NOVA
CANNABIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended June 30, 2024
Dated as at August 1, 2024

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1. Basis of Presentation

This Management's Discussion and Analysis ("**MD&A**") provides an analysis and discussion of Nova Cannabis Inc.'s, (the "**Company**" or "**Nova**") performance for the three and six months ended June 30, 2024. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2024 and 2023 (the "**Interim Financial Statements**"), the audited consolidated financial statements for the years ended December 31, 2023 and 2022, the annual MD&A for the years ended December 31, 2023 and 2022 (the "**Annual MD&A**") and the annual information form for the year ended December 31, 2023, dated March 25, 2024, each of which is available on Nova's profile on SEDAR+ at www.sedarplus.ca. The information in this MD&A is current to August 1, 2024, unless otherwise noted.

In this MD&A, unless the context otherwise requires, all references to "we", "us", "our", "Nova", and "the Company" refer to Nova Cannabis Inc. and its subsidiaries, and all references to "Management" refer to the directors and executive officers of the Company.

Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars and has been derived from financial statements prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). Certain dollar amounts have been rounded to the nearest hundred thousand dollars or thousand dollars.

Additional information relating to Nova can be found at www.novacannabis.ca. The Company's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, annual information form, information circulars, various news releases and material change reports issued by the Company are also available on its website at www.novacannabis.ca or directly through Nova's profile on SEDAR+ at www.sedarplus.ca.

2. Business Update and Outlook

Operations in British Columbia

On April 1, 2024, SNDL Inc. ("**SNDL**") and Nova announced that SNDL agreed to assign its rights to own or operate four Dutch Love stores (the "**Dutch Love Stores**") to Nova (the "**Assignment**"). Pursuant to the Assignment, Nova agreed to issue to SNDL 4.8 million in Nova common shares (the "**Nova Shares**") as consideration for the Dutch Love Stores (the "**Dutch Love Transaction**"), based on the 20-day volume weighted average trading price of the Nova Shares on March 28, 2024 ($1.72 per Nova Share). The Dutch Love Transaction consideration was comprised of 4.8 million Nova Shares valued at $6.1 million on May 8, 2024, the date of the transaction ($1.29 per Nova Share).

Prior to the date of the transaction, the Company earned a net management fee through a Transition Services Agreement ("**TSA**") whereby the Company did not control these stores or consolidate the results on a line-by-line basis.

The Dutch Love Stores were primarily acquired in order for Nova to expanded into the recreational cannabis retail market in British Columbia.

New store openings

Nova announced it has opened its one hundredth (100) Value Buds store subsequent to June 30, 2024. As of August 1, 2024, Nova owns and/or operates 100 stores in Alberta, Saskatchewan, British Columbia and Ontario. The stores acquired through the Dutch Love Transaction were converted to the "Value Buds" brand subsequent to June 30, 2024.

Strategic Partnership with SNDL

SNDL and its subsidiaries provide Nova with certain management and administrative services outlined in a management and administrative services agreement dated March 22, 2021, as amended (the "**Service Agreement**"), on a flat fee basis. The current term of the Service Agreement was set to expire on March 22, 2024; however, the Service Agreement provides that it will be automatically renewed upon expiry of each renewal term for additional successive terms of one year each, unless one party provides written notice, at least six (6) months prior to the expiry of the then current renewal term, indicating that the Service Agreement shall not be renewed. No such notice was provided during the most recent renewal term and, accordingly, the Service Agreement was automatically renewed for an additional one-year term, expiring March 22, 2025, provided that either Nova or SNDL can terminate the Service Agreement at any time for any reason on six (6) months prior notice. Effective April 1, 2024, Nova and SNDL agreed to increase the management fee to $5.8 million per year, upon the same terms and conditions as noted above.

The Company has an uncommitted revolving credit facility with SNDL, in an aggregate principal amount not to exceed $15.0 million (the "**Revolving Credit Facility**"). On April 1, 2024, Nova and SNDL extended the maturity date of the Revolving Credit Facility to March 31, 2026, and amended the Revolving Credit Facility to limit SNDL's right to demand repayment prior to the maturity date, subject to certain conditions. As at June 30, 2024, $12.2 million is outstanding on the Revolving Credit Facility. Included in accounts payable and accrued liabilities was $0.2 million of accrued interest related to the Revolving Credit Facility as at June 30, 2024 (December 31, 2023 - $0.7 million).

During the three and six months ended June 30, 2024, the Company received no advances on the Revolving Credit Facility and made principal repayments of $2.3 million and $2.3 million, respectively.

As of August 1, 2024, Nova had $12.2 million outstanding under the Revolving Credit Facility.

Nova is committed to working with SNDL and the provincial regulators to ensure the Company remains fully compliant with the various provincial regulatory frameworks that govern cannabis retail in Canada and intends to continue to work with all of its licensed producer partners and industry stakeholders to provide the products our customers want at everyday low prices.

Operations in Ontario

In connection with SNDL's acquisition of Nova's then parent company, Alcanna Inc., on March 30, 2022, the Company entered into certain agreements (collectively, the "**Ontario Agreements**"), for the sale of 21 Ontario retail stores (the "**Ontario Stores**") to Spirit Leaf Ontario Inc. (the "**Ontario Purchaser**"). As part of the Ontario Agreements, the Alcohol and Gaming Commission of Ontario ("**AGCO**") concurrently canceled the Company's rights to the respective Retail Store Authorizations (the "**RSAs**") and issued new RSAs for the Ontario Stores to the Ontario Purchaser. The newly issued RSAs contained certain additional conditions that prohibit the modification of the Ontario Agreements without notification in writing to the AGCO. The Ontario Purchaser also obtained legal title to the inventory, store leasehold improvements and other store assets with a net carrying value of $10.7 million at the time of the sale.

As a result of the above transaction, the Ontario Stores now operate under the RSAs of the Ontario Purchaser. The Ontario Agreements were executed in order to comply with the regulatory restrictions that prohibit SNDL, as a licensed producer of cannabis, from directly or indirectly owning or controlling more than a 25% interest in any licensed Ontario cannabis retailer.

From the date of the original Ontario Agreements to December 31, 2023, the Company constructed twelve new stores in Ontario and entered into agreements consistent with those of the Ontario Stores by way of addendums to the Ontario Agreements. As at December 31, 2023, the net carrying value of the 33 Ontario Stores was $15.0 million. For the three and six months ended June 30, 2024, one new store was acquired by the Company in Ontario with a net carrying value of $0.1 million. As at June 30, 2024, the net carrying value of the 34 Ontario Stores was $15.1 million.

