Trees Corporation

Management's Discussion and Analysis

For the three months ended June 30, 2023 and fifteen months ended March 31, 2023

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of Trees Corporation ("Trees" or the "Company") for the three months ended June 30, 2023 and 2022. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three month periods ended June 30, 2023 and 2022 (the "Financial Statements"), and the Management's Discussion and Analysis ("annual MD&A") and audited consolidated financial statements and related notes for the fifteen month period ended March 31, 2023.

In this document, the terms "we", "us" and "our" refer to Trees.

Trees is a retail cannabis focused corporation. The Company's head office is located at 7070e Farrell Road SE, Calgary AB, T2H 0T2 and its' registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

This MD&A contains disclosure of material changes related to the Company occurring up to and including November 14, 2022.

CHANGE TO THE FINANCIAL YEAR END

During the twelve months ended December 31, 2022, the Company elected to change its fiscal year end to March 31 from December 31. The transition year presented herein for the comparative period is fifteen months and includes the period from January 1, 2022 to March 31, 2023. The Company's objective was to obtain its annual financial statement audit during a less resource constrained time of the year. The interim and annual reporting periods of the transition year have been changed based on the new fiscal year end date. Comparative periods presented in these financial statements are not entirely comparable due to change in fiscal year end.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained within this MD&A, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

In particular, this MD&A contains forward-looking statements pertaining, without limitation, to the following: In particular, this MD&A contains forward-looking statements pertaining, without limitation, to the following: changes in general and administrative expenses; future business operations and activities and the timing thereof; the estimated future contractual obligations of the Company; the future liquidity and financial capacity of the Company and its ability to fund its working capital requirements and forecasted capital expenditures; future financings of the Company; the expectation that the Company will not issue dividends in the near future; the ability to grow organically and through strategic acquisitions; and the opening of additional retail stores, including the receipt of the required regulatory approvals..

Although the forward-looking statements contained in this MD&A and documents incorporated by reference are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. In particular, the Company has made assumptions, regarding, among other things: the availability of financing on terms satisfactory to the Company; ongoing consumer demand for the products sold by the Company; reliable and adequate supply of quality products to meet consumer products; and a continued regulatory framework enabling the Company to continue to grow its business.

These forward-looking statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A; access to capital; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the cannabis industry; and the other factors discussed under "Financial Instruments and Risk Management" in this MD&A and annual MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

Non-IFRS Financial Measures

Throughout this MD&A, references are made to non-IFRS financial measures, including system-wide sales and same store sales. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in Company's core business that may not otherwise be apparent when relying solely on IFRS measures. Management uses non-IFRS measures in measuring the financial performance of the Company. Refer to sub-heading 'System-wide Sales' for a reconciliation of system-wide sales to corporate store sales.

CORPORATE OVERVIEW

Description of Business

The Company was formed upon the amalgamation of Trees Corporation ("Trees PrivateCo") and 1287406 B.C. Ltd. ("406") on December 22, 2021 under the *Canada Business Corporations Act* (the "CBCA") pursuant to the terms of an amended and restated amalgamation agreement dated November 10, 2021 (the "406 Amalgamation Agreement"). The 406 Amalgamation Agreement provided for, among other things, the amalgamation of PrivateCo Trees and 406 and continuation as one corporation under the name Trees Corporation (the "406 Amalgamation"), in accordance with the provisions of the CBCA. The Company's head office is located at a7070e Farrell Road SE, Calgary AB, T2H 0T2 and its' registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

Trees is a retail cannabis company. The Company's primary mandate is to operate retail cannabis stores in Ontario and British Columbia, providing best in class products supported by a highly trained and experienced retail team. Trees provides a unique customer experience focused on quality of service and product offerings that drive customer retention and loyalty. The Company intends to grow through both organic and acquisition paths with the goal of becoming one of Canada's premier cannabis retail companies.

Trees is as an independent retail cannabis operator that currently operates in the Provinces of Ontario and British Columbia, where in Ontario it currently owns and operates nine (9) fully licensed retail cannabis stores that sell cannabis products and accessories, and in British Columbia ("BC") where it operates five (5) Trees Cannabis stores which until April 11, 2023 being the date on which the Company closed the transaction to acquire these BC stores, operated under a brand license agreement in exchange for a royalty fee (See "*Corporate Overview – Transactions Completed or Announced in 2023– Amendments to the 101 Purchase Agreement and closing of the acquisition of IPCo.*) Trees reports its 14 store operation under a single operating segment capturing retail sales of cannabis and cannabis related accessories.

The common shares in the capital of the Company commenced trading on the facilities of the Cboe ("CBOE") under the symbol "TREE" on January 11, 2022.

Trees Cannabis Operations

The following table sets out the Company's current retail locations across Canada as at the date of this MD&A:

Province	Currently Operating	Locations in Development	Total
Ontario	9	-	**9**
British Columbia	5	-	**5**
Total	**14**	**-**	**14**

	Location Address	Status	Province
1	1735 Kipling Ave, Etobicoke	Open	Ontario
2	76 St. Claire Ave W, Toronto	Open	Ontario
3	5485 Dundas St E, Etobicoke	Open	Ontario
4	680 Rexdale Blvd, Etobicoke	Open	Ontario
5	395 Ontario St., St. Catharines	Open	Ontario
6	305 Port Union Road, Toronto	Open	Ontario
7	131 Kennedy Road N, Brampton	Open	Ontario
8	2007 New Street, Burlington	Open	Ontario
9	3812 Bloor Street W, Etobicoke	Open	Ontario
10	1483A Bowen Road, Nanaimo	Open	British Columbia
11	1545 Fort Street, Victoria	Open	British Columbia
12	230 Cook Street, Victoria	Open	British Columbia
13	510 5th Street, Nanaimo	Open	British Columbia
14	695 Alpha Street, Victoria	Open	British Columbia

Competitive Landscape

The Company's cannabis retail business operates amongst many competitors, both consolidated chains and independent operators. Notable competitors include High Tide, Fire & Flower, Nova Cannabis, Spiritleaf, Tokyo Smoke, and Shiny Health and Wellness as well as numerous smaller independent retailers. In the future, the Company expects that its brick-and-mortar retail operations will continue to experience similar competition to what it has faced in prior quarters from the recreational cannabis industry. However, the Company believes that through continued operational expertise, cost management and best in class customer service engagement, Trees will operate profitably over the long term.

The Company is presently focused on operating cannabis retail stores in the Province of Ontario and in British Columbia, but continually evaluates opportunities to enter into retail markets in other provinces, territories, and potential foreign jurisdictions as regulations permit. The Company anticipates being able to grow both organically as well as through strategic acquisitions in the future.

Significant Transactions Completed or Announced during the 3 months ended June 30, 2023 and fifteen months ended March 31, 2023

Q1 2022 Acquisition of Miraculo

On March 15, 2022, the Company completed the acquisition of Miraculo Inc. ("Miraculo") pursuant to the terms of an amalgamation agreement dated February 7, 2022 (the "Amalgamation Agreement") whereby Miraculo amalgamated with 1000101203 Ontario Inc., a wholly-owned subsidiary of the Company ("Trees Subco"), to form an amalgamated entity ("Amalco") in order to carry out a three-cornered amalgamation (the "Amalgamation") whereby Trees acquired all of the issued and outstanding shares of Miraculo ("Miraculo Shares"). Pursuant to the terms of the Amalgamation Agreement, each common share in the capital of Trees Subco was exchanged for one common share in the capital of Amalco. The Miraculo Shares held by the shareholders of Miraculo were exchanged on a pro rata basis for an aggregate of 13,639,917 common Common Shares and an aggregate of 6,819,922 warrants to purchase Common Shares exercisable at a price of $0.11 per share until December 31, 2024.

