



FIORE CANNABIS LTD.

(Formerly Citation Growth Corp.)

**MANAGEMENT DISCUSSION & ANALYSIS
For the three months ended March 31, 2021**

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Fiore Cannabis Ltd., formerly Citation Growth Corp. and its subsidiaries (collectively, the "Company" or "Fiore") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2021. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020 and the notes related thereto (the "Interim Financial Statements") and the annual audited consolidated financial statements for the for the fiscal period ended December 31, 2020 and fiscal year ended March 31, 2020. A copy of the Annual Financial Statements is posted on the SEDAR website, www.sedar.com.

The Interim Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All information in this MD&A is current as of May 31, 2021, unless otherwise indicated. All dollar figures are expressed in thousands of Canadian dollars, except for share data, or unless otherwise noted.

Management is responsible for the information contained in this MD&A and its consistency with information presented to the Audit Committee and Board of Directors. The Interim Financial Statements and MD&A have been reviewed by the Company's Audit Committee and approved by the Board of Directors on May 31, 2021.

This MD&A may contain forward-looking statements and should be read in conjunction with the cautionary statement on forward-looking statements at the end of this MD&A. These forward-looking statements are based on assumptions and judgments of management regarding events or results that may prove to be inaccurate resulting from risk factors beyond its control. Actual results may differ materially from the expected results.

Change of Fiscal Year End

On November 20, 2020, the Company's Board of Directors approved a resolution to change the Company's year end from March 31st to December 31st. The Company's transition year is the nine months ended December 31, 2020, and the comparative period is the twelve months ended March 31, 2020.

Cannabis Industry Involvement Statement

Cannabis is legal in each jurisdiction where Fiore is engaged in, however, cannabis remains illegal under US federal law and the approach to enforcement of US federal law against cannabis is subject to change. Shareholders and investors need to be aware that adverse enforcement actions could affect their investments and that Fiore's ability to access private and public capital could be affected and or could not be available to support continuing operations. Fiore's business is conducted in a manner consistent with each jurisdiction's laws and complies with their licensing requirements. The Company has internal compliance procedures in place as well as compliance focused attorneys engaged to monitor changes in laws and compliance with Canadian, US Federal and State Law.

In Nevada, the Company holds state approved licenses for medical and recreational cultivation and production. The Company complies with its ongoing monthly reporting and inspections for its licensing in Nevada, with the City of North Las Vegas and the Nevada Department of Taxation. The company has not renewed its distribution license application as third-party distributors prove more cost effective.

In California, the Company holds an adult-use license and a medicinal cannabis retail license. The Company also owns two properties, with two conditional use permits for medical and adult use cannabis cultivation associated to each property.

In Canada, the Company owns a 40-acre property located in Celista, British Columbia and has two cannabis growing facilities that are under construction. A total of ten engineered bio-secure facilities (each totalling 10,000 square feet) can be constructed on the site. Two buildings are currently being constructed, of which one is nearing completion. The Company currently has a pending late-stage 100,000 sq. ft. license application submitted to Health Canada under the Cannabis Act for the property.

The Company has the same philosophical view as the guidelines set out in the Cole Memo (rescinded), and strictly complies with its guidelines, which include: preventing the distribution of cannabis to minors, preventing revenue from the sale of cannabis going to criminal enterprises, preventing the diversion of cannabis from states where it is legal to states where it is not, preventing state legal activity from being a “front” for the distribution of other illicit drugs, preventing violence in the cultivation and distribution of cannabis, preventing intoxicated driving and other public health consequences associated with cannabis use, preventing of cultivation of cannabis on public lands, as well as, preventing the use of cannabis on Federally owned property.

Corporate Overview

Fiore Cannabis Ltd. (“Fiore” or the “Company”), was incorporated under the *Business Corporations Act* (British Columbia) on April 24, 2007 as “0789189 B.C. Ltd”. On October 28, 2020, the Company changed its name to “Fiore Cannabis Ltd.” from “Citation Growth Corp”.