Retail Locations by Jurisdiction

As of August 1, 2024, Nova owns and/or operates 100 stores in Alberta, Saskatchewan, British Columbia and Ontario.

	January 1, 2024 to August 1, 2024					
	1-Jan-2024	**Acquired**	**Opened**	**Closed**	**30-Jun-2024**	**1-Aug-2024**
Alberta						
Edmonton (1)	25	—	—	(1)	24	25
Calgary (1)	20	—	—	—	20	19
Other (2)	17	—	—	—	17	17
	62	—	—	(1)	61	61
Ontario (3)						
Toronto	9	—	—	—	9	9
Other (4), (5)	24	1	—	—	25	26
	33	1	—	—	34	35
British Columbia						
Vancouver (5)	—	3	—	—	3	3
	—	3	—	—	3	3
Saskatchewan						
Other	1	—	—	—	1	1
	1	—	—	—	1	1
Total	**96**	**4**	**—**	**(1)**	**99**	**100**

Notes:

(1) References to Edmonton and Calgary are to stores located in or near those urban centres.

(2) Other stores in Alberta by region: Northern (6), Southern (4), Red Deer (2), Central (4), Resort (1).

(3) Ontario includes stores that have been sold to the Ontario Purchaser but remain operated by the Company.

(4) Other stores in Ontario by region: Northern (5), Southern (1), Central (7), and Western (12).

(5) The Company operated (4) Dutch Love cannabis stores, including (3) in British Columbia and (1) in Ontario, pursuant to the TSA effective up to May 8, 2024. On May 8, 2024, these stores were acquired as part of the Dutch Love Transaction.

Business Strategy: Value and Convenience

Nova's strategy is to be one of the largest, fastest growing and profitable cannabis retailers in Canada. Its goal is to disrupt and strengthen the cannabis retail market through the promotion of a wide range of cannabis products at everyday best-value prices, while encouraging greater migration of consumers from the illicit cannabis market.

Nova's "Value Buds" banner offers discount prices on a wide selection of cannabis products from value to premium. The cannabis market is dominated by high-volume, value-oriented consumers, who Nova believes are underserved by most legal cannabis retailers and therefore rely on illicit markets for their purchases. Nova's strategy is to focus on this "white-space" opportunity and provide these high-volume and value-conscious consumers with the products they want at industry leading low prices from a legal cannabis retailer. Nova's growth strategy is rooted in the quality of its store footprint and accessibility of locations close to where consumers live and work, the sales efficiency of Nova stores, and the appeal of the Value Buds brand. Nova continues to remain disciplined, and customer-focused by choosing the best real estate for its strategy – whether through acquiring stores or building its own.

Nova's growth strategy is based on six pillars:

1. **Disrupt:** Grow market share from legal and illicit markets with strategic expansion and growth of the "Value Buds" discount banner.

2. **Focus:** Service the needs and wants of the high-volume, value-conscious consumer, that keep coming back for more. Price continues to be the most influential factor in the buying decision in the recreational market and the "Value Buds" banner continues to meet the consumers' needs.

3. **Lever:** SNDL's support and expertise as an experienced operator in regulated retail industries and its back-of-house support functions, including real estate leasing and property management, construction and store design, human resources, payroll services, business technology, loss prevention, legal, and finance and accounting are provided to Nova under the Service Agreement on terms that we believe are more favourable than Nova could achieve on a stand-alone basis. Refer to the '*Related Party Transactions'* section of this MD&A for further discussion.
4. **Build:** Build new stores in conveniently located, highly visible and attractive real estate locations that can efficiently process high transaction volumes and provide appropriate customer service levels.
5. **Acquire:** Fuel growth with acquisitions – but only in locations that support the "Value Buds" strategy on terms that make business sense, are expected to provide attractive economic returns, and avoid unsupportable and inflated purchase price valuations.
6. **Private label:** Develop higher gross profit private label offerings and build product brand loyalty and long-term brand awareness with our customers. The private label strategy focuses on keystone segments, specifically large format, uniquely curated for the "Value Buds" consumer, and drives meaningful differentiation through the retail network.

Each of these six pillars will be executed against the backdrop of a low-cost operating model as a result of the Service Agreement as well as through operational focus and cost discipline.

Nova will continue to entrench what Management believes is its leadership position in Canadian cannabis retail and develop new markets as opportunities arise. Geographically, Nova is currently focused primarily on expansion in the Ontario, Alberta and British Columbia market as well as establishing its brands as it enters the market in British Columbia. Nova is targeting areas in or adjacent to cities, suburbs, and smaller communities across the province of Ontario where it believes its core cannabis consumer lives. Further, Nova's access to broad data and analytics allows the opportunity to realize incremental revenue through intellectual property optimization.

3. Performance Overview

The Interim Financial Statements present the financial results of the ninety-nine (99) stores open at June 30, 2024, which are comprised of ninety-six (96) stores open on January 1, 2024. From January 1, 2024 to May 8, 2024, the Company operated four (4) additional stores pursuant to the TSA in which the Company earned a net management fee. The Company did not control these four (4) additional stores or consolidate their results on a line-by-line basis. On May 8, 2024, these stores were acquired as part of the Dutch Love Transaction. One store in Alberta was closed during the period.

Second Quarter 2024 Operating Results Compared to the Second Quarter 2023 Operating Results

The following table summarizes highlights of the Company's financial performance for the three months ended June 30, 2024 and 2023:

	Three months ended June 30					
Selected Accounts	**2024**		**2023**		**Variance**	
(Cdn $000's unless otherwise noted)	$	%(1)	$	%(1)	$	%
Revenue	69,186	100.0%	64,030	100.0%	5,156	8.1%
Gross profit	16,775	24.2%	14,615	22.8%	2,160	14.8%
Selling and distribution expenses	9,695	14.0%	7,587	11.8%	2,108	27.8%
Administrative expenses	793	1.1%	1,605	2.5%	(812)	-50.6%
Depreciation	2,876	4.2%	2,969	4.6%	(93)	-3.1%
(Recovery) impairment, lease remeasurements and other costs, net	(195)	-0.3%	(43)	-0.1%	(152)	-353.5%
Finance costs	1,121	1.6%	1,139	1.8%	(18)	-1.6%
Net earnings and comprehensive earnings	859	1.2%	1,036	1.6%	(177)	-17.1%
Basic and diluted earnings per share attributable to equity shareholders	0.01		0.02		(0.01)	-50%

Note:

(1) Figures have been calculated as a percentage of revenue.