On September 19, 2022, Michael Klein resigned from his role as CEO and director of Trees and on October 21, 2022, pursuant to a settlement agreement between Mr. Klein and the Company, the Company conveyed to Mr. Klein, ownership of the intellectual property rights to the cannabisMD, askCMD and God's Greenery brands in lieu of payment obligations pursuant to his employment agreement. As a result, the Company de-recognized the unamortized value of Miraculo intangible assets of $467,010, and recognized a loss of $435,043 in the condensed interim consolidated statements of loss and comprehensive loss for the three and twelve month periods ended December 31, 2022. During the period of these Financial Statements, the acquisition of Miraculo did not add any revenue and aside from the derecognition expense, did not incur any material expenses aside from routine and immaterial administrative costs.

Q1 2022 Amendments to the 101 Purchase Agreement and closing of the acquisition of IPCo

On October 22, 2019, Trees entered into an initial asset purchase agreement with 101, which agreement was ultimately superseded and replaced by a second amended and restated asset purchase agreement between Trees and 101 on February 24, 2020, and further amended and restated on January 26, 2021 (the "101 Purchase Agreement"). The 101 Purchase Agreement contemplated the purchase by Trees of the assets to operate up to eight retail cannabis stores in the province of British Columbia, subject to the receipt by Trees of all requisite licenses and approvals from the provincial regulator, the British Columbia Liquor and Cannabis Regulation Branch (the "LCRB"). The Company ultimately agreed to acquire five of the 101 stores (collectively, the "101 Purchased Stores") pursuant to the 101 Purchase Agreement, and subject to satisfaction of the closing conditions (the "101 Acquisition").

On March 24, 2022 the Company and 101 renegotiated the terms of the 101 Purchase Agreement into two components: a share purchase component (the "101 Share Purchase"), which is governed by the terms of the share purchase agreement dated March 24, 2022 among the Company, 101 and 11391461 Canada Ltd. ("IPCo") (the "101 Share Purchase Agreement") and an asset purchase component (the "101 Asset Purchase") which is governed by the terms of the third amended and restated asset purchase agreement entered into on the closing of the 101 Share Purchase (the "101 Asset Purchase Agreement").

Pursuant to the 101 Share Purchase Agreement, 101 transferred all of the "Trees" registered trademarks, including logos ("Trees IP") to IPCo at fair market value and, on March 24, 2022, the Company purchased all of the shares of IPCo in exchange for 5,933,333 Common Shares valued at $0.045 per share, for a total consideration of $266,999.

On closing of the 101 Share Purchase, 101 and IPCo entered into a brand licensing agreement pursuant to which IPCo agreed to license, until the closing of the 101 Asset Purchase, the Trees IP to 101 in exchange for an accruing royalty recorded as Brand License Royalties on the Company's statement of loss and comprehensive loss. In addition, the 101 Note was amended to encompass all indebtedness owing by 101 to the Company, to add additional covenants, guarantees and default provisions and to provide that the 101 Note was no longer forgivable (the "Amended 101 Note").

The 101 Asset Purchase Agreement contemplates that the purchase price paid for the assets will be equal to the amount outstanding (inclusive of interest) under the Amended 101 Note on the date of closing of the 101 Asset Purchase, and will be satisfied by the issuance by IPCo of a note in favour of 101.

Q2 2022 Private Placement Financing for $1.0 Million

On May 9, 2022 the Company completed the closing of a non-brokered private placement (the "May 2022 Private Placement") of 34,166,665 units ("May Units") of the Company at a price of $0.03 per May Unit for gross proceeds of approximately $1,025,000. Each May Unit is comprised of one common share (each, a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "May Warrant") of the Company. Each May Warrant entitles the holder thereof to purchase one Common Share at a price of $0.05 per Common Share for a period of two years from the date of issuance, subject to an accelerated expiry date at the option of the Company in the event that the closing price of the Common Shares on the facilities of the Neo Exchange Inc. ("NEO") is greater than $0.20 for ten non-consecutive trading days (the "Acceleration Provision").

In connection with the closing of the May 2022 Private Placement, the Company paid a finder $14,000 in cash commission, issued certain finders an aggregate of 1,866,666 Units in lieu of a cash commission (valued at $56,000), and issued an aggregate of 1,866,666 Broker Warrants of the Company (valued at $56,000), for the aggregate share issue costs of $126,000.

Q3 2022 Camp Cannabis Acquisition

On July 13, 2022, the Company completed the acquisition (the "Camp Acquisition") of 100% of the equity interests of 2707461 Ontario Ltd. ("Camp") from Barnard Cann Ltd. (the "Vendor"). Camp operates a store at 3007 New Street, Burlington Ontario.

The purchase price payable in connection with the Camp Acquisition was paid as follows: a) $25,000 in cash to the Vendor; b) assumption of debt in the amount of $343,000 owing to Trees pursuant to a grid promissory note dated March 11, 2020, as amended; and c) issuance by the Company of an unsecured convertible debenture in the amount of $180,000 payable to the Creditor (the "Convertible Debenture"). The Convertible Debenture bears interest at 7.5% compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into common shares in the capital of Trees ("Debenture Shares") at the option of the Creditor, no sooner than the first anniversary of the closing date, at a conversion price being the greater of (X) $0.15, and (Y) the closing price of Trees' common shares at the close of trading on the date prior to the conversion date, less a 10% discount.

Q4 2022 Private Placement of Convertible Debentures

On October 21, 2022 and November 28, 2022, the Company completed the closing of a non-brokered private placement (the "November 2022 Convertible Debenture Financing") of 200 and 745 units ("Nov Units"), respectively, of the Company at a price of $1,000 per Nov Unit for gross proceeds of $945,000. Each Nov Unit consists of (i) one 12.0% secured convertible promissory note bearing a principal amount of $1,000 (each, a "Nov Convertible Note"), convertible into common shares of the Company at a conversion price of C$0.015 per common share (the "Nov Conversion Price") and maturing thirty-six (36) months from the closing of the November 2022 Convertible Debenture Financing; and (ii) 66,667 common share purchase warrants of the Company (each, a "Nov Warrant"). Each Nov Warrant entitles the holder thereof to purchase one common share at a price of C$0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the November 2022 Convertible Debentures, the volume weighted-average share price of the common shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds C$0.06, the Company may, upon 30 days' prior notice, convert the Nov Convertible Notes into Common Shares at the conversion price of $0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds $0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Nov Warrants to a date that is 30 days from the date of the notice (the "Acceleration").