On June 12, 2019, the Company consolidated its share capital on the basis of one (1) post-consolidated common share for every four (4) pre-consolidated common shares. All information in these MD&A is presented on a post-share consolidation basis.

The Company’s common shares are currently trading on the Canadian Stock Exchange (“CSE”) under the symbol “FIOR” and on the OTCQX Markets under the ticker symbol “FIORF”.

Fiore is in the business of cultivation and production of medical and recreational marijuana with operations in the United States in the states of Nevada and California. The Company has six state approved licenses in Nevada which consist of medical and recreational marijuana cultivation licenses, medical and recreational production licenses and a distribution license with a dispensary in California. The Company also has a pending application with Health Canada to become a licensed producer under the Cannabis Act (Canada) (“Cannabis Act”).

Business Overview

Nevada, United States

The Company holds 6 state approved licenses, which include two medical cultivation, two recreational cultivation, one medical production and one recreational production licenses.

Fiore's two 5,000 sq. ft. facilities located on its 7.1 acres of property at the Apex Business Park in North Las Vegas, Nevada. The facilities currently produce an average of 436 kilograms annually and annual full capacity is at 1,200 kilograms. During the second quarter of 2020, the company started upgrading the grow methodologies by procuring an improved organic soil recipe and starting a wholesale changeover to LED lighting, which has the capability of tripling current yield capacity while reducing energy consumption. The light changeover was completed in fourth quarter of 2020. The licenses are approved to expand to up to approximately 300,000 sq. ft. of both cultivation and production facilities. The Company's products include certified Enviroganic premium flower, pre-rolls, concentrates (including vapes) and edibles. The average selling price of organic buds was US\$ 5.5 per gram, with prices ranging from US\$4.5 to US\$6.6 per gram and the average selling of price pre-rolls is US\$5, with prices ranging from US\$4.75 to US\$5.5 per pre-roll.

All premium cannabis is certified as organically grown by Envirocann. The certifications provide verification that the Company meets or exceeds NOP (National Organic Program) standards for cultivation and that it is using only OMRI, WSDA or CDFA certified inputs, is following social justice directives and has accurate and complete record keeping practices.

Fiore will begin to diversify its product lines in the upcoming months to offer its customers an even wider range of premium quality flower, extracts, edibles and concentrates. The Company's focus will be on its certified organic Diamante Labs products that are healthier for the end user. Diamante Labs was founded on the determination to formulate high quality extracts by using closed loop hydrocarbon processes as well as premium solventless extracts.

The COVID-19 pandemic saw the Las Vegas retail cannabis market close down due to government regulations. The global pandemic affected the normal course of business and created a level of uncertainty. Fiore took this unfortunate time to shift focus to operation and growth efficiencies and prepare for the reopening of the retail cannabis market and dispensaries. From February to December 2020, Fiore stored all cannabis harvests in their vault and freezers for future processing into concentrates and bulk distillate. In July 2020, the moratorium of the cannabis licenses in Nevada were lifted by the newly created Cannabis Control Board (CCB) which has created opportunities for the purchase and transfer of cannabis licenses.

Desert Hot Springs, California, United States

The Company owns a total of 2.47 acres of properties located in Desert Hot Springs, California. There are two conditional use permits for medical and adult recreational cannabis cultivation facilities awarded to these properties. The company applied for a 10-year extension on these permits and were approved on September 1, 2020.

The Company is operating a dispensary in Desert Hot Springs, California, Green Leaf Wellness Dispensary LLC ("Green Leaf"), which currently holds an Adult-use and Medicinal retail licenses.

Kelowna, BC, Canada

The Company, through Full Spectrum Medicinal Inc. (“Full Spectrum”), owns a 40-acre property and two cannabis growing facilities that are under construction located in Celista, British Columbia. A total of ten engineered bio-secure facilities (each totaling 10,000 square feet) can be constructed on the site (the “Celista Project”), and Fiore currently has a pending late-stage 100,000 square feet license application under the Cannabis Act for the Celista Project. Two 10,000 square foot facilities are under construction, one of which is nearing completion.