Revenue

Revenue increased 8.1% compared to the second quarter of 2023, to record revenue of $69.2 million from $64.0 million. The increase is primarily due to an increase to proprietary licensing sales, an increase in same-store sales primarily in Ontario and new revenue earned related to the stores acquired in the Dutch Love Transaction that were not present in the same prior year period. In addition, the Company has operated eight (8) new retail cannabis stores since April 1, 2023. Same-store sales refers to the revenue generated by the Company's existing retail cannabis locations which operated during the current and comparative periods.

Proprietary licensing revenues for the second quarter of 2024 increased by $1.1 million, from $2.7 million to $3.8 million, from the same period in 2023. The increase in proprietary licensing revenue is due to an updated proprietary licensing agreement, scalable for the needs of licensed producers, which allows them to purchase specific sales data to assist them with planning for current and future product decisions.

The updated proprietary licensing arrangement provided an increase in the volume of data provided to licensed producers, resulting in a corresponding increase in proprietary licensing sales.

Gross profit

Gross profit for the three months ended June 30, 2024 was $16.8 million, up $2.2 million or 14.8%, from $14.6 million for the same prior year period. Gross profit as a percentage of revenue was 24.2% for this period (June 30, 2023 – 22.8%), of which 5.5%(1) (June 30, 2023 – 4.2%(1)) was related to proprietary licensing arrangements which have no significant associated cost of sales.

(1) Specified financial measures. Refer to Specified Financial Measures for further information.

Gross profit as a percentage of revenue from retail sales increased to 25.7%[(1)] from 23.8%[(1)] during the three months ended June 30, 2024 as a result of leveraging the success achieved in the Alberta to extract slightly higher prices in retail locations where the competitive response has waned, expansion into British Columbia, growth in the Ontario market and the expansion of private label initiatives.

Selling and distribution and administrative expenses

For the three months ended June 30, 2024, selling and distribution expenses increased by $2.1 million to $9.7 million and administrative expenses decreased by $0.8 million to $0.8 million compared to the same prior year period. The increase in selling and distribution expenses is primarily due to increased wages and benefits as a result of operating a greater number of stores. As a percentage of revenue, selling and distribution expenses increased from the same prior year period from 11.8% to 14.0% due to increased costs related to wages and employee benefits, supplies, and lease costs. The decreased administrative expenses is primarily the result of decreased share-based compensation expense and other corporate office expenses.

Depreciation

Depreciation for the three months ended June 30, 2024 was $2.9 million, consistent with the same prior year period of $3.0 million despite an increase in the number of stores opened. This is primarily due to the reduction in the net book value of certain assets following an impairment charge in previous periods. Depreciation is comprised of property and equipment depreciation of $1.1 million (June 30, 2023 – $1.1 million) and right-of-use asset depreciation of $1.8 million (June 30, 2023 – $1.9 million).

Impairment, lease remeasurements and other costs, net

Impairment, lease remeasurements and other costs, net for the three months ended June 30, 2024 was a $0.2 million recovery, an increase of recovery of $0.2 million compared to the same period in the prior year. No impairment losses were for the three months ended June 30, 2024 and 2023. There was a $0.2 million recovery related to asset impairment reversals included in June 30, 2024. No impairment losses were recorded for the same prior year period.

Finance costs

Finance costs for the three months ended June 30, 2024 were $1.1 million, consistent with the $1.1 million in the same prior year period.

Net earnings and comprehensive earnings

For the three months ended June 30, 2024, the Company recorded net earnings of $0.9 million (June 30, 2023 – net earnings of $1.0 million). The decreased net earnings compared to the same prior year period is primarily a result of increased expenses despite an increase in gross profit during the three months ended June 30, 2024.

Income taxes were not recorded in 2024 and 2023 as the Company incurred taxable losses prior to 2022. In addition, the Company is able to utilize tax loss carryforwards during periods of net earnings. Deferred tax assets have not been recognized because it is not considered probable that sufficient taxable profits will be available against which the Company can use the benefits.

Year to Date 2024 Operating Results Compared to the Year to Date 2023 Operating Results

The following table summarizes highlights of the Company's financial performance for the six months ended June 30, 2024 and 2023:

	Six months ended June 30					
Selected Accounts	**2024**		**2023**		**Variance**	
(Cdn $000's unless otherwise noted)	$	%(1)	$	%(1)	$	%
Revenue	133,443	100.0%	124,205	100.0%	9,238	7.4%
Gross profit	32,557	24.4%	27,472	22.1%	5,085	18.5%
Selling and distribution expenses	18,851	14.1%	15,786	12.7%	3,065	19.4%
Administrative expenses	2,625	2.0%	2,876	2.3%	(251)	-8.7%
Depreciation	5,670	4.2%	5,730	4.6%	(60)	-1.0%
(Recovery) impairment, lease remeasurements and other costs, net	229	0.2%	(39)	0.0%	268	687.2%
Finance costs	2,291	1.7%	2,235	1.8%	56	2.5%
Net earnings and comprehensive earnings	526	0.4%	492	0.4%	34	6.9%
Basic and diluted earnings per share attributable to equity shareholders	0.01		0.01		—	0%

Note:

(1) Figures have been calculated as a percentage of revenue.

Revenue

Revenue increased 7.4% compared to the same period in 2023, to $133.4 million from $124.2 million. The increase is primarily due to an increase to proprietary licensing sales, an increase in same-store sales primarily in Ontario and new revenue earned related to the stores acquired in the Dutch Love Transaction that were not present in the same prior year period. The Company has operated eleven (11) new retail cannabis stores since January 1, 2023. Same-store sales refers to the revenue generated by the Company's existing retail cannabis locations which operated during the current and comparative periods.

Proprietary licensing revenues for the period increased by $2.9 million, from $4.2 million to $7.1 million, from the same period in 2023. The increase in proprietary licensing revenue is due to an updated proprietary licensing agreement, scalable for the needs of licensed producers, which allows them to purchase specific sales data to assist them with planning for current and future product decisions.

The updated proprietary licensing arrangement provided an increase in the volume of data provided to licensed producers, resulting in a corresponding increase in proprietary licensing sales.