Q4 2022 Participation Agreement

On December 9, 2022, the Company entered into a Participation Agreement with 1000321689 Ontario Ltd. ("10003"), whereas it transferred approximately $0.2 million of liabilities owing to a general contractor relating to its Rexdale Blvd. and Bloor Street stores ("Retail Locations"), as well as certain future obligations related to the construction and operations of the Retail Locations, in exchange for a 49% participating interest ("Participating Interest") in the Retail Locations. The agreement provides that, in the event of a change of control, the Company will be required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of $1.0 million. The Company has recognized the obligation to make payments under this agreement on the condensed interim consolidated balance sheet as at December 31, 2022, as a non-current financial liability initially measured at $1.0 million. The Company will subsequently measure the liability at amortized cost and will record Participating Interest payments as finance charges in the condensed interim consolidated statements of loss and comprehensive loss. As a result of this agreement, the Company recognized an asset of $764,145 to reflect its right to future payments related to the construction and operation of the Retail Locations. As tangible or intangible assets are acquired, the Company will transfer the associated value to the respective assets and will amortize them in accordance with its amortization and depreciation policy.

Closing of the 101 Asset Acquisition (BC Stores)

On April 11, 2023 the Company closed the 101 Acquisition (see above heading "Q1 2022 Amendments to the 101 Purchase Agreement and closing of the acquisition of IPCo") adding 5 retail cannabis stores operating in British Colombia (3 in Victoria, 2 in Nanaimo) to the portfolio. The $2.7 million purchase price was offset by the amount outstanding (inclusive of interest) under the Amended 101 Note on the date of closing of the 101 Asset Purchase.

Refer to the heading "Subsequent Events" in the for transactions announced after June 30, 2023.

RESULTS OF OPERATIONS

During the three months ended June 30, 2023 (the "**Current Period**") and 2022 (the "**Comparative period**") the Company operated in one operating segment: cannabis retail sales.

SELECTED FINANCIAL RESULTS

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change	Change
	$	$	$	%
Revenue from retail sales	**4,048,641**	1,966,340	2,082,301	106%
Revenue from wholesale accessory sales	**47,239**	27,659	19,580	71%
Other revenue	**66,461**	105,214	(38,753)	100%
Total revenue	**4,162,341**	2,099,213	2,063,128	98%
Total gross profit	**1,411,776**	701,271	710,505	101%
Gross profit margin from product sales	**34%**	33%	0.5%	2%
Operating expenses	**1,022,591**	259,944	762,647	293%
General and administrative expenses	**156,243**	947,977	(791,734)	(84%)
Loss from operations	**(555,645)**	(689,877)	134,232	19%
Loss per share (basic)	**(0.003)**	(0.006)	0.006	54%
Loss per share (diluted)	**(0.003)**	(0.006)	0.006	54%

Revenue and Gross Profit

Total revenue for the Current Period increased by 106% to $4.1.0 million compared to $2.0 million for the Comparative Period. Total gross profit for the Current Period increased by 101% to $1.4 million compared to $0.7 million in the Comparative Period. Higher revenues and gross profits for the Current Period compared to the Comparative Period were due to increased operations from 5 stores in Q2 2022 compared to 24 stores in Current Period and the inclusion of brand license royalties calculated as a percentage of the revenues from the 5 brand licensed stores in British Columbia in connection with 101 Purchase Agreement that closed on March 24, 2022.

Gross profit margin from cannabis and accessories sales for the Current Period increased slightly to 33.92% compared to 33.4% in the Comparative Period. Moderate shifts in gross margin percentage from period to period reflect the ever changing competitive pricing environment, wholesale cost and distribution variations typical of the retail cannabis industry during Current Period.

Retail Sales

Corporate Stores

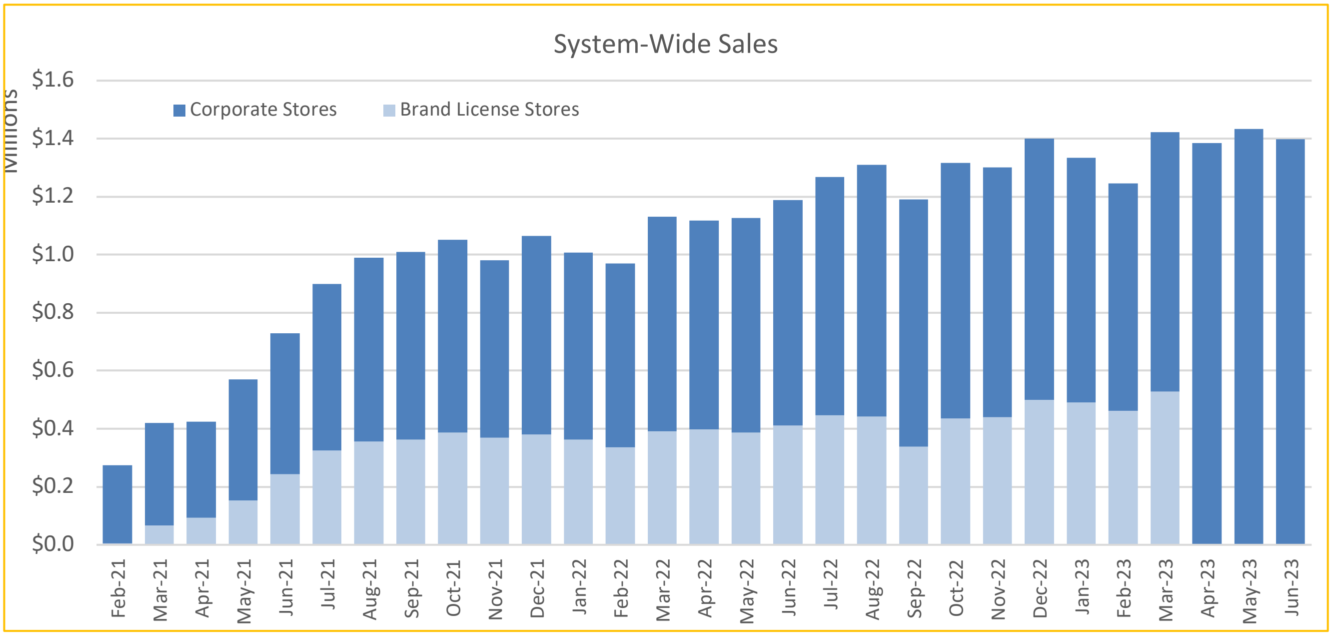
The Company recorded $4.1 million in retail sales from corporately owned cannabis retail stores in the Current Period, compared to $2.0 million in Comparative Period. The increase is due to 14 stores in operation for the Current Period (including 5 stores added on April 11, 2023 in connection with the closing of the APA Asset Acquisition (5 stores) compared to 5 stores that were in operation in the Comparative Period.

Other Revenue

In March 2022, the Company entered into a brand licensing agreement with 101 in exchange for an accruing royalty recorded as Brand License Royalties on the Company's statement of loss and comprehensive loss. System-wide sales represents the sum of the revenue reported to Trees by (i) brand licensees of Trees retail cannabis stores and (ii) Company-owned Trees retail cannabis stores. System-wide sales is a Non-IFRS financial measure. For more detail, see the " Non-IFRS Financial Measures " section above. On closing of the 101 Asset Purchase Agreement on April 11, 2023, the Company ceased further recognition of brand license royalties and commenced with recognizing 100% of retail revenues from these brand license locations (5 in total).

System Wide Sales

System wide store sales, which for the Current Period is comprised of solely corporate owned stores following the closing of the APA Asset Acquisition (5 BC stores previously operated under a brand license agreement), increased by 29% over the Comparative Period due to continued same store sales growth and addition of 1 new operating store in Ontario in the Current Quarter.