On April 19, 2021, the Company entered into a Memorandum of Understanding with PECA Properties to transfer ownership of Fiore’s Celista Project as well as the Company’s wholly owned subsidiaries, Marapharm Inc and Full Spectrum Medicinal Inc., in consideration for debt and liabilities associated with the purchasing stakeholders. The final transaction enables Fiore to clean up its balance sheet by eliminating approximately \$4.8 million of liabilities, including a mortgage and other obligations. As of March 31, 2021, the assets and liabilities of Celista Project, which includes land located in Celista, BC, and the late-stage license application under the Cannabis Act, have been reclassified as held for sale.

Significant Events and other Corporate Developments during three months ended March 31, 2021

Financing

During the three months ended March 31, 2021, the Company received US\$1,450 from the revolving credit promissory note. As a consideration, the Company issued 2,175,000 common shares at a fair value of \$399 and 1,450,000 warrants an exercise of \$0.15 expiring December 23, 2023.

Definitive Agreement to Sell Surplus Cannabis Licenses

On March 30, 2021, the Company executed a definitive agreement with Allied Corp. to sell a surplus cultivation license for its Apex facility in Las Vegas for US\$1,500. A land lease agreement and revenue-sharing agreement for incremental sales from the facility has been negotiated between the parties. Fiore will be assisting Allied with the genetics and selection of cannabis strains for their new operation as well as consulting on the marketing of eventual cannabis products through Fiore’s already established medical and retail partnerships. Subsequent to March 31, 2021, the Company received US\$50 deposit from Allied Corp.

Tonasket, Washington Property

On February 17, 2021, a marijuana production license in Washington State, which the Company owned an option and right of first refusal, was sold for a consideration of US\$110. The license was held by the former Director of Operation on behalf of the Company. The underlying intangible assets was fully written down in fiscal year ended March 31, 2020.

Subsequent Events

Financing

On April 21, 2021, the Company closed a non-brokered private placement of 6,445,880 units at \$0.15 per unit for gross proceeds of \$967. Among the 6,445,880 units issued, 2,497,667 units are issued for settlement of short term loan from directors & officers of the Company of an aggregated amount of \$375. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.22 per share for a period of 18 months expiring October 21, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above \$0.50 for a period of ten consecutive trading days.

On May 3, 2021, the Company closed a non-brokered private placement of 2,093,244 units at \$0.15 per unit for gross proceeds of \$314. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.22 per share for a period of 18 months expiring November 3, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above \$0.50 for a period of ten consecutive trading days.

Celista Project

On April 19, 2021, the Company entered into a Memorandum of Understanding with PECA Properties to transfer ownership of Fiore's Celista Project as well as the Company's wholly owned subsidiaries, Marapharm Inc and Full Spectrum Medicinal Inc., in consideration for debt and liabilities associated with the purchasing stakeholders. The final transaction enables Fiore to clean up its balance sheet by eliminating approximately \$4.8 million of liabilities, including a mortgage and other obligations.

Selected Quarterly Financial Information

Quarters ending	Revenue	Net loss from continuing operations	Net loss and comprehensive loss	Basic and diluted loss per share
	\$	\$	\$	\$
31-Mar-20	1,088	(1,325)	(1,325)	(0.01)
31-Dec-20	538	(10,746)	(11,433)	(0.07)
30-Sep-20	550	(962)	(1,248)	(0.01)
30-Jun-20	578	(5,043)	(5,655)	(0.04)
31-Mar-20	529	(28,433)	(26,932)	(0.30)
31-Dec-19	690	(3,293)	(4,733)	(0.03)
30-Sep-19	741	(3,546)	(3,994)	(0.04)
30-Jun-19	650	(2,934)	(3,355)	(0.04)

As of year ended March 31, 2020, the assets and liabilities of ACC were deconsolidated from the Company's Consolidated Statements of Financial Position as a result of the Settlement and its results of operations were reclassified and included in loss from discontinued operations for all periods.