Gross profit

Gross profit for the six months ended June 30, 2024 was $32.6 million, up $5.1 million or 18.5%, from $27.5 million for the same prior year period. Gross profit as a percentage of revenue was 24.4% for this period (June 30, 2023 – 22.1%), of which 5.3%[1] (June 30, 2023 – 3.4%[1]) was related to proprietary licensing arrangements sales growth, which have no significant associated cost of sales.

Gross profit as a percentage of revenue from retail sales increased to 25.8%[1] from 22.9%[1] during the six months ended June 30, 2024 as a result of leveraging the success achieved in the Alberta to extract slightly higher prices in retail locations where the competitive response has waned, growth in the Ontario market and the expansion of private label initiatives.

[1] Specified financial measures. Refer to Specified Financial Measures for further information.

Selling and distribution and administrative expenses

For the six months ended June 30, 2024, selling and distribution expenses increased by $3.1 million to $18.9 million and administrative expenses decreased by $0.3 million to $2.6 million compared to the same prior year period. The increase in selling and distribution expenses is primarily due to increased wages and benefits as a result of operating a greater number of stores. As a percentage of revenue, selling and distribution expenses increased from the same prior year period from 12.7% to 14.1%. The decreased administrative expenses is primarily the result of no severance costs incurred in the current period compared to $0.4 million in the prior year period.

Depreciation

Depreciation for the six months ended June 30, 2024 was $5.7 million, consistent with the same prior year period of $5.7 million despite an increase in the number of stores opened. This is primarily due to the reduction in the net book value of certain assets following an impairment charge in previous periods. Depreciation is comprised of property and equipment depreciation of $2.2 million (June 30, 2023 – $2.2 million) and right-of-use asset depreciation of $3.5 million (June 30, 2023 – $3.5 million).

Impairment, lease remeasurements and other costs, net

Impairment, lease remeasurements and other costs, net for the six months ended June 30, 2024 were $0.2 million, an increase of $0.2 million compared to the same period in the prior year. An impairment loss of $0.6 million was recorded for property and equipment and an impairment loss of $0.4 million was recorded for right-of-use assets in the current period related to underperforming retail locations. Property and equipment impairment related to three (3) underperforming retail locations and right-of-use asset impairment related to two (2) underperforming retail locations where Management's forecasts of future performance have declined based on current market expectations. There was $0.5 million related to asset impairment reversals included in June 30, 2024. No impairment losses were recorded for the same prior year period.

Finance costs

Finance costs for the six months ended June 30, 2024 were $2.3 million, an increase of $0.1 million compared to $2.2 million in the same prior year period. The slight increase in finance costs is primarily due to additional interest on the Revolving Credit Facility resulting from a higher principal balance outstanding and increased prime lending rate, which underlies the variable interest rates on the Revolving Credit Facility, compared to the same prior year period.

Net earnings and comprehensive earnings

For the six months ended June 30, 2024, the Company recorded a net earnings of $0.5 million (June 30, 2023 – net earnings of $0.5 million). Despite increase gross profit compared to the same prior year period, net earnings remained flat and is primarily a result of increased expenses during the six months ended June 30, 2024.

Income taxes were not recorded in 2024 and 2023 as the Company incurred taxable losses prior to 2022. In addition, the Company is able to utilize tax loss carryforwards during periods of net earnings. Deferred tax assets have not been recognized because it is not considered probable that sufficient taxable profits will be available against which the Company can use the benefits.

4. Liquidity and Capital Resources

Summary of Consolidated Cash Flows

Cash provided by (used in)	**Three months ended June 30**		**Six months ended June 30**	
(thousands)	**2024**	**2023**	**2024**	**2023**
Operating activities	1,530	2,550	4,332	1,180
Investing activities	(757)	(250)	(1,516)	(748)
Financing activities	(3,822)	(750)	(5,468)	44
Net increase (decrease) in cash	(3,049)	1,550	(2,652)	476

Operating activities

For the three months ended June 30, 2024, cash provided by operating activities was $1.5 million, a $1.1 million decrease from the $2.6 million cash provided by operating activities for the same prior year period. The decrease in cash provided by is primarily related to the decrease in non-cash working capital items of $0.7 million.

For the six months ended June 30, 2024, cash provided by operating activities was $4.3 million, a $3.1 million increase from the $1.2 million cash provided by operating activities for the same prior year period. The increase in cash provided is primarily related to increased retail sales and proprietary licensing revenues and an increase in non-cash working capital items of $2.1 million.

Investing activities

For the three months ended June 30, 2024, cash used in investing activities was $0.8 million, a $0.5 million increase from the $0.3 million cash used in investing activities for the same prior year period. The increase in cash used in is primarily related to an increase in investments in property and equipment associated with new stores under construction in the quarter compared to the same prior year quarter.

For the six months ended June 30, 2024, cash used in investing activities was $1.5 million, a $0.8 million increase from the $0.7 million cash used in investing activities for the same prior year period. The increase in cash used is primarily related to an increase in investments in property and equipment associated with new stores under construction in the quarter compared to the same prior year quarter.

Financing activities

For the three months ended June 30, 2024, cash used in financing activities was $3.8 million, compared to $0.8 million used in financing activities for the same prior year period. The increase in cash used in is primarily related to no proceeds received and $2.3 million of principal repayments on the Revolving Credit Facility. In the same quarter of the prior year period, $1.0 million of proceeds was received.

For the six months ended June 30, 2024, cash used in financing activities was $5.5 million, compared to nominal amounts of cash provided by in the same prior year period. The decrease in cash used is primarily related to no proceeds received on the Revolving Credit Facility in the current quarter compared to $3.3 million of proceeds received in the prior year which were offset by the $3.3 million of principal portion of lease payments. For the six months ended June 30, 2024, $2.3 million of principal repayments were made on the Revolving Credit Facility and $3.4 million of principal portion of lease payments, offset by $0.2 million of proceeds received for the issuance of Nova Shares.

Revolving Credit Facility

Under the Revolving Credit Facility with SNDL, the Company has an uncommitted revolving credit facility with an aggregate principal amount not to exceed $15.0 million. On April 1, 2024, Nova and SNDL extended the maturity date of the Revolving Credit Facility to March 31, 2026, and amended the Revolving Credit Facility to limit SNDL's right to demand repayment prior to the maturity date, subject to certain conditions and has therefore been reclassified to long term. As at June 30, 2024, $12.2 million is outstanding on the Revolving Credit Facility. Included in accounts payable and accrued liabilities was $0.2 million of accrued interest related to the Revolving Credit Facility as at June 30, 2024 (December 31, 2023 - $0.7 million).

