,799	(3,811,649)	5,075,448	-133.16%
Cash provided by/(used in) financing activities	(1,010,918)	4,644,539	(5,655,457)	-121.77%
Decrease in cash and cash equivalents	\$ (85,644)	\$ (4,157,837)	4,072,193	-97.94%

For the nine months ended March 31, 2021, cash used in operating activities was \$0.3 million (March 31, 2020 - \$5.0 million) representing 93.22% improvement compared to the prior period, and cash used in operating activities before changes in non-cash working capital was \$1.3 million (March 31, 2020 - \$6.5 million).

Operating Activities

For the nine months ended March 31, 2021, operating activities were affected by the net change in non-cash working capital of \$1.0 million due to:

- An increase in trade and other receivables of \$0.04 million due to the timing of sales deposit receipts,
- An increase in inventory of \$0.2 million due to the rapid expansion of the Company's retail operations,
- An increase in trade and other payables of \$1.6 million due to the timing of trade and interest payments and rapid growth of the Company,
- An increase in prepaid expenses of \$0.4 million primarily due to the deposit advances for the Company's new retail store lease agreements.

Investing Activities

For the nine months ended March 31, 2021, cash provided by investing activities was \$1.3 million. The Company received \$1.5 million of cashflow upon completion of the Phivida Transaction. In the period, Choom sold certain buildings which were classified as assets held for sale as at June 30, 2020, for the total proceeds of \$0.5 million.

\$0.5 million in cash was used to acquire property and equipment, intangible assets, and initial deposits for right-of-use leased assets. \$0.2 million in software development costs were spent on the development of the proprietary technology during the period and capitalized as internally generated intangible assets.

Financing Activities

For the nine months ended March 31, 2021, cash used in financing activities was \$1.0 million. During the period, the company received \$1.95 million in proceeds from the non-brokered private placement, additional \$0.02 million in CEBA loans from the Government of Canada, and additional \$0.3 million as a result of the amended promissory note agreement.

The Company used \$1.9 million to make capital lease payments for its various retail store locations across Canada, \$1.2 million to pay interest accrued on notes payable and convertible debentures, \$0.2 million to pay short-term notes, and incurred \$0.1 million in share issue costs related to the non-brokered private placement and other share transactions during the nine months ended March 31, 2021.

Commitments and Contractual Obligations

Leases

To support the Company's business growth strategy, Choom has secured a number of lease arrangements. Cash commitments for minimum lease payments in relation to these commitments are payable as follows:

	March 31, 2021	June 30, 2020
Not later than 1 year	\$ 1,720,294	2,178,097
Later than 1 year and not later than 5 years	6,787,324	6,351,983
Later than 5 years and not later than 10 years	4,562,684	2,767,459
Total Lease Commitments	\$ 13,070,302	11,297,539

Coastal Green

On July 10, 2020, the parties terminated the Coastal Green Note for consideration of a \$50,000 cash payment. This has been included in Termination of agreement costs for the nine months ended March 31, 2021.

Related Party Transactions

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

	March 31 2021	March 31 2020
Key management personnel compensation comprised:	\$	
Consulting fees	261,890	560,960
Administration	57,306	133,358
Wages	261,250	180,682
Share-based payments	643,670	571,919
Total Compensation	\$ 1,224,116	1,446,919

Included in trade and other payables are amounts due to current and former officers, directors, and related parties for fees and expenses of \$66,154.

On September 4, 2020, the Company granted an aggregate of 4,000,000 RSUs to officers and directors of the Company in accordance with the RSU Plan. The RSU's were measured at \$0.10, the share price at the time of the grant.

On February 4, 2021, a total of 1,000,000 stock options were issued to an Officer of the Company with an exercise price of \$0.10 per share and maturity date of February 4, 2026.

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. At the date of this report, 325,129,566 common shares were issued and outstanding.

At the date of this report, the Company had the following options, warrants, RSU's and convertible securities outstanding which are exercisable for Common Shares:

Securities Outstanding	Number of Securities	Weighted Average Exercise/Conversion Price
December 2019 Debenture	\$4,100,000 principal amount	\$0.15
Aurora Debenture	\$20,000,000 principal amount	\$0.65
Stock Options	11,898,723	\$0.18
Warrants	42,585,041	\$0.17
Restricted Share Units	4,000,000	N/A

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Consolidated Financial Statements. The Company evaluates its estimates on an ongoing basis. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in Note 4 of the Annual Financial Statements for the fiscal year ended June 30, 2020.

Significant Accounting Policies

The accounting policies in Note 3 of the Annual Financial Statements for the fiscal year ended June 30, 2020, have been applied consistently to all periods presented in the Interim Financial Statements.

Risk and Uncertainties

The following are the specific and general risks that could affect the Company and its business. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition. Readers should additionally refer to the risk factors set out in the Company's most recent Annual Information Form, which, together with the risk factors below, do not necessarily constitute an exhaustive list.

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

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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 carryforwards, 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 utilized. 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.

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.

Market Risk

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.

Credit Risk

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.

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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 \$6,309,764 due within 12 months, and \$25,485,343 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.

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. Readers should additionally refer to the risk factors set out in the Company's most recent Annual Information Form, which, together with the risk factors below, do not necessarily constitute an exhaustive list.

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

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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.

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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

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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.

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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 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 regard 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. 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.