Discussion of Operations

Revenues

The Company's revenues were derived from the sale of cannabis produced from the Company's Apex North Las Vegas facility as well as sales from their Green Leaf Wellness dispensary in Desert Hot Springs, California.

The Company commenced operations at its Las Vegas facilities and commercial wholesale of recreational cannabis in May 2019. During the three months ended March 31, 2021, the Company generated gross revenues of \$516 (Net revenue - \$477) compared to \$39 (Net revenues - \$30) during the three months ended March 31, 2020 from the sale of bulk recreational and medicinal cannabis, at an average gross selling price of \$6.7 per gram. This represents a year-over-year increase of 1320% in revenue generated from cannabis cultivation.

During the three months ended March 31, 2021, the Company generated gross revenues of \$571 (Net revenues - \$522), respectively, from its California dispensary as compared to gross revenues of \$474 (Net revenues - \$425) during the three months ended March 31, 2020. This represents a year-over-year increase of 120% in revenue generated from cannabis retail sales.

Cost of Sales

Cost of sales consists mainly of production costs, costs of goods purchased and fair value adjustments on sale of inventory and biological asset transformation.

Production costs during the three months ended March 31, 2021 included direct and indirect costs of \$760 related to all medical and recreational cannabis grown and produced by the Company comprises mainly of utilities, wages, depreciation of equipment and buildings and quality control and quality assurance costs.

The costs of goods purchased during the three months ended March 31, 2021 amounted to \$346, which consisted of cannabis and other products purchased for resale through the California dispensary.

Fair value adjustments relate to biological assets and inventory. Biological assets consist of cannabis plants at various stages of growth before harvest which are recorded at fair value less costs to sell. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. After harvest, costs are capitalized to inventory and expensed to costs of sales when sold.

During the three months ended March 31, 2021, the Company recognized an unrealized gain due to biological asset transformation of gain \$224 (March 31, 2020 – \$162). During the three months ended March 31, 2021, the Company produced 183,544 grams of dried cannabis. As of March 31, 2021, the biological assets were on average 56% complete and it was expected that the Company's biological assets would yield approximately 223,557 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets. The weighted average fair value less cost to complete and cost to sell of the cannabis plants was \$3.33 per gram.

General and Administrative Expenses

General and administrative expenses consisted of the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	\$	\$
Consulting fees	32	1,172
Business acquisition costs	-	842
Shareholder and investor relations	126	116
Office and general	316	282
Professional fees	110	271
Management fees and wages	323	290
	907	2,973

Consulting fees decreased by \$1,140 during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. During the three months ended March 31, 2020, the Company issued 2,500,000 common shares at a fair value of \$456 for business development consulting services and 3,000,000 common shares at a fair value of \$575 to certain former directors and management of the Company for consulting services.

Business acquisition costs of \$842 incurred in the three months ended March 31, 2020 mainly due to an adjustment on the 3,250,000 finder's shares issued for ACC acquisition.

Depreciation and Amortization

Depreciation and amortization were \$173 during the three months ended March 31, 2021 as compared to \$377 during the three months ended March 31, 2020.

The Company recorded depreciation of \$138 for the three months ended March 31, 2021 (March 31, 2020 - \$293) for the North Las Vegas facilities and the dispensary in California. During the three months ended March 31, 2021, the Company recorded amortization of \$35 (March 31, 2020 - \$84) for the Las Vegas and California marijuana licenses.

Share-based Compensation

During the three months ended March 31, 2021, the Company recognized share-based compensation of \$12 for 100,000 option granted during the period. During the three months ended March 31, 2020, the Company recognized credit adjustment to share-based compensation of \$1,176 for the 5,706,000 RUSs granted in the quarter ended June 30, 2020.

Finance and Other Costs

Finance and other costs included interests on loans and borrowings, convertible debenture accretion expenses, lease liability accretion expenses and bank charges. For the three months ended March 31, 2021, financing costs were \$537 which includes loan interest expenses of \$235, financing fees of \$172, accretion expenses of \$111 and bank charges of \$19. For the three months ended March 31, 2020, financing costs were \$340 which includes loan interests of \$54, accretion expenses of \$258 and bank charges of \$28.