The Revolving Credit Facility bears interest at the Canadian prime rate of interest, plus 2.75%, equating to 9.70% as at June 30, 2024, and 9.45% as at August 1, 2024.

Liquidity Risk and Going Concern

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they come due. The accompanying Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Notwithstanding the foregoing, for the year ended December 31, 2023, the Company successfully generated positive cash flow and earnings from its operating activities, indicating an improvement in the financial performance and position since the year ended December 31, 2022. During the three and six months ended June 30, 2024, the Company recognized net earnings primarily and it successfully generated positive cash flow from operating activities.

The Company's primary sources of liquidity are cash from sales of goods and services to customers through its retail store operations, proprietary licensing arrangements, and debt financing under the Revolving Credit Facility. During the period ended June 30, 2024, the Company sourced capital and liquidity to advance its growth initiatives by way of positive cash flow from operating activities as no additional amounts were drawn on the Revolving Credit Facility. Management continually evaluates the Company's liquidity by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's ongoing operations.

As at June 30, 2024, the Company had cash and cash equivalents held at financial institutions availability of $11.2 million (December 31, 2023 – $13.8 million). The Company's accounts payable and accrued liabilities and amounts drawn under the Revolving Credit Facility as at June 30, 2024 was $25.8 million (December 31, 2023 – $24.5 million). On August 1, 2024, the Company had a cash and cash equivalents balance of $5.3 million.

For the three and six months ended June 30, 2024, the Company generated net earnings of $0.9 million and $0.5 million (June 30, 2023 – net earnings of $1.0 million and $0.5 million), respectively, and positive cash flow from operating activities of $1.5 million and $4.3 million (June 30, 2023 – positive cash flow of $2.6 million and $1.2 million), respectively. As at June 30, 2024, the accumulated deficit was $48.5 million (December 31, 2023 – $49.0 million).

The Company had access to an at-the-market equity offering program ("**ATM Program**"), which expired on June 28, 2024, that allowed the Company to issue up to $20.0 million in Nova Shares from treasury to the public at the discretion of the Company and subject to regulatory requirements. For the three and six months ended June 30, 2024, the Company issued 31,000 and 96,600 Nova Shares, respectively, under the ATM Program at a weighted average price of $1.81 and $1.80 per Nova Share, respectively.

The Company's ability to continue as a going concern depends on the continued support of its majority shareholder, SNDL, through the Revolving Credit Facility and Service Agreement. Effective April 1, 2024, SNDL extended the maturity date of the Revolving Credit Facility to March 31, 2026 and has amended the Revolving Credit Facility to remove SNDL's right to demand repayment prior to the maturity date, subject to certain conditions. Effective April 1, 2024, Nova and SNDL agreed to increase the management fee payable under the Service Agreement from $1.25 million to $5.8 million per year.

The reliance and continuance of financial support by SNDL may indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. The accompanying Interim

Financial Statements do not reflect the adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its obligations as a going concern in the normal course of operations, and such adjustments would be material.

After considering current initiatives and circumstances, the use of the going concern assumption is considered appropriate and the Interim Financial Statements have been prepared on a going concern basis.

Interest Rate Risk and Sensitivity

The Company's indebtedness in respect of the Revolving Credit Facility bears interest at floating rates based on Canadian prime lending rates. The Company manages its interest rate risk through identifying upcoming credit requirements based on strategic plans and repaying the outstanding Revolving Credit Facility balance whenever feasible. Given the material uncertainty of the Company's ability to continue as a going concern as at June 30, 2024 and August 1, 2024, repayment of the outstanding Revolving Credit Facility in full is not feasible and the Company is subject to interest rate risk.

An increase in market interest rates could result in an increase in borrowing costs. The following table presents a sensitivity analysis to changes in market interest rates on floating rate indebtedness and their potential annual impact on the Company as at June 30, 2024:

	% Change in Canadian Prime Rate	
(expressed in thousands)	**+ 1.00%**	**- 1.00%**
Increase (decrease) in interest expense	122	(122)
(Decrease) increase in net earnings	(122)	122

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts and other receivables. The Company maintains all its cash and cash equivalents with Canadian chartered banks, which Management believes minimizes the associated credit risk. The Company's credit risk, with respect to its retail operations, is mitigated by the fact all customer purchases are by cash, debit, or credit card at the time of purchase. As such, the Company is not subject to significant concentration of credit risk with respect to its retail customers. The Company's credit risk associated with proprietary licensing sales are minimized by maintaining a credit policy which sets forth short net credit terms for trade customers to mitigate losses from non-collection of receivables.

Contractual Obligations

The table below sets forth, as of June 30, 2024, the contractual obligations of the Company due in the years indicated.

(thousands)	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 and thereafter**
Accounts payable and accrued liabilities	13,638	—	—	—	—	—
Accrued interest on Revolving Credit Facility (1)	—	—	2,223	—	—	—
Revolving Credit Facility	—	—	12,172	—	—	—
Service Agreement purchase obligation (2)	2,900	1,450	—	—	—	—
Leases (3)	5,281	10,366	10,192	9,913	8,372	10,007

(1) Accrued interest on the Revolving Credit Facility represents the undiscounted interest that will accrue on the Revolving Credit Facility balance as at June 30, 2024.

(2) Under the terms of the Service Agreement, upon expiry of the initial term which occurred on March 21, 2023, the Service Agreement shall be automatically renewed for additional successive periods for one (1) year each. During each renewal term, either Nova or SNDL can determine not to renew the agreement for a further renewal term by delivering written notice to the other party at least six (6) months prior to the expiry of the then current renewal term; therefore creating a purchase obligation

for Nova to continue the fixed fee payments owing under the Service Agreement for the remainder of the then current renewal term. No such notice was provided during the most recent renewal term and, accordingly, the Service Agreement was automatically renewed for an additional one-year term, expiring March 22, 2025, provided that either Nova or SNDL can terminate the Service Agreement at any time for any reason on six (6) months prior notice.

(3) Amounts relate to the contractual undiscounted cash flows, excluding periods covered by lessee lease extension options that have been included in the determination of the lease term, related to the Company's lease liabilities as of June 30, 2024.