	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change
Corporate Store sales	**4,095,880**	1,993,999	105%
Brand license stores sales	-	1,194,582	(100%)
***Total* System-Wide Sales**	**4,095,880**	3,188,581	29%

Store Level Expenses

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change
Wages expense	**415,368**	123,511	236%
Operating costs	**607,222**	136,433	345%
Total store level expenses	**1,022,591**	259,944	293%

Store level wages increased 236% in the Current Period while operating costs increased by 345% over the same period. Higher wages and operating expense in the Current Period is a result of the substantial increase in operations from 5 stores in the Comparative Period to 14 stores in the Current Period.

Corporate Expenses

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change
Lease expense	**29,464**	97,156	-70%
Amortization and depreciation	**449,993**	410,893	10%
General and administrative expenses	**156,243**	947,977	-84%
Lease deposit write downs	-	26,207	-100%
Total corporate expenses	**635,700**	1,482,233	-57%

The Company reduced lease commitments in the Current Period by 70%, compared to the Comparative Period due to the termination of non-strategic leases.

Amortization and depreciation is comprised of depreciation on property and equipment, amortization of intangible assets and depreciation of the right-to-use assets, further detailed as follows;

1. Depreciation on property and equipment for the Current Period was $0.16 million compared to $0.31 million in the Comparative period, a 47% decrease over the Comparative Period, primarily due to the wind up of depreciation on leasehold improvements nearing the end of their amortization period.
2. Depreciation of the right-to-use assets for the Current Period was $0.15 million compared to $0.23 million in the Comparative Period. The decrease in depreciation of the right-to-use assets was a result of lease terminations after the Comparative Period.
3. The Company recorded amortization expense from intangible assets for the Current Period of $0.14 million compared to $0.29 million in the Comparative Period. The Company records amortization on acquired intellectual property on business acquisitions including the acquisition of MetroCannabis in May 2021, the Miraculo Acquisition which closed in March 2022, the most recent Camp Acquisition in July 2022 and the APA Asset Acquisition which closed in April 2023. Lower amortization expense in the Current Period compared to the Comparative Period is largely due to the write-off of the intangible asset acquired in the Miraculo acquisition.

General and administrative expenses for the Current Period was $0.16 million compared to $0.9 million in the Comparative Period, an decrease of 84%. General and administrative expenses are more fixed in nature and therefore less volatile from period to period, with exception to costs associated with non-routine transactions and activities which require support from various service providers including the Company's legal counsel. General and administrative costs were lower in the Current Period compared to the Comparative Period, largely attributed to the substantial reduction in non-routine corporate activities which have incurred significant legal costs in prior periods.

Other Expenses

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change
Finance costs	**215,941**	153,871	40%
Interest income	-	(58,326)	-100%
Transaction costs	-	75,371	-100%
Loss (gain) on debt	**42,130**	(608,766)	-107%
Share based compensation	**51,058**	155,298	-67%
Total other expenses	**309,129**	(282,552)	-209%

Finance costs for the Current Period were $0.22 million, compared to $0.15 million in the Comparative Period. The 40% increase in finance costs in the Current Period is primarily due to higher lease liability accretion as a result of numerous lease additions in Current Period with 14 operating stores compared to only 5 stores in the Comparative Period.

Net Loss and Comprehensive Loss

The Company realized a net loss and Comprehensive Loss for the Current Period of $0.56 million compared to $0.69 million in the Comparative Period. Included in net loss and comprehensive loss are numerous non-cash charges including (but not limited to); i) share based compensation expense, ii) depreciation and amortization charges, and iii) settlement and revaluation gains/losses on convertible debt. The Company has realized significant growth in revenues in the Current Period along with strengthening retail gross margins and continued operating cost reductions, the results of which are reflected in the improvement in the net loss and comprehensive loss for the Current Period compared to the Comparative Period furthered by exclusion of the non-cash charges discussed above.

STATEMENT OF FINANCIAL POSITION

The following table outlines the Company's assets, liabilities, and equity position as at June 30, 2023 and March 31, 2023:

	June 30, 2023	March 31, 2023	Change	Change
Assets	**$**	$	$	%
Cash	**179,484**	113,605	65,879	58%
Trade and other receivables	**85,152**	82,831	2,321	3%
Inventory	**652,157**	299,725	352,432	118%
Prepaid expenses	**22,654**	25,361	(2,707)	(11%)
Notes receivable including current portion	**-**	2,543,912	(2,543,912)	(100%)
Property and equipment	**4,774,949**	2,731,590	2,043,358	75%
Prepaid lease deposits and rents	**248,543**	177,764	70,779	40%
Right-of-use assets, net	**4,702,894**	3,918,783	784,111	20%
Intangible assets	**2,163,927**	1,530,113	633,814	41%
Total assets	**12,829,760**	11,423,685	1,406,075	12%
Liabilities				
Accounts payable and accrued liabilities	**2,703,615**	2,024,615	679,000	34%

Long-term debt including current portion	**2,470,274**	2,439,489	30,785	1%
Convertible debt	**1,101,592**	1,073,630	27,962	3%
Shareholder loans including current portion	**1,841,962**	1,808,106	33,855	2%
Lease liability including current portion	**5,105,915**	4,316,986	788,930	(12%)
Total liabilities	**13,223,358**	11,662,826	1,560,532	13%
Equity (Deficiency)	**(393,598)**	(239,141)	(154,457)	(65%)

Assets

As at June 30, 2023, the Company had total assets of $21.8 million, an increase of 12% from total assets of $11.4 million as at March 31, 2023.

The increase from March 31, 2023 to June 30, 2023 is primarily due primarily to the addition of property and equipment, right of use assets and intangible business license assets in connection with the APA Asset Acquisition (5 BC stores) which closed on April 11, 2023, net of the acquired lease liability.

Liabilities

Liabilities increased by 15% at June 30, 2023 compared to March 31, 2023. Material movements in total liabilities include a $0.5 million increase in accounts payable due to ongoing operations and $0.3 million increase from acquired payables from the APA Asset Acquisition and a $0.9 million increase in lease liabilities (including current portion) resulting from the APA Asset Acquisition.

Debt.