Impairment of Assets Held for Sale

During the three months ended March 31, 2020, the Company recorded an impairment charge to the assets held for sale in the amount of \$3,510 relating to the Washington property held for sale.

Impairment of Intangible Assets

During the three months ended March 31, 2020, the Company recorded an impairment charge to intellectual property in the amount of \$8,500 relating to the acquisition of Full Spectrum, and to the sublease right in the amount of \$711 relating to the Washington property held for sale.

Loss on deemed disposal of subsidiary

During the three months ended March 31, 2020, the Company recognized a loss from deemed disposal of subsidiary of \$12,254 which consists of (i) \$10,983 from the Settlement with Howard Misle based on the net liabilities of \$3,023 of ACC as at January 1, 2020, (ii) \$221 of accounts receivable write off and (iii) \$901 of inventory write of, and (iv) \$149 of legal fees incurred during the acquisition.

Outlook

The company is focusing on operational and financial efficiencies in relation to its core assets and potential divestitures of its noncore assets. These strategies will help enhance the Company's suite of portfolio products with the addition of a new established brand Diamante within the state of Nevada to complement Fiore's established Fiore cannabis flower brand.

Liquidity and Capital Resources

The Company manages liquidity risk by ensuring, as far as reasonably possible, that it has sufficient capital to meet working capital and operating requirements as well as its financial obligations and commitments. The Company has historically financed its operations and met its capital requirements primarily through debt and equity financings. The Company's facilities in Las Vegas Nevada are now fully operational and wholesale sales of recreational cannabis started in May 2019. However, the Company is still currently dependent on its ability to raise funds through debt and equity financings and disposition of its assets consisting of lands and buildings in British Columbia and California.

As of March 31, 2021, the Company had working capital deficiency of \$6,349 (December 31, 2020 - working capital deficiency of \$6,223) and cash of \$175. The decrease in working capital of \$126 was primarily due to increases in short term loans and borrowings of \$903 offset by decreases in accounts payable of \$384, derivative liabilities of \$245 and increase in accounts receivable of \$369.

Net cash on hand decreased from \$406 as at December 31, 2020 to \$175 as at March 31, 2021. The decrease in cash resulted mainly from net cash generated from financing activities of \$1,114 offset by net cash used for operations of \$1,130, and capital expenditures of \$188.

Operating activities

For the three months ended March 31, 2021, cash used in operating activities resulted primarily from cash flows used for operations of \$841 and cash outflows of \$289 related to changes in non-cash working capital.

Cash used in operating activities for the three months ended March 31, 2020 resulted primarily from cash flows used for operations of \$1,568 and cash inflows of \$1,168 related to changes in non-cash working capital.

Investing activities

Cash used in investing activities for the three months ended March 31, 2021, consisted of purchase of production and cultivation equipment of \$188. Cash used in investing activities for the three months ended March 31, 2020 was for the purchase of production equipment of \$155, acquisition of intangible assets of \$38 related to the Nevada cultivation marijuana license and Health Canada license application offset by net proceeds from the sale of lands and buildings located in Magna Bay, British Columbia of \$600.

Financing activities

Cash provided by financing activities for the three months ended March 31, 2021, primarily consisted of shares issued for cash of \$105 and loans and borrowings of \$983. During the three months ended March 31, 2020, the Company received \$417 from equity financing.

Capital Expenditures

The Company's capital expenditures include buildings under construction, buildings and leasehold improvements, production equipment and other equipment and furniture. Such expenditures are funded through joint ventures, loans and borrowings and debt and equity financings. Capital expenditures for the three months ended March 31, 2021 were \$132 as compared to \$153 for the three months ended March 31, 2020.