5. Analysis of Consolidated Financial Position

(Cdn $000's)	**As at June 30, 2024**	**As at December 31, 2023**
Assets		
Current assets		
Cash and cash equivalents	11,161	13,813
Accounts and other receivables, net	7,083	5,692
Inventory	17,942	16,389
Prepaid expenses and deposits	3,366	840
	39,552	36,734
Non-current assets		
Deposits	968	950
Property and equipment	26,654	26,666
Right-of-use assets	40,516	40,779
Intangible assets	1,964	—
Goodwill	22,323	19,270
Total assets	**131,977**	**124,399**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	13,638	9,533
Current portion of revolving credit facility	—	15,000
Current portion of lease liabilities	6,554	5,457
	20,192	29,990
Non-current liabilities		
Revolving credit facility	12,172	—
Lease liabilities	41,978	43,564
Total liabilities	74,342	73,554
Shareholders' equity		
Equity attributable to shareholders	104,140	97,801
Contributed surplus	1,973	2,048
Accumulated deficit	(48,478)	(49,004)
Total shareholders' equity	57,635	50,845
Total liabilities and shareholders' equity	**131,977**	**124,399**

The Company is required, consistent with other cannabis retailers, to pay for all of its cannabis inventory prior to receiving it in Alberta, Ontario and British Columbia. As the Company does not have traditional payment terms on its inventory in these jurisdictions, net working capital and overall leverage is not directly comparable to retailers who have customary trade payment terms.

The discussion below analyzes certain changes in the Company's consolidated financial position as at June 30, 2024 compared to December 31, 2023:

- Cash and cash equivalents decreased by $2.6 million to $11.2 million as at June 30, 2024 as compared to December 31, 2023. Refer to the *'Liquidity and Capital Resources'* section of this MD&A for further discussion.

- Accounts and other receivables as at June 30, 2024 were $7.1 million (2023 – $5.7 million). Accounts and other receivables are primarily comprised of proprietary licensing receivables, which fluctuate from period to period depending on the timing of transactions.
- Inventory increased by $1.5 million to $17.9 million as at June 30, 2024 (2023 – $16.4 million). The increase in inventory is primarily attributable to operating ninety-nine (99) stores as at June 30, 2024, compared to ninety-six (96) stores as at December 31, 2023, along with fluctuations from period to period of the day in which inventory shipments are received and the reporting period end date.
- Prepaid expenses and deposits were $4.3 million as at June 30, 2024 ($3.4 million short-term and $1.0 million long term), an increase of $2.5 million from $1.8 million in the prior year due to prepaid inventory in the current period compared to no prepaid inventory amounts at December 31, 2023.
- Property and equipment was $26.7 million as at June 30, 2024 (December 31, 2023 – $26.7 million), changes from year end were driven by acquisitions of $1.0 million and additions of $1.4 million. This was offset by depreciation of $2.2 million and impairment, net of impairment reversals of property and equipment of $0.2 million. Included in June 30, 2024 was $0.4 million of asset impairment reversal.
- Right-of-use assets decreased by $0.3 million to $40.5 million as at June 30, 2024 (December 31, 2023 – $40.8 million). The decrease is primarily related to $3.5 million in right-of-use asset depreciation, $0.3 million of impairment, net of impairment reversals and $0.4 million of terminations, offset by a $0.3 million increase related to remeasurements, $2.8 million in acquisitions and a $0.8 million increase associated with new leased locations added since December 31, 2023. Included in June 30, 2024 was $0.1 million of asset impairment reversal.
- Accounts payable and accrued liabilities increased by $4.1 million to $13.6 million as at June 30, 2024 (December 31, 2023 – $9.5 million). The increase is primarily related to more stores under construction or recently completed with outstanding invoices as at June 30, 2024 compared to December 31, 2023. Accounts payable and accrued liabilities tend to fluctuate from period to period depending on the timing of payment cycles.
- Lease liabilities decreased by $0.5 million to $48.5 million as at June 30, 2024 ($6.6 million short-term and $42.0 million long-term) (December 31, 2023 – $5.5 million short-term and $43.6 million long-term). The decrease is primarily related to lease payments of $5.0 million and $0.7 million of lease terminations and remeasurements, slightly offset by lease liability accretion of $1.6 million, $2.8 million in acquisitions and additions of $0.8 million since December 31, 2023.
- The amount drawn on the Revolving Credit Facility remained the same at $12.2 million as at June 30, 2024 (December 31, 2023 – $15.0 million).
- Equity attributable to shareholders as at June 30, 2024 was $104.1 million, increased $6.3 million due to the Dutch Love Transaction and Nova Shares being issued under the ATM Program in the period (December 31, 2023 - no Nova Shares were issued).
- Contributed surplus as at June 30, 2024 was $2.0 million, mainly consistent with December 31, 2023.
- Deficit decreased by $0.5 million to $48.5 million (December 31, 2023 – $49.0 million), primarily due to an increase in certain expenses in the period such as selling and distribution, administrative, impairment, lease terminations, remeasurements and other costs, net and net loss on fair value adjustments, offset partially by higher gross profit due to operating a greater number of stores.
- As at June 30, 2024 and August 1, 2024, the Company did not have any off-balance sheet arrangements in place.

6. Shareholders' Equity

At June 30, 2024, there were 62,082,171 Nova Shares issued and outstanding. As at August 1, 2024, there were 62,082,171 Nova Shares issued and outstanding. The basic and diluted weighted average number of Nova Shares outstanding for the three and six months ended June 30, 2024 were as follows:

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Basic weighted average number of common shares outstanding	60,123,948	57,186,132	58,654,016	57,181,831
Diluted weighted average number of common shares outstanding	60,533,359	57,724,646	59,128,615	57,720,345

7. Related Party Transactions

The Company has a conflict-of-interest policy that requires the disclosure of potential conflicts and excludes persons with a material conflict of interest from any related decisions.

Compensation of Key Management Personnel

The Company considers directors and executive officers of Nova as key management personnel. During the three and six months ended June 30, 2024, the Company incurred compensation of key management personnel of $0.3 million and $0.8 million (June 30, 2023 – $0.4 million and $1.1 million), respectively. The decrease in 2024 compared to 2023 is primarily due to the decrease in severance costs incurred.

Other Related Party Transactions

The Company is approximately 65% owned by SNDL and receives various administrative and support services from SNDL or its subsidiaries pursuant to the Service Agreement (refer to the '*Business Update and Outlook - Strategic Partnership with SNDL'* section of this MD&A for further information).

Under the terms of the Service Agreement, the Company originally incurred a management fee of $1.3 million per year, with equal monthly payments, plus reimbursement of direct costs paid for on the Company's behalf. In certain instances, the Company is reimbursed for direct costs paid on behalf of SNDL or its subsidiaries related to shared administrative costs. Effective April 1, 2024, Nova and SNDL agreed to increase the management fee to $5.8 million per year.