Long-term Debt (including current portion)

The Company's debt is comprised as follows:

1. *Licensed Producer:* The Company received debt funding from a Canadian licensed cannabis producer (the "Licensed Producer") for the purpose of constructing and opening stores in the province of Ontario. The debt is a first secured loan by way of a general collateral agreement over all of the Company's operating assets. Each tranche of debt funding has a term of three years, is callable on the first anniversary of its issuance, and accrues interest at a rate of 8.5% per annum. As at June 30, 2023 the balance outstanding on the debt was $900,000. The loan matures in equal installments of $300,000 on each March 17, 2023, May 29, 2023, and June 24, 2023 and is in default. The Company is currently in discussions with the Licensed Producer to extend the maturity of this debt.
2. *Government Relief:* During 2020, the Company received a $60,000 government assistance COVID-19 loan to provide working capital support through the COVID-19 crisis. The loan is an extendible revolving facility, with any outstanding balance convertible to a reducing term facility on December 31, 2020. If the Company repays the loan in full on or before December 31, 2023, it shall be entitled to a credit in the amount of 25% of the converted loan balance. If the loan is not repaid in full on or before December 31, 2023, the Company may extend the term from January 1, 2024 to December 31, 2025. Monthly interest payments commence on any unpaid balance beginning on January 1, 2024 at a rate of 5.0% per annum. In connection with the OCH Amalgamation, the Company assumed $60,000 government assistance COVID-19 loan on the same terms. In connection with the Miraculo acquisition, the Company assumed $40,000 government assistance COVID-19 loan on the same terms. As at June 30, 2023 the aggregate balance outstanding was $160,000 from all three loans.
3. *Participation Agreement Liability*: As described in Note 9 – Intangible Assets, the Company entered into a Participation Agreement on Dec 9, 2022 and recognized a related obligation measured at $1.0 million. The liability provides for Participating Interest payments from the Company's Retail Locations, calculated and accrued on a calendar monthly basis with the first payment to be made upon the later of (a) 30 days following the end of the first calendar month that is six months from the Closing Date, or (b) 30 days following the end of the first calendar month upon achievement of three (3) consecutive months of corporate Adjusted EBITDA of $50,000 or greater. The agreement further provides that, in the event of a change of control, the Company is required at the time of the change of control to repurchase the Participating Interest for the aggregate Mandatory Repayment Price of $1.0 million, which at the election of 10003, may be settled in cash or common shares of the Company. The Company has recognized the obligation to make payments under this agreement on the condensed interim consolidated balance sheet as at June 30, 2023, as a non-current financial liability initially measured at $1.0 million. The Company subsequently measures the liability at amortized cost and will record Participating Interest payments as finance charges in the condensed interim consolidated statements of loss and comprehensive loss. Refer to subsequent events.

Convertible Debenture Debt

1. September 2021 Debentures (principal value $1.2 million): On September 10, 2021, October 28, 2021, and November 5, 2021, the Company closed a private placement of 4.9% per month secured convertible debentures (the "September 2021 Debentures") for aggregate gross proceeds of $710,000. $500,000 of the face value of the September 2021 Debentures were converted to Common Shares upon the completion of the 406 Amalgamation. September 2021 Debentures with a face value of $210,000 were not converted and are no longer eligible to be converted. The September 2021 Debentures mature on the two-year anniversary of the date of issuance. The Company has the right, but not the obligation, to elect to prepay the principal amount and all accrued interest thereon up to a date of prepayment determined by the Company at any time, in the Company's sole discretion.

2. *Camp Debenture (principal value $0.2 million):* In connection with the Camp Acquisition, the Company issued an unsecured convertible debenture in the amount of $180,000. The convertible debenture bears interest at 7.5% compounding annually, payable monthly in cash, matures on the second anniversary of the closing date, and allows for the principal owing thereunder to be convertible into common shares in the capital of Trees ("Debenture Shares") at the option of the Creditor, no sooner than the first anniversary of the closing date, at a conversion price being the greater of (X) $0.15, and (Y) the closing price of Trees' common shares at the close of trading on the date prior to the conversion date, less a 10% discount.

3. *November 2022 Secured Convertible Debentures (principal value $0.9 million):* On October 21, 2022 and November 28, 2022 the Company completed the closing of a non-brokered private placement (the "Private Placement") of 200 and 745 units ("Units"), respectively, of the Company at a price of $1,000 per Unit for gross proceeds of $945,000. Each Unit consists of (i) one 12.0% secured convertible promissory note bearing a principal amount of $1,000 (each, a "Convertible Note"), convertible into common shares of the Company (each, a "Common Share") at a conversion price of C$0.015 per Common Share (the "Conversion Price") and maturing thirty-six (36) months from the closing of the Private Placement; and (ii) 66,667 common share purchase warrants of the Company (each, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price of C$0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the Convertible Notes, the volume weighted-average share price of the Common Shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds C$0.06, the Company may, upon 30 days' prior notice, convert the Convertible Notes into Common Shares at the conversion price of $0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the Common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds $0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Warrants to a date that is 30 days from the date of the notice (the "Acceleration").

4. *Shareholder Loans*

On December 31, 2019, certain shareholders of the Company provided short-term bridge financing arrangements to the Company in the amount of $270,000 and a further $650,000 during the twelve months ended December 31, 2020, for a total of $920,000. These shareholder loans accrue interest at 10% per annum. Shareholder loans are subordinate to long-term debt funding provided by the Licensed Producer (Note 13 – *Long Term Debt*). No repayments of shareholder loans or accruing interest was permitted prior to June 1, 2021 unless the debt provided by the Licensed Producer and related accruing interest were repaid in full. On December 31, 2021, the repayment terms of the loans were amended to provide that all unpaid principal amounts together with accrued and unpaid interest thereon would become immediately due and payable on the earlier of (i) January 1, 2023; (ii) upon the occurrence of an Event of Default (as defined therein); or (iii) upon the closing of a Change of Control. The amount of the loans including accrued interest as at June 30, 2023 is $1,263,248.

On January 29, 2021, the Company and Ontario Cannabis Holdings Corp. ("OCH") entered into a merger agreement (the "OCH Amalgamation"), whereby the Company assumed loans from shareholders in the amount of $409,960 to fund operating and capital expenditures during the development phase of the business. The shareholder loans accrue interest at a rate of 8% per annum and were to mature on January 1, 2023 subject to extension by mutual agreement. The amount of the loans including accrued interest as at June 30, 2023 is $502,547.

The above shareholder loans in the aggregate amount of $1,841,962 as of June 30, 2023, became due and payable on January 1, 2023. The Company is in discussions with each of the shareholder lenders and no action has been taken by any shareholder lender to demand repayment. The loans, along with accrued interest, are classified as current liabilities on the condensed interim consolidated statements of financial position at June 30, 2023.

In 2021, the Company obtained loans from a director in the amount of $65,000 and has accrued interest totalling $12,770 to June 30, 2023. The loans bear interest at 10% per annum and are due on demand.

Shareholders' Equity

Shareholders' Deficiency at June 30, 2023 increased by $0.15 million from March 31. 2023. An increase in share capital of $0.4 million from the issuance of 33,333,333 Common Shares in connection with the exercise of warrants and a $58,000 debt settlement through issuance of 5,800,000 Common Shares, during the Current Period, were offset by the $0.56 million increase in the accumulating deficit.

SUMMARY OF CALANDAR QUARTERLY RESULTS

The following table sets out certain selected financial information for the most recently completed fiscal quarters ending December 31, 2022 since becoming a public reporting issuer:

	2023		2022					
	Q2	**Q1**	Q4	Q3	**Q2**	**Q1**	**Q4**	**Q3**
Total Revenue ($)[(2)]	**4,048,641**	**2,751,234**	2,800,274	2,639,635	2,099,213	1,718,147	-	-
Gross Profit ($)[(2)]	**1,411,776**	**1,022,587**	985,731	905,728	701,271	487,971	-	-
Total Gross Profit Margin (%)[(2)]	**34%**	**37%**	35%	34%	33%	28%		
Retail Gross Margin (%)	**33%**	**32%**	32%	32%	30%	28%		
Net loss and comprehensive loss ($)	**($555,645)**	**($7,510,630)**	(1,359,629)	(935,100)	(689,878)	(1,983,028)	-	-
Weighted average number - Corporate	**14**	**8**	8	8	7	6	6	6
Weighted average number - Brand	**-**	**5**	5	5	5	4	4	4
Total Trees branded locations	**14**	**13**	13	13	12	11	10	10

[(1)] As a previously privately-held company, Trees did not prepare financial statements for all periods prior to completion of the RTO on December 22, 2021.

[(2)] Previous quarter total revenue amounts restated to reflect reclassification of interest income to Other Income.

Total revenue increased substantially in the Current Period (calendar Q2, 2023) due to inclusion of revenues from the closing of the APA Asset Acquisition in April 2023, adding $1.4 million of revenue from 5 operating stores. Additional improvements over the prior 8 quarters is largely attributed to the following three factors:

a) Steady increase in same store sales and the number of stores opened and acquired including the acquisition of the Company's eight location in Burlington, Ontario in the third quarter of 2022;
b) Addition of brand license royalty income pursuant to the 101 Purchase Agreement and related brand licensing agreement; and
c) Stabilizing gross retail margin percentages despite industry-wide price reduction and margin compression.

Loss from operations for the Current Period improved substantially over prior quarters due to growth in revenue and in the absence of large non-cash write downs of intangibles and goodwill in calendar quarters Q1, 2023 and Q4 2022.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, the Company had a cash balance of $0.18 million (March 31, 2023 $0.11 million) and net working capital deficit of $5.76 million (March 31, 2023 $5.1 million), an increase in the deficit of $0.65 million from March 31, 2023, largely a result of the use of cash towards operations and growth initiatives and the acquisition of negative working capital in connection with the APA Asset Acquisition on April 11, 2023.

There was a substantial increase in operating activities from 8 operating store in calendar Q1 2023 to 14 operating stores in calendar Q2 2023 contributing to the 101% increase in the gross profit for the Current Period which net of store level expenses, generated a net profit at the store level for the Current Period of $0.4 million, compared to net loss at the store level of $0.01 million in the Comparative Period.

Total cash flows from operating activities for the Current Period was $0.8 million ($0.55 million cash outflow in the Comparative Period). The transition to cash inflows realized in the Current Period compared to cash outflows in the Comparative Period was primarily driven by increased operating revenues and profits from ongoing improvements in operations and the addition of the 5 BC stores from the closing of the APA Asset Acquisition in April 2023, net of expenses.

Cash outflows from investing activities for the Current Period was $0.1 million compared to $0.27 million in the Comparative Period. Cash outflows for the Current and Comparative Periods were primarily related to the provision of loans to 101 in relation to the 101 Acquisition prior to the closing of the APA Asset Acquisition in April 2023, where funds were used for ongoing operations of the 5 BC stores prior to closing the acquisition.

Cash inflows from financing activities for the Current Period were $0.1 million compared to cash inflows of $0.9 million in the Comparative Period. Net cash inflows for the Current Period were due primarily to the receipt of proceeds from the exercise of 16,666,667 warrants for total proceeds of $250,000 net of lease liability payments of $0.15 million. The Comparative Period includes cash proceeds from the Company's $1.0 million non-brokered private placement financing in May 2022.

Additional funds will be required for the further development of the Company's retail cannabis buildout strategy and to meet its obligations as outlined in this MD&A. The Company's future financing efforts may be affected by the volatility in market conditions. The ability to expand the Company's operations will be reliant on, but not limited to, identifying and negotiating acquisition opportunities, securing additional retail real estate location and the necessary capital to build out new retail spaces, and the ability to generate positive operating cash flow to meet its growth objectives and general working capital requirements.

The Company will continue to have to rely on equity and/or debt financings until such time as it has achieved profitability to meet its development objectives over the next six to twelve months as well as meet its working capital requirements. The Company, upon approval from the board of directors of the Company (the “Board”), intends to balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. To maintain its capital structure the Company may, from time to time, issue equity or debt, repay debt or sell assets.

No dividends have been paid or declared by the Company on the Common Shares since inception and the Company does not anticipate declaring any dividends in the near future.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

As at March 31, 2023, the Company’s financial liabilities have contractual maturities as summarized below:

($ thousands)	TOTAL	2023	2024	2025	2026	2027
Retail leases	2,715	1,057	1,039	682	633	569

CAPITAL MANAGEMENT

The Company’s objectives when managing capital resources are to:

1. Explore profitable growth opportunities;
2. Deploy capital to provide an appropriate return on investment for shareholders;
3. Maintain financial flexibility to preserve the ability to meet financial obligations; and
4. Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company manages its capital to ensure that it will be able to continue as a going concern, while also maximizing the Company’s business and value creation opportunities for the benefit of its shareholders. The Company’s strategy is formulated to maintain a flexible capital structure consistent with the objectives stated above as well to respond to changes in economic conditions and to the risks inherent in its underlying assets.

The Board does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements. The Company’s capital structure consists of equity and working capital. To maintain or alter the capital structure, the Company may adjust capital spending, take on new debt and issue share capital. The Company anticipates that it will have adequate liquidity to fund future working capital, commitments, and forecasted capital expenditures through a combination of cash flow, cash-on-hand and financings as required.

OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2023, the date of this MD&A, the Company did not have any off-balance sheet arrangements.

The Company is involved in certain claims and litigation on matters related to lease arrangements. The Company views these as routine litigation matters that the Company is expected to be involved with in the normal course of business. Outcomes of these matters are uncertain, and therefore there can be no assurance that such matters will be resolved in the Company’s favour.

TRANSACTIONS BETWEEN RELATED PARTIES

Related parties to the Company are considered to be key management personnel including persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole, either directly or indirectly. The Company has determined that key management personnel include the Company’s executive officers and directors. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company during the year to date were Jon Conquergood (CEO) until his resignation on February 7, 2022, Michael Klein (CEO from March 15, 2022 until his resignation on September 19, 2022), Campbell Becher (CEO effective September 19, 2022), Jeff Holmgren (President and CFO) and members of the non-executive Board, being Fraser Clarke (chairman), James Ward, G. Scott Paterson, and Lisa Dea (until her resignation on September 9, 2022).

As at June 30, 2023, the Company had the following transactions with related parties, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements. Transactions with related parties were conducted in the normal course of operations.

Shareholder loans

Certain shareholders of the Company have provided loans to the Company in the amount of $1,841,962 (including accrued interest) as at June 30, 2023. These shareholder loans accrue interest at rates between 8% and 10% per annum. See “Note 15 – Shareholder loans” for additional information.

On November 11, 2022, the Company entered into an amended settlement agreement with Mr. Conquergood in connection with his resignation on February 7, 2022, wherein revisions were made to the timing of the payments for the remaining balance of his severance obligation (totalling $270,000), including lump sum payments of $50,000 and $23,125 in November 2022 and January

2023 respectively, with extension of the payment period for the remaining obligation of $196,875 in equal monthly installments beginning in November 2022 until December 2023. As at June 30, 2023, the Company owes $115,000 to Mr. Conquergood. Refer to Subsequent Events section below for additional information.

During the three months ended September 30, 2022, certain shareholders of the Company provided $185,000 in bridge financing loans, bearing interest at 12%, which were repaid through the issuance of units of the Private Placement in the three month period ended December 31, 2022 (refer to *Note 14 – Convertible Debt*).