Contractual Obligations

A summary of the Company's contractual obligations which outlines the year the payments are due is as follows:

	Total	< 1 year	1 – 3 years	3 – 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	5,290	5,290	-	-
Income tax payable	352	352	-	-
Loans and borrowings	5,116	3,987	1,129	-
Lease liabilities	6	6	-	-
Convertible debentures	4,084	2,035	2,049	-
Liabilities associated with assets held for sale	3,552	3,552	-	-
	18,400	15,222	3,178	-

The Company has limited capital and plans to satisfy its requirements for the next 12 months through equity and debt financings and sale of its none-core assets.

Management is committed to raising additional capital to fund its operations and meet its financial obligations and commitments. Although the Company has raised funds during the quarter end, there can be

no assurance that it will be able to secure additional financing. The Company has properties in British Columbia and California listed for sale.

Capital Disclosure

The Company considers its capital structure to include net residual equity of all assets, less liabilities. Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at March 31, 2021, the Company's shareholders' equity was \$2,843 (December 31, 2020 - \$3,048) and it had current liabilities of \$16,542 (December 31, 2020 - \$16,316). Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

To achieve this objective, management adjusts its capital resources to respond to changes in economic conditions and risk characteristics of the underlying assets. The capital resources used for operations were mainly from proceeds of the issuance of common shares.

Off-Balance Sheet Arrangements

The Company had no material off-balance sheet arrangements as at March 31, 2021 and as at the date of this MD&A, that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Related Party Transactions

Key compensation personnel include the Company's directors and officers. The compensation paid or accrued to directors and officers consisted of the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Consulting fees to former directors and officers⁽ⁱ⁾	\$	\$
Linda Sampson – former CEO & director	-	120
Kurt Keating – former Director of US Operations	-	135
Hanspaul Pannu – former CFO	-	13
Nilda Rivera – former CFO	-	6
	-	274
Management fees⁽ⁱ⁾		
Erik Anderson – CEO & director	60	40
Kevin Cornish – CFO & COO	45	69
Dylan Rexing – director	33	-
James O'Sullivan – corporate secretary	10	-
Ron Stern – former director	42	-
Nilda Rivera – former CFO	-	112
Alnoor Nathoo – former director	-	155
Rahim Mohamed – former CEO & director	-	206
	190	582
Share-based compensation		

Marcel LeBlanc – Chairman & director	-	104
Richard Huhn – former director	-	73
Nilda Rivera – former CFO	-	25
Rahim Mohamed – former CEO & director	-	87
Hanspaul Pannu – former CFO	-	24
Linda Sampson – former CEO & director	-	3
	-	316
	190	1,172

All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed to by the related parties.

Commitments and Contingencies

Please refer to Note 18 to the Company's Interim Financial Statements for a detailed disclosure on commitments and contingencies including outstanding claims and litigations.

Critical Accounting Estimates

The preparation of the Company's Interim Financial Statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Refer to Note 3 to the Company's Interim Financial Statements for a detailed discussion of the areas in which critical accounting estimates were made and where actual results may differ from the estimates under different assumptions and conditions that may materially affect financial results of the Company's statement of financial position reported in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Changes in Accounting Policies

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB have provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. These amendments were adopted effective January 1, 2021 and did not have a material impact on the unaudited condensed consolidated financial statements

Financial Instruments

	Fair value	Basis of measurement	Fair value hierarchy
	\$		
Financial assets			
Cash	175	FVTPL	N/A
Accounts receivable	865	Amortized cost	N/A
Financial liabilities			
Accounts payable and accrued liabilities	5,290	Amortized cost	N/A
Income tax payable	352	Amortized cost	N/A
Loans and borrowings	5,116	Amortized cost	Level 2
Convertible debentures ⁽¹⁾	4,084	Amortized cost	Level 2
Derivative liabilities ⁽¹⁾	1,320	FVTPL	Level 3

The Company is exposed in varying degrees to a few risks from financial instruments. A discussion of the types of financial risks the Company is exposed to, and how such risks are managed by the Company, is provided in Note 21 to the Interim Financial Statements.