The following table summarizes the Company's related party transactions with SNDL and its subsidiaries.

(thousands)	Three months ended June 30		Six months ended June 30	
	2024 $	**2023** $	**2024** $	**2023** $
Management fee	1,450	312	1,763	625
Administrative expense reimbursements	67	365	547	593
Lease payments (i)	104	106	209	212
Selling and distribution expense reimbursements	27	7	95	21
Proprietary licensing revenue	3,311	714	5,101	714

(1) Reimbursement of direct costs relate to costs paid for by SNDL or its subsidiaries, on the Company's behalf, including shared administrative costs, services provided by SNDL beyond the scope of the management fee, and lease payments for three retail cannabis store locations that the Company subleases from SNDL or its subsidiaries.

As at June 30, 2024, the total amount owing to SNDL and its subsidiaries was $6.1 million (December 31, 2023 - $3.2 million) and the total amount receivable from SNDL and its subsidiaries was $6.1 million (December 31, 2023 - $4.3 million).

The Company continues to receive financing from SNDL under the Revolving Credit Facility. The Revolving Credit Facility is intended to provide additional capital for the Company's investment strategy which is focused on expanding its network of retail cannabis locations in Alberta, British Columbia and Ontario and for general corporate and working capital purposes if and as required. Refer to the *'Liquidity and Capital Resources - Revolving Credit Facility'* section of this MD&A for further information on amounts outstanding under the Revolving Credit Facility.

Other than the related party transactions discussed above, the Company has no other ongoing contractual or other commitments resulting from related party transactions.

8. Business Overview

Nova currently operates under the brand name "Value Buds" for its cannabis retail locations in Alberta and Ontario, and under the brand name "Sweet Tree Cannabis Co." for its retail location in Saskatchewan. The Company operated three stores in British Columbia and one store in Ontario under the brand name "Dutch Love", which were acquired under the Dutch Love Transaction and converted to the "Value Buds" brand subsequent to June 30, 2024.

For the three and six months ended June 30, 2024, the Company's sales were derived from the sale of cannabis products and proprietary licensing sales associated with store operations.

Seasonality

The Company has historically reported an increase in quarter over quarter revenue and gross profit results due to an increase in the number of stores operated by Nova across Alberta, British Columbia and Ontario each year. First quarter financial results are typically lower due to decreased customer spending following the holiday season.

9. Critical Accounting Estimates and Judgments

The Interim Financial Statements include estimates and assumptions made by Management in respect of operating results, financial conditions, contingencies, commitments, and related disclosures. Actual results may vary from these estimates.

The Company has:

- continuously refined and documented its management and internal reporting systems to ensure that accurate and timely internal and external information is gathered and disseminated. Management also regularly evaluates these estimates and assumptions, which are based on past experience and other factors that are deemed reasonable under the circumstances;
- hired employees and consultants who have the skills required to make such estimates and ensured that employees or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates; and
- a mandate that includes ongoing development of procedures, standards, and systems to allow staff to make the best decisions possible and ensure those decisions are in compliance with Nova's policies.

The Company's material accounting policies are contained in note 3 to the audited consolidated financial statements for the years ended December 31, 2023 and 2022. The Company's summary of material accounting policies are contained in note 2 and note 12 to the Interim Financial Statements.

10. Specified Financial Measures

Certain specified financial measures in this MD&A, including adjusted earnings from operations and free cash flow, are non-IFRS measures. These terms are not defined by IFRS Accounting Standards and, therefore, may not be comparable to similar measures reported by other companies. These non-IFRS financial measures should not be considered in isolation or as an alternative for measures of performance prepared in accordance with IFRS Accounting Standards.

Adjusted earnings from operations

Adjusted earnings from operations is a non-IFRS financial measure which the Company uses to evaluate its operating performance. Adjusted earnings from operations provides information to investors, analysts, and others to aid in understanding and evaluating the Company's operating results in a similar manner to its management team. The Company defines adjusted earnings from operations as earnings from operations less restructuring costs, goodwill and intangible asset impairments and asset impairments triggered by restructuring activities.

The following tables reconcile adjusted earnings from operations to earnings from operations for the periods noted.

	Three months ended June 30		**Six months ended June 30**	
(thousands)	**2024**	**2023**	**2024**	**2023**
Earnings from operations	2,156	2,185	3,419	2,494
Adjustments:				
Restructuring costs	—	382	—	503
Adjusted earnings from operations	**2,156**	**2,567**	**3,419**	**2,997**

Free cash flow

Free cash flow is a non-IFRS financial measure which the Company uses to evaluate its financial performance. Free cash flow provides information which management believes to be useful to investors, analysts and others in understanding and evaluating the Company's ability to generate positive cash flows as it removes cash used for non-operational items. The Company defines free cash flow as the total change in cash and cash equivalents less cash used for common share repurchases (if any), dividends (if any), changes to debt instruments, changes to long-term investments (if any), net cash used for acquisitions plus cash provided by dispositions (if any).

The following table reconciles free cash flow to change in cash and cash equivalents for the periods noted.

	Three months ended June 30		**Six months ended June 30**	
(thousands)	**2024**	**2023**	**2024**	**2023**
Change in cash and cash equivalents	(3,049)	1,550	(2,652)	476
Adjustments:				
Changes to debt instruments	2,254	(997)	2,254	(3,297)
Free cash flow	**(795)**	**553**	**(398)**	**(2,821)**

Proprietary gross profit as a percentage of total revenue

This measure is calculated by dividing proprietary licensing gross margin for the three and six months ended June 30, 2024 of $3.8 million and $7.1 million (June 30, 2023 - $2.7 million and $4.2 million), respectively, by total revenue of $69.2 million and $133.4 million (June 30, 2023- $64.0 million and $124.2 million).

Gross profit as a percentage of retail sales revenue

This measure is calculated by dividing gross profit for the three and six months ended June 30, 2024 of $16.8 million and $32.6 million (June 30, 2023 - $14.6 million and $27.5 million), respectively, by retail sales revenue for the three and six months ended June 30, 2024 of $65.4 million and $126.3 million (June 30, 2023 - $61.4 million and $120.0 million), respectively.

11. Risk Factors

Other than the risks discussed below, there were no updates to the Company's risk factors disclosed in the Annual MD&A.