101 Note

See "Note 4 – Acquisitions" for details regarding the 101 Note. Certain shareholders of the Company are non-controlling shareholders of 101.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risks which may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial conditions.

In addition to the other information set forth in this report, the factors should be carefully considered and discussed in the Company's 2021 AIF, which is available on the Company's profile on SEDAR at www.sedar.com.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

At June 30, 2023, the nature and extent of our use of financial instruments did not change materially from those described in the MD&A for the fifteen months ended March 31, 2023 (incorporated here by reference).

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risk, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as they relate to financial instruments is reflected below:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

1. Currency Risk: The Company does not operate outside of Canada and does not transact in foreign currency; therefore, the Company is not exposed to any inherent currency risk.
2. Interest Rate Risk: Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at market rates. The Company's long-term liabilities with fixed rates of interest do not expose the Company to interest rate risk.
3. Price Risk: Price risk is the risk of variability in fair value due to movements in equity or market prices.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, trade and other receivable (excluding general sales tax ("GST") receivable), and notes receivable. Other than the amounts receivable under 101 Grid Note, the Company does not have a significant concentration of credit risk with any customer and its maximum risk exposure is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent loss on financial assets. The Company minimizes credit risk as cash and cash equivalents are held by reputable financial institutions. The Company is not aware of any material collection issues.

Fair Value Measurement

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For cash, trade and other receivables, notes receivable, accounts payable and accrued liabilities, shareholder loans and long-term debt, fair value approximates carrying value at the fiscal year end.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the interim condensed consolidated financial statements, is the responsibility of management. In the preparation of the interim condensed consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed interim consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

INTERNAL CONTROLS OVER FINANCIAL REPORTING, DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. Management has evaluated the effectiveness, as of June 30, 2023, of the Company's disclosure controls and procedures and has concluded that such disclosure controls and procedures are effective.

Management has designed internal controls over financial reporting ("ICFR"), as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. 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. Because of its inherent limitations, ICFR can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. There were no changes in our ICFR that occurred during the period beginning on April 1, 2023 and ended June 30, 2023 that have materially affected, or, in management's view, are reasonably likely to materially affect the Company's ICFR.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Refer to Notes 2 and 3 of the Financial Statements for a discussion of the Company's critical accounting estimates and judgments and assumptions, and critical accounting estimates.

The Company has adopted all of the new or amended accounting standards and interpretations issued by the IASB that are mandatory for the current reporting period. Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of Common Shares.

The Company has the following securities issued and outstanding as at the date of this MD&A, including common shares that are issuable upon exercise or conversion of debentures or convertible or exercisable securitie

Securities	**As at June 30, 2023**	**As at the date of the MD&A**
Common Shares	201,848,825	201,848,825
Common Share Purchase Warrants(2)(6)	74,536,589	74,536,589
Broker Warrants(1)(2)(6)(7)	2,983,460	2,983,460
Miraculo Purchase Warrants(5)	6,819,922	6,819,922
Options(3)	8,554,995	8,554,995
Performance Share Units(4)	16,634,883	16,634,883
Total (Fully diluted)	**311,378,674**	**311,378,674**

Notes

1) Prior to the completion of the OCH Amalgamation, on February 16, 2021, the Company issued 1,105,128 Broker Warrants to certain brokers as partial compensation for their engagement in the completion of the February 2021 Offering. The Broker Warrants are exercisable at a price of $0.30 per share until February 16, 2024. In conjunction with the Subscription Receipts Financing, the Company issued 11,666 Broker Warrants with a strike price of $0.30 per share until December 22, 2023.

2) On May 6, 2022 the Company completed the closing of a non-brokered private placement (the "May 2022 Financing") of 34,166,665 units ("May Units") of the Company at a price of $0.03 per May Unit for gross proceeds of approximately $1,025,000. Each May Unit is comprised of one common share (each, a "Common Share") and one-half of one common share purchase warrant (each whole warrant, (a "May Warrant") of the Company. Each May Warrant entitles the holder thereof to purchase one Common Share at a price of $0.05 per Common Share for a period of two years from the date of issuance, subject to an accelerated expiry date at the option of the Company in the event that the closing price of the Common Shares on the facilities of the Neo Exchange Inc. is greater than $0.20 for ten non-consecutive trading days (the "Acceleration Provision"). 17,083,333 May Warrants were issued to subscribers of the offering. The Company issued certain insiders an aggregate of 1,866,666 May Units in lieu of a cash commission and issued an aggregate of 1,866,666 broker warrants ("Broker Warrants") of the Company. Each Broker Warrant entitles the holder thereof to acquire one May Unit at a price of $0.03 for a period of two years from the date of issuance, subject to acceleration in accordance with the Acceleration Provision. Each Unit underlying the Broker Warrants is identical to the May Units issued under the Private Placement. The Company also issued an aggregate of 600,000 May Units to a former director of the Company in settlement of an aggregate of $18,000 in indebtedness resulting in the issuance of 300,000 warrants on the same terms as the May Units.

3) On August 1, 2020, the Company granted 211,013 Options with an exercise price of $2.55 per share, to landlords and referring agents, acting in their capacity as contractors, in connection with securing retail lease locations. The Options vested upon the completion of the 406 Amalgamation and, if unexercised, expire on August 1, 2030. On May 19 and June 16, 2022, the Company granted an aggregate of 9,193,982 stock options with an exercise price of $0.03 per share to employees of the Company. The options vest equally at the end of each of the three years from the dates of the grant, and expire on May 19, 2027 and June 16, 2027, respectively. 850,000 options were forfeited in the fourth quarter of 2022 upon departure of an employee.

4) In connection with the closing of the OCH Amalgamation, the Company issued 473,057 PSUs to Mr. Conquergood (CEO) and 387,045 PSUs to Mr. Holmgren (CFO) to purchase 473,057 and 387,045 Common Shares, respectively, at an exercise price of $nil upon achievement of certain milestones. On December 22, 2021, in connection with the 406 Amalgamation, 286,700 PSUs became vested and were exercised. On the resignation of Mr. Conquergood on February 7, 2022, the remaining PSUs held by Mr. Conquergood were cancelled. On May 19 and June 16, 2022, the Company granted an aggregate of 20,471,085 restricted share units to Senior Managements and Directors of the Company. Each unit entitles the holder to receive one common share of the Company for no consideration upon the satisfaction of the following performance conditions (25% of the units upon the Company opening the 15th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 1), 25% of the units upon the Company achieving $15,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche 2), 25% of the units upon the Company opening the 20th retail location in Canada, inclusive of both corporate-owned stores and brand-licensed location (Tranche 3), and 25% of the units upon the Company achieving $20,000,000 annualized revenue based on the trailing three months, inclusive of revenue from both corporate-owned stores and brand-licensed location (Tranche

   On September 9, 2022, Lisa Dea, a director of the Company resigned forfeiting 1,364,739 PSUs, and on September 19, 2022, Michael Klein (CEO and director) resigned, forfeiting 2,729,478 PSUs.

5) On March 15, 2022, Trees completed the Acquisition of Miraculo (as defined below) with the issuance of 13,639,917 Common Shares and 6,819,922 warrants ("Miraculo Warrants") to purchase Common Shares exercisable at a price of $0.11 per share until December 31, 2024.

6) On October 21, 2022 and November 28, 2022 the Company completed the closing of a non-brokered private placement (the "November 2022 Convertible Debenture Financing") of 200 and 745 units ("Nov Units"), respectively, of the Company at a price of $1,000 per Nov Unit for gross proceeds of $945,000. Each Nov Unit consists of (i) one 12.0% secured convertible promissory note bearing a principal amount of $1,000 (each, a "Nov Convertible Note"), convertible into common shares of the Company at a conversion price of C$0.015 per common share (the "Nov Conversion Price") and maturing thirty-six (36) months from the closing of the November 2022 Convertible Debenture Financing; and (ii) 66,667 common share purchase warrants of the Company (each, a "Nov Warrant"). Each Nov Warrant entitles the holder thereof to purchase one common share at a price of C$0.015 per share until October 20, 2025, subject to Acceleration. If, during the term of the November 2022 Convertible Debentures, the volume weighted-average share price of the common shares on the Neo Exchange Inc. (the "NEO") for twenty (20) consecutive trading days equals or exceeds C$0.06, the Company may, upon 30 days' prior notice, convert the Nov Convertible Notes into Common Shares at the conversion price of $0.015 (subject to customary adjustments), in whole or in part. In the event that the volume-weighted average price of the common Shares on the NEO for twenty (20) consecutive trading days equals or exceeds $0.06, the Company may, upon 30 days' prior notice, accelerate the expiry of the Nov Warrants to a date that is 30 days from the date of the notice (the "Acceleration").

   On April 5, 2023, warrants were exercised for 16,666,666 common shares for gross proceeds of $250,000. The Company provided an additional incentive share for each warrant converted, resulting in an additional 16,666,666 common shares being granted, combined a total of 33,333,333 commons shares were issued in connection with the early exercise of these warrants.

7) In January 2023, the Company issued $60,000 in secured convertible debentures on the same terms and conditions as the November 2022 Convertible Debentures unit offering (refer to note 24 – Convertible Debt), as repayment of debts owing to executives of the Company.

SUBSEQUENT EVENTS

Subsequent to June 30, 2023, the Company reported the following:

a) *Business* Combination with 420 Investments Inc.
   On July 12, 2023, the Company entered into a business combination agreement (the "**Business Combination Agreement**") with 420 Investments Ltd. ("**420**"), a private arm's length company incorporated under the Business Corporations Act (Alberta), pursuant to which the Company and 420 are to amalgamate, constituting a reverse takeover of the Company by 420 under the policies of the Cboe (the "**BCA Transaction**").

The amalgamated company resulting from the completion of the BCA Transaction (the "**Resulting Issuer**") is to be named "420 Investments Ltd." or such other name as directed by 420. Subject to the approval of the Cboe, the common shares of the Resulting Issuer (the "**Resulting Issuer Shares**") are to trade on the Cboe under a new trading symbol to be determined by 420. Concurrently with the execution of the Business Combination Agreement, the directors, officers and certain significant shareholders of each of the Company and 420 have entered into support agreements, pursuant to which such parties have agreed to vote in favour of the BCA Transaction at the meetings of the shareholders of the Company and 420, respectively.

Prior to the closing of the BCA Transaction and subject to obtaining the required approval of the shareholders of the Company, the Common Shares are to be consolidated on such ratio as is required for the shareholders of the Company to hold 20.65% and the shareholders of 420 to hold 79.35% of the issued and outstanding Resulting Issuer Shares immediately following the closing of the BCA Transaction.

420 intends to conduct a brokered private placement financing of subscription receipts ("**Subscription Receipts**"), led by one or more agents, to be completed prior to the closing of the BCA Transaction (the "**Concurrent Financing**"). Each Subscription Receipt is intended to automatically be exchanged for underlying securities of 420 immediately prior to the closing of the BCA Transaction, subject to the satisfaction of certain conditions to be set forth in the subscription receipt agreement governing the Subscription Receipts.

Prior to the closing of the BCA Transaction, the Company is to complete the following conversions and settlements:

- the outstanding principal amount of convertible debentures payable by the Company, together with accrued but unpaid interest, which as of June 30, 2023 totaled $1,101,592, are to be converted into Common Shares at a price to be determined prior to closing of the BCA Transaction;
- the outstanding amount of debt owed by the Company to a certain contractor of the Company pursuant to the terms of a contractor agreement dated January 18, 2023, which as of June 30, 2023, is $25,000, is to be converted into Common Shares at a price to be determined prior to the closing of the BCA Transaction;
- the outstanding amount of debt owed by the Company to 2583262 Ontario Inc., which as of June 30, 2023, is $44,385.37, is to be converted into Common Shares at a price to be determined prior to the closing of the BCA Transaction;
- the participation interest of 1000321689 Ontario Ltd., equal to 49% of profits earned and received by the Company in respect of certain of the Company's retail locations, is to be converted into Common Shares at a price to be determined prior to the closing of the BCA Transaction;
- shareholder loans provided to the Company in the aggregate principal amount plus accrued interest as at June 30, 2023, of $1,776,962 are to be settled by way of: (a) share conversion into Common Shares, at a price to be determined prior to the closing of the BCA Transaction; (b) cash payments; and (c) new promissory notes, in accordance with debt conversion agreements to be entered into prior to the closing of the BCA Transaction ;
- 16,666,666 Warrants are to be exercised into 46,333,332 Common Shares at an exercise price of $0.015 per Common Share; and
- the Company is to enter into option surrender and termination agreements with respect to options, unvested RSUs and unvested PSUs in a form satisfactory to 420.

Upon the closing of the BCA Transaction and subject to prior acceptance by the Cboe, it is expected that the board of directors of the Resulting Issuer will consist of eight directors, of which seven directors will be nominated by 420 and one director will be nominated by the Company. In addition, each of the current officers of the Company is expected to resign and individuals designated by 420 will be appointed in their place.

FORWARD LOOKING INFORMATION

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, retail cannabis strategies, budgets, government regulation and laws, projected costs, plans and objectives of or involving Trees, including store openings and closings and the conversion of acquired stores to the 'Trees Cannabis' banner; Trees' ability to successfully compete with other cannabis retail competitors; consumer demand for cannabis, consumer preferences and trends in consumption; and Trees' non-recreation consumer segment strategy. 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 2022 and beyond is based on certain assumptions, including assumptions about the COVID-19 pandemic. 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, especially given the unprecedented uncertainty of the full extent and impact of the COVID-19 pandemic, 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: the duration and severity of the COVID-19 pandemic on the business, operations and financial condition of the Company; risks relating to government regulation and changes thereto (whether by court decisions, citizen referenda or otherwise); competition; the state of the economy including general economic conditions in Canada (including Ontario); the unpredictability and volatility of the price of the Common 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; Trees' 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 Trees' 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, 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; leverage and restrictive covenants in agreements relating to current and future indebtedness of Trees; credit risks arising from operations; dilution and future sales of Common Shares; and the potential lack of an active trading market for the Common 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.sedar.com, identifies additional factors that could affect the operating results and performance of Trees. 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 Trees assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities legislation.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individuals acts of some person, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ADDITIONAL INFORMATION

Additional information relating to the Company can be viewed under the SEDAR profile of the Company at www.sedar.com.