Summary of Outstanding Share Data

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

Description of securities	Number of securities
Issued and outstanding common shares	155,926,343
Warrants	32,278,638
Stock options	13,414,858
RSUs	-
Convertible debentures	10,542,992

Controls and Procedures

In connection with National Instrument 52-109 ("NI 52-109"), the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Interim Financial Statements and accompanying MD&A as at March 31, 2021 (together the "Interim Filings").

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture companies are not required to provide representations in the Annual and Interim Filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional disclosure of the Company's, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com, or by requesting further information from the Company's head office in Kelowna, BC Canada.

Cautionary Statement Regarding Forward-Looking Information

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. These statements relate to future events or future performance. Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as "anticipate", "objective", "may", "will", "might", "should", "could", "can", "intend", "expect", "believe", "estimate", "predict", "potential", "plan", "is designed to", "project", "continue", or similar expressions suggest future outcomes or the negative thereof or similar variations. Forward-looking statements may also include, among other things, statements about the Company's: ability to reinvest profits generated from its operations; future business strategy; expectations of obtaining licenses and permits; expectations regarding expenses, sales and operations; future customer concentration; anticipated cash needs and estimates regarding capital requirements and the need for additional financing; total processing capacity; the ability to anticipate the future needs of customers; plans for future products and enhancements of existing products; future growth

strategy and growth rate; future intellectual property; regulatory approvals and other matters; and anticipated trends and challenges in the markets in which the Company may operate.

Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including the demand for our products; anticipated costs and ability to achieve goals; the Company's ability to complete any contemplated transactions; historical prices of cannabis; and that there will be no regulation or law that will prevent the Company from operating its businesses; the state of the economy in general and capital markets in particular; present and future business strategies; the environment in which the Company will operate in the future; the estimated size of the cannabis market; and other factors, many of which are beyond the control of the Company. While such estimates and assumptions are considered reasonable by the management of the Company, they are inherently subject to significant business, economic, competitive and regulatory uncertainties and risks. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: business, economic and capital market conditions; the ability to manage the Company's operating expenses, which may adversely affect the Company's financial condition; the Company's ability to remain competitive; regulatory uncertainties; market conditions and the demand and pricing for our products; exchange rate fluctuations; security threats; the Company's relationships with its customers, distributors and business partners; the Company's ability to attract, retain and motivate qualified personnel; industry competition; the impact of technology changes on the Company's products and industry; the Company's ability to successfully maintain and enforce its intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of litigation that could materially and adversely affect our business; the Company's ability to manage its working capital; and the Company's dependence on key personnel. The Company is not a positive cash flow company, has a history of losses and it may not actually achieve its plans, projections, or expectations.

Important factors that could cause actual results to differ materially from the Company's expectations include, consumer sentiment towards the Company's products and cannabis generally; risks related to the Company ability to maintain its licenses issued by governments in good standing; uncertainty with respect to the Company's to grow, store and sell cannabis; risks related to the costs required to meet the obligations related to regulatory compliance; risks related to the extensive control and regulations inherent in the industry in which the Company operates; risks related to governmental regulations, including those relating to taxes and other levies; risks related an early stage business and a business involving an agricultural product and a regulated consumer product; risks related to building brand awareness in a new industry and market; risks relating to restrictions on sales and marketing activities imposed by governments; risks inherent in the agricultural business; risks relating to energy costs; risks relating to product liability claims, regulatory action and litigation; risks relating to recall or return of products; and risks relating to insurance coverage; global economic climate; equipment and building failures; increase in operating costs; decrease in the price of cannabis; security threats; government regulations; loss of key employees and consultants; additional funding requirements; volatility in the securities of the Company; changes in laws; technology failures; failure to obtain permits and licenses; anticipated and unanticipated costs; competition; risks associated with the substantial obligations of being a public company; and failure of counterparties to

perform their contractual obligations. This list is not exhaustive of the factors that may affect the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements.

Except as required by law, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Neither the Company nor any of its representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this MD&A. Neither the Company nor any of its representatives shall have any liability whatsoever, under contract, tort, trust or otherwise, to the reader or any person resulting from the use of the information in this MD&A by the reader or its representatives or for omissions from the information in this MD&A.