Ability to Continue as a Going Concern

As at August 1, 2024, $12.2 million was outstanding on the Revolving Credit Facility. Please refer to the '*Liquidity Risk and Going Concern*' section above for further discussion around the Company's ability to continue as a going concern.

12. Internal Controls over Financial Reporting, Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide a reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and include controls and procedures designed to ensure that information is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. A material weakness in internal controls over financial reporting exists if the deficiency is such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Chief Executive Officer and Chief Financial Officer have evaluated whether there are changes in the design of the Company's disclosure controls and procedures or internal control over financial reporting during the three and six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

13. Condensed Quarterly Information

The condensed quarterly information presented below related to the 2024, 2023 and 2022 periods reflect financial information of Nova.

(expressed in thousands of Canadian dollars, except per share amounts and number of stores)

	2024		2023				2022	
	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
# of stores operated, end of period	99	100	96	92	92	91	88	84
Revenue	69,186	64,257	67,388	67,732	64,030	60,175	61,382	58,907
Net earnings (loss) and comprehensive earnings (loss)	859	(333)	438	2,097	1,036	(544)	(4,767)	(1,535)
Basic and diluted (loss) earnings per common share	0.01	(0.01)	0.01	0.04	0.02	(0.01)	0.08	(0.03)

Quarterly revenue in 2024 compared to 2023 and 2022 was affected by the following significant items:

- The increase in second quarter 2024 revenue is primarily due higher proprietary licensing revenues when compared to the first quarter of 2024. First quarter financial results are typically lower due to decreased customer spending following the holiday season.
- The increase in revenues throughout 2023 was primarily due to increased retail sales and proprietary licensing revenues.
- Revenue in 2022 was positively impacted by the fifteen (15) stores opened, offset by one (1) store closed, in 2022, in addition to continued improvements to operational performance of stores, along with increased retail sales as a result of rebranding former “Nova Cannabis” banner stores to “Value Buds”.

Quarterly net earnings (loss) and comprehensive earnings (loss) in 2024 compared to 2023 and were affected by the following significant items:

- Second quarter 2024 quarterly net earnings and comprehensive earnings increased as a result of increased gross profit.
- The reduced loss/increased earnings throughout 2023 was primarily due to increased retail sales and proprietary licensing revenues, and gross profit, however:
  - In the three months-ended September 30, 2023, an impairment expense of $0.5 million was recorded against property and equipment; and
  - In the three months-ended December 31, 2023, an impairment expense of $1.8 million was recorded against property and equipment and right-of-use assets.
- 2022 quarterly net loss and comprehensive loss of $4.8 million in Q4 2022 was impacted by a $2.9 impairment expense recorded against property and equipment and right-of-use assets, in addition to $1.0 million of transaction costs associated with a proposed transaction between the Company and SNDL which was terminated on November 17, 2023.

14. Forward Looking Statements

This MD&A contains forward-looking statements or information (collectively "**forward-looking statements**") within the meaning of the "safe harbour" provisions of applicable securities legislation. All statements and information, other than statements of historical fact contained in this MD&A, are forward-looking statements. In particular, this MD&A contains forward-looking statements, with respect to, without limitation, our future financial position; capital and liquidity; business strategy; proposed acquisitions and dispositions; the execution and impact of the Company’s growth-orientated business strategy; results of operations and financial condition; government regulation and laws; projected costs; plans and objectives of or involving Nova, including store openings and closings and the conversion of stores to the "Value Buds" banner; the impact of SNDL's acquisition of Alcanna on the business of Nova, including with respect to the investor rights agreement dated March 21, 2022 (the "**Investor Rights Agreement**"), the Service Agreement and the Revolving Credit Facility and generally; Nova's continued ability to access funds under the Revolving Credit Facility; SNDL's continued provision of the services under the Service Agreement; Nova's ability to scale operations in Alberta, Ontario and British Columbia; SNDL's continued control over Nova, including pursuant to the Investor Rights Agreement; Nova's ability to successfully compete with other cannabis retail competitors; Nova's ability to obtain additional debt or equity financing on terms that are favourable to the Company, if at all; consumer demand for discount cannabis including the size of the discount market, consumer preferences and trends in consumption; Nova's ability to obtain new licenses and to maintain its existing licenses in good standing; Nova's private label cannabis initiatives; and Nova's discount pricing model. Shareholders and prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words and the negative thereof.

Forward-looking statements reflect the Company's current plans, intentions and expectations, which are based on Management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2024 and beyond is based on certain assumptions. The Company's plans, intentions and expectations are inherently subject to significant business, economic, competitive, and other uncertainties and contingencies regarding future events and as such, are subject to change. There is no assurance that the plans, intentions, or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this MD&A. Although Management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct, and such forward-looking statements included in this MD&A should not be unduly relied upon.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to: risks relating to government regulation of the recreational cannabis retail industry and changes thereto (whether by enactment/amendment of legislation, court decisions, citizen referenda or otherwise); competition; business decisions and strategies of SNDL, our majority shareholder; the state of the economy including general economic conditions in Canada (including, but not limited to, Alberta, Ontario, Saskatchewan and British Columbia); the unpredictability and volatility of the price of Nova Shares; restrictions on potential growth; availability of sufficient financial resources to fund the Company's capital expenditures; changes in commodity tax rates and government mark-ups; risks relating to future acquisitions and development of new stores; the ability of Management to execute its business strategy; Nova's ability to locate and secure acceptable store sites and to adapt to changing market conditions; poor weather conditions; dependence on key personnel; labour costs, shortages and labour relations including Nova's ability to hire and retain staff at current wage levels and the risk of possible future unionization; supply interruption or delays; dependence on suppliers; limited operating history of the cannabis business; overall levels of economic inflation, interest rates, further regulatory risks from the provinces in the cannabis business; supply risk in the cannabis business; risk of infringement of intellectual property rights; reliance on information and control systems; income tax changes and changes in tax laws generally; leverage and restrictive covenants in agreements relating to current and future indebtedness of Nova; credit risks arising from operations; dilution and future sales of Nova Shares; and the potential lack of an active trading market for Nova Shares. The information contained in this MD&A, including the information set forth under the heading "Risk Factors", and as disclosed in other filings made by the Company with Canadian securities regulatory authorities and available on SEDAR+ at www.sedarplus.ca, identifies additional factors that could affect the operating results and performance of Nova. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and Nova assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities legislation.

15. Additional Information

Additional information relating to the Company, including our annual information form, is available on our website at www.novacannabis.ca or on Nova's profile on SEDAR+ at www.sedarplus.ca.