SHINYBUD

ShinyBud Corp.

Management's Discussion and Analysis

For the three months ended April 30, 2022 and April 30, 2021

Dated: June 29, 2022

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of ShinyBud Corp. have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), released by the Canadian Securities Administrators, the Company discloses that its independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements, notes to the interim condensed consolidated financial statements, or the related Management’s Discussion and Analysis.

INTRODUCTION

This management's discussion and analysis ("**MD&A**") of ShinyBud Corp. ("**ShinyBud**" or the "**Company**") (formerly Cedarmont Capital Corp. ("**Cedarmont"**)) is dated June 27, 2022.

This MD&A is intended to supplement and complement the Company's interim condensed consolidated financial statements for the three months ended April 30, 2022 and 2021 (the "**Interim Financial Statements**"). This MD&A should be read in conjunction with the Interim Financial Statements as well as the unaudited consolidated financial statements (the "**Annual Financial Statements**") and related MD&A of the Company for the fiscal years ended January 31, 2022 and 2021. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The Interim Financial Statements and additional information about the Company (including the Annual Financial Statements and related MD&A) are filed on SEDAR and available under ShinyBud's issuer profile at www.sedar.com. For more information on the basis of this presentation, see Note 2 to the Interim Financial Statements.

Unless otherwise indicated, all amounts in this MD&A are presented in Canadian dollars.

COMPANY OVERVIEW

Historical Background

As outlined in Note 1 to the Interim Financial Statements, the Company was incorporated as "Cedarmont Capital Corp." under the *Business Corporations Act* (British Columbia) on February 2, 2021 to carry on business as a 'Capital Pool Company' ("**CPC**") within the meaning of the Policy 2.4 of the TSX Venture Exchange ("**TSXV**"). As a CPC, the Company's principal purpose was to identify and evaluate assets or businesses for potential acquisition that, when acquired in a qualifying transaction, would result in the Company meeting ordinary initial listing requirements of the TSXV. The Company completed its initial public offering (the "**IPO**") on May 13, 2021 and its common shares commenced trading on the TSXV as a CPC under the symbol "CCCA.P".

On January 20, 2022, the Company completed a combination with Shiny Bud Inc. ("**SBInc**") and mīhī Inc. ("**mīhī**") in a transaction that constituted the Company's 'qualifying transaction' under applicable TSXV rules and resulted in a reverse takeover of the Company by the former shareholders of SBInc.

SBInc and mīhī were independent cannabis retailers operating in Ontario, and prior to completion of the RTO acquired additional stores through the acquisitions (i) by SBInc of 11181297 Canada Inc. ("**11181297**"), which owned and operated eight Shiny Bud-branded stores (the "**1118 Acquisition**"), and 11180860 Canada Inc. ("**11180860**"), which held licenses for one store that had not yet opened, and (ii) by mīhī of 11535447 Canada Corp. ("**11535447**"), which owned and operated one mīhī-branded store.

The RTO was completed by way of a 'three-cornered' amalgamation under the *Canada Business Corporations Act* ("**CBCA**") of SBInc, mīhī and 13664805 Canada Inc., a company incorporated as a wholly-owned subsidiary of the Company for the purposes of the RTO. Pursuant to the terms of the amalgamation, the three amalgamating corporations combined to continue as a single amalgamated corporation ("**SBAmalco**") wholly owned by the Company, and the outstanding shares, warrants and stock options of SBInc and mīhī were exchanged for common shares, warrants and stock options of the Company according to agreed exchange ratios. The Company thereby became the sole shareholder of SBAmalco, which continued under the name "Shiny Bud Inc.", and the former shareholders of SBInc and mīhī became shareholders of the Company, as parent corporation.

The former SBInc shareholders included investors under a $7,196,400 (gross) private placement offering of subscription receipts completed by SBInc in Fall 2021 in anticipation of the RTO (the "**Private Placement**"), investors in which ultimately received an aggregate of 1,136,055 common shares and 1,136,055 share purchase warrants of the Company ("**Underlying Warrants**") pursuant to the terms of the amalgamation. Each Underlying Warrant entitles the holder to purchase one common share at an exercise

price of $7.28 per share until January 22, 2024.

In connection with the RTO, the Company also changed its name from "Cedarmont Capital Corp." to "ShinyBud Corp.", and consolidated its outstanding common shares on a 42.7480-to-one basis (the "Consolidation"). Unless otherwise indicated, all common share, warrant and option numbers presented in this MD&A are stated on a post-Consolidation basis. The post-Consolidation common shares of the Company are herein referred to as the "Common Shares".

Upon closing of the RTO, the board of directors and executive management team of the Company were reconstituted, with ShinyBud now led by a board of directors and management team with extensive retail operating experience, which the Company intends to be a key competitive differentiator in leading its growth strategy and franchising program.

Following the RTO, SBAmalco owns and operates the combined cannabis retailing business of SBInc and mīhī, and the Company's principal business is that of SBAmalco, being its wholly owned subsidiary, which is focused on building an independent retail chain that offers cannabis products and accessories to the legal adult-use recreational market in Ontario. SBAmalco currently operates 31 corporate stores and 12 licensed stores in Ontario.

On February 1, 2022, SBAmalco further amalgamated with 11181297, 11535447 and 11180860 to continue as a single amalgamated corporation under the name "Shiny Bud Inc.". Shiny Bud Inc. continues to be a wholly owned subsidiary of the Company, operating its retail adult-use cannabis line of business.

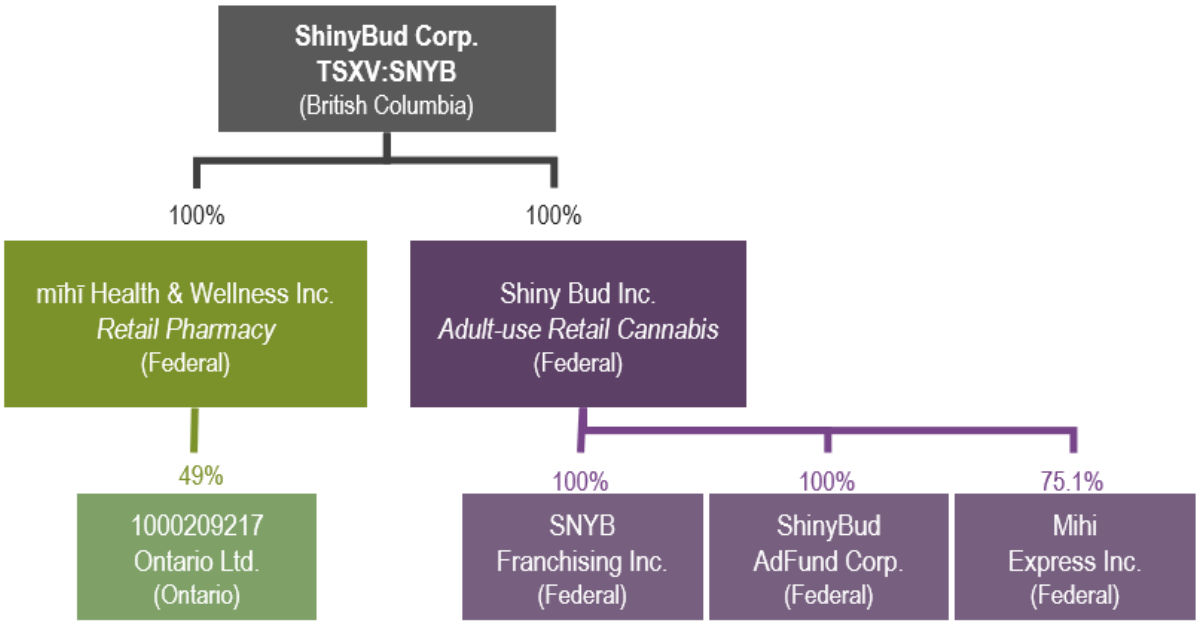
On May 30, 2022, the Company established mīhī Health & Wellness Inc.as an additional wholly owned subsidiary to operate its future retail pharmacy line of business.

Current Corporate Structure & Organization

The Common Shares of ShinyBud commenced trading on the TSXV at market open on February 2, 2022 under the symbol "SNYB", and the Company ceased to be considered a CPC under applicable TSXV policies at that time. As of the date of this MD&A, the Company has 10,657,799 Common Shares issued and outstanding. See "Outstanding Share Data" section for more details.

ShinyBud's head office is located at 1008-150 York Street, Toronto, Ontario, M5H 3S5.

The current corporate structure is as follows:



FORWARD-LOOKING STATEMENTS

This MD&A contains statements (“forward-looking statements”) that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future performance, events, outcomes or circumstances or are otherwise prospective in nature, are based upon internal assumptions, opinions, estimates, plans, beliefs and expectations about future conditions, developments and courses of action. They are inherently uncertain as they depend on the accuracy of such assumptions, opinions, estimates, plans, beliefs and expectations, which cannot be assured, and are subject to known and unknown risks and uncertainties that will cause actual results to differ from those indicated, suggested or anticipated in the forward-looking statements. The differences may be material and adverse to the Company.

All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “believe”, “expect”, “intend”, “seek”, “plan”, “aim”, “budget”, “forecast”, “target”, “estimate”, “objective”, “propose”, “predict”, “potential”, “project”, “continue”, “pursue”, “may”, “will”, “might”, “should”, “could” or similar words suggesting future outcomes or events or statements regarding an outlook.

Without limiting the foregoing, this MD&A contains forward-looking statements pertaining to: ShinyBud's growth strategy and potential in respect of both its retail cannabis business and expansion into the pharmacy sector; targets for the current financial year ending January 31, 2023 for franchised store openings; completion of the proposed Cotton Mill pharmacy acquisition and related loan transaction; future pharmacy acquisitions; competitive pressures and margin compression in the retail cannabis sector; the Company’s ability to meet liabilities and commitments as they become due; scheduled repayments of $1.0 million of principal amount plus a $400,000 bonus payment to existing term debt lenders; future financing activities, including up to $1,000,000 in new debt capital pursuant to a loan from the Company's founding shareholder; and capital resource management and allocation objectives.

Forward-looking statements, and the underlying assumptions, opinions, estimates, plans, beliefs and expectations on which they are based, are inherently uncertain as they depend on future conditions, developments and courses of action that may or may not occur or come to be. There can be no assurance that the underlying assumptions, opinions, estimates, plans, beliefs and expectations will prove to be correct and, accordingly, no assurance that the future performance, events, outcomes or circumstances expressed or implied in the forward-looking statements herein will occur or be realized. Actual results will differ, and the differences may be material and adverse to the Company.

In addition to the other factors and assumptions that may be identified herein, material factors and assumptions used to develop the forward-looking statements contained in this MD&A include, among other things, assumptions, opinions, estimates, plans, beliefs and expectations regarding the Company’s: retail cannabis and pharmacy strategy and the effectiveness; ability to identify and consummate accretive acquisitions (including to satisfy conditions to closing of the proposed Cotton Mill pharmacy acquisition and related loan transaction), expand our store network within budgeted costs and timelines, drive same-store sales growth, ability to improve margins and generate new revenue streams; ability to obtain additional licenses, authorizations and regulatory approvals (including any required approvals of the TSX) as and when required to fit the Company’s growth and business plan; the size of the cannabis retail market and estimated portion currently unserved, and the migration of customers from the illicit market to legal market; ability to capture additional market share; ability to attract franchisees to the ShinyBud brand and model, and the terms of franchise arrangements; number, type and locations of its new stores; applicability and relevance of experience in existing centers and locations to new centers and locations; ability to influence its customer purchase decisions; ability to maintain, enhance, and grow its appeal within its addressable market, and to customize products and inventory for the market that resonate with its target customer base; ability to source product that is key to its menu offerings; ability to leverage its landlord network and build a flexible lease portfolio; ability to manage costs and drive operating efficiencies; ability to retain key management and non-management personnel, and to hire, train and motivate staff; availability of capital (including the ability and willingness of the Company's founding shareholder to advance up to $1 million in new debt capital), and ability to obtain any required external financing on acceptable terms; competitive

strengths and the impact of competition; accuracy of its financial models. In addition to: trends in the retail cannabis and pharmacy sectors; the regulatory framework applicable to the retail cannabis and pharmacy industries in Canada, and the direction of any changes in that framework and underlying laws; and general economic, political and social conditions affecting the retail cannabis and pharmacy businesses.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that will cause actual results to differ from those indicated, suggested or anticipated in the forward-looking statements, and the differences may be material. Readers must therefore exercise caution and not rely on forward-looking statements, which rest on assumptions, opinions, estimates, plans, beliefs and expectations as of the date made that may change and are in any event not a guarantee of future performance or a promise of any future outcomes. ShinyBud believes such risks, uncertainties and other factors to include, without limitation, the following: risks associated with the retail cannabis and pharmacy industries generally; adverse changes in the general economic or market conditions, and to customer spending in the centers where the Company operates; unforeseen obstacles that prevent, delay or otherwise compromise the execution of the Company’s growth plan; inability to obtain additional licenses and authorizations (and other needed regulatory approvals) as and when required to fit the Company’s growth and business plan; ineffectively managing the Company’s growth; failure to secure desirable store locations; inability to secure leasehold premises for new stores on acceptable terms, risks associated with leasing retail space; adverse changes to the regulatory framework applicable to the retail cannabis industry in Canada, or to other laws and regulations affecting its business (including taxes); unanticipated diminishment of the Shiny Bud brand or any trademark protections; negative publicity for the Company and its business; marketing strategies that are less successful than expected; the Company’s highly competitive industry and the relative size and resources of some of ShinyBud’s competitors; being unable to successfully open and operate new stores; profitability erosion from unexpected cost increases; slower profitability of new stores; failure to identify, recruit and contract with a sufficient number of qualified franchise partners; lack of access to capital to fund expansion, or more costly financing terms than expected; a data security breach that results in improper use or disclosure of confidential customer or employee information; risks associated with industry consolidation; loss of key management or other key personnel, or unexpected difficulty in attracting, training and/or motivating staff as necessary to execute its business plan; unexpected challenges in growing sales or connecting with ShinyBud’s customer base; inability to meet other financial targets; any material claims made against us, which could result in litigation; insolvency risks with parties with whom ShinyBud does business; increased expenses of being a public company; the forward-looking statements contained in this presentation proving to be inaccurate and incorrect despite there being a reasonable basis therefor at the time they were made; and such other risks, uncertainties and other factors as may be discussed or set out from time-to-time in ShinyBud’s public disclosure documents (including, without limitation, those risks identified in this MD&A) filed by the Company with applicable securities regulatory authorities in Canada and available at www.sedar.com.

The foregoing lists of material assumptions and risks, uncertainties and other factors are not exhaustive.

The forward-looking statements contained herein are as of the date of this MD&A. The Company disclaims any intention, obligation or undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any difference between actual results and those indicated, suggested or anticipated in any forward-looking statements, except as may be required under applicable securities laws.

All forward-looking statements contained in this MD&A and in any related reports or disclosures filed or issued by the Company, or made by the Company’s directors, officers and other persons authorized to speak on its behalf regarding the subject matter hereof, are expressly qualified by this cautionary statement.

BUSINESS STRATEGY

Mission

ShinyBud's mission is to be a trusted source for health and wellness solutions and services to help its customers Never Settle, Live Fully.

Retail Cannabis

Upon completion of the RTO, the Company's retail strategy centered on becoming a premier independent cannabis retailer in Ontario focused on growth through organic store development, acquisitions and its planned franchising business model. ShinyBud's retail strategy has since broadened to include an entry into health and wellness through pharmacy, as well as a revised retail cannabis strategy. Going forward, ShinyBud's adult-use retail cannabis strategy is to:

(i) leverage its retail operating expertise and foundation in adult-use cannabis to profitably operate its existing store network;

(ii) benchmark current store footprints to profitably right-size future and existing stores to their market; and

(iii) expand its retail footprint through a capital-light franchise model and accretive tuck-in acquisitions that fit the existing store portfolio and can accelerate EBITDA growth.

Corporate-owned Stores

SBAmalco currently owns and operates 31 cannabis retail stores in the Province of Ontario. As of the date of this MD&A, the following sites were open:

	Store Name	Owner pre-RTO		Name	Owner pre-RTO
1	Weston	SBInc	**17**	Stoney Creek	11535447
2	Windsor – Tecumseh	SBInc	**18**	Burlington	mīhī
3	Orleans	SBInc	**19**	Ottawa-College Square	mīhī
4	Rockland	SBInc	**20**	Toronto – Eastern	mīhī
5	Prescott	SBInc	**21**	Windsor – Dougall	11181297
6	Brockville	SBInc	**22**	Brampton	11181297
7	Perth	SBInc	**23**	Oshawa	11181297
8	Brockville King	SBInc	**24**	Orleans	11181297
9	Alexandria	SBInc	**25**	Pickering	11181297
10	Smiths Falls	SBInc	**26**	Bowmanville	11181297
11	Embrun	SBInc	**27**	Tilbury	11181297
12	Kanata	SBInc	**28**	Blenheim	11181297
13	Ottawa – Robertson	SBInc	**29**	Windsor – Walker Road	ShinyBud
14	Ottawa – Alta Vista	SBInc	**30**	Ottawa – Carling	ShinyBud
15	Arnprior	SBInc	**31**	Stittsville	ShinyBud
16	Kemptville	SBInc			

ShinyBuddy Data Program

The ShinyBuddy Data Program (the "**Data Program**") is a supplemental source of revenue for the Company. As of the date of this MD&A, the Company has established Data Program agreements with licensed cannabis producers and brands ("Data Partners") whereby it provides detailed insights into store sales trends, inventory records, and SKU management analytics. The Data Program allows ShinyBud to

establish strategic partnerships with key suppliers, develop data analytics to better the business from an operations and marketing perspective, and to access support from its Data Partners, such as industry sales trends. Creating relationships with leading brand partners also allows the Company to have visibility on product innovation, seasonal marketing, and in-store shopper buying habits. For a current update on the Data Program, refer to the *"Financial & Operating Results"* section.

ShinyBuddy Club Customer Loyalty Program

In March 2022, the Company launched its ShinyBuddy Club Customer Loyalty Program (the "Club"). The Club is a point-based loyalty system whereby customers are awarded loyalty points per store visits. Once a customer achieves a certain point level, points can be used to pay for the purchase of gift cards that can be used in store. Club members are also granted exclusive benefits and access to limited edition items, private events, and special giveaways. Through its special incentives, the no-cost Club is expected to improve the ShinyBud brand experience, strengthen customer loyalty, and drive product sales. The Club is also a means to engage customers, reward customer loyalty, and drive customer retention. The proprietary consumer data collected through the loyalty platform provides the Company with valuable insight into customer purchase decisions and targeted marketing channels to age-verified cannabis users. Loyalty programs typically drive sales as members have increased baskets and an increased frequency of customer visits. As of the date of this MD&A, the Club has approximately 11,890 loyalty members.

Franchising Model

In February 2022, the Company formally launched its retail franchise program to increase the number of ShinyBud branded locations. As of the date of this MD&A, the Company has a target of 5 to 15 franchise and/or licensed locations by January 31, 2023. A business franchise model is a contractual business relationship whereby an established brand, known as the "franchisor" or in this case SNYB Franchising Inc., allows an independent business owner, known as the "franchisee", to open a business using the franchisor's branding, business model, product, operating systems, and intellectual property among other things, for a fee. The franchisee also pays a royalty to the franchisor to receive business and operating support. ShinyBud views its franchisee model as a capital-light way to expand its retail footprint, access new underserved markets, and increase operational leverage. Franchisees provide exceptional local management expertise and community attachment to the enterprise. Both the board of directors and the management team of ShinyBud have extensive experience in managing retail franchising programs. Management has been refining the optimal franchise model, including benchmarking suitable store sizes for their local market.

Licensed Stores

In addition to its corporate-owned stores, there are an additional 12 ShinyBud-branded locations in Ontario operated by third parties pursuant to non-exclusive, revocable license agreement. All but two of the trademark license agreements were entered into during the summer of 2021. The other two were entered into in October 2021. The term of each trademark license agreement expires on the earlier of (i) the day prior to the first anniversary of the agreement, and (ii) the expiration or termination of the licensee's right to occupy the store under its lease. These licensees all have the right to convert to a new franchisee arrangement upon expiry. See also Note 20 (*Related Party Transactions*) to the Financial Statements.

Adult-use Retail Canabis Market

According to published data from the Ontario Cannabis Store (the Crown corporation that manages wholesale distribution to privately-operated retailers throughout Ontario), Ontario's adult-use legal market versus the illegal market grew from 43.1% to 58.8% over the four quarters ended December 31, 2021. However, the number of licensed brick-and-mortar retail stores grew by 311% from 324 to 1,333 stores during that same period, which has outpaced the growth of the legal market and resulted in an increasingly competitive operating environment for cannabis retailers. Average sales per store for this same period have dropped from $670,000 to $328,000 per quarter, as reported in the Ontario Cannabis Store *Q3: A Quarterly*

Review Insights publication issued April 14, 2022.

Some Ontario cannabis retailers have resorted to steep price discounts to attract a growing value-oriented consumer segment creating margin pressure for all retailers. ShinyBud continues to maintain its position as a premier independent retailer and has successfully mitigated material margin compression thus far by maintaining an average gross margin of approximately 37% (33% from stores directly and 4% from store-driven Data Program). The growing price elasticity of demand, however, is expected to continue to increase margin pressure on the Company and other Ontario cannabis retailers.

The Company expects its stores to continue experiencing increased competition amidst a crowded marketplace as the number of new store openings in the province continue to increase, albeit at a slightly slower pace, and showing some signs of stabilization.

Outlook – Retail Cannabis

As at the date of this MD&A, the Company is pursuing revised store targets for its cannabis line of business that reflect both the current competitive landscape of Ontario's retail cannabis market and its new pharmacy retail growth strategy. See "Adult-use Retail Cannabis Market" section. For the end of its fiscal year ending January 31, 2023, the Company will now be maintaining a total of 25 to 35 corporate stores compared to the initial target of 59 total corporate stores by December 31, 2022. The Company is also targeting up to 5 to 15 franchise and/or licensed stores for the same period compared to 20 total franchise stores initially anticipated by December 31, 2022. Shiny Bud Inc. does not expect to develop new greenfield locations until macro competitive factors in Ontario's retail cannabis industry stabilize. Management will continue to assess potential tuck-in acquisition opportunities on a case-by-case basis.

Going forward, key areas of focus for the Company's cannabis line of business include enhancing EBITDA[(1)], tailoring competitive positioning within each community where it operates, and optimizing network capital and real estate utilization.

Retail Pharmacy

Broadened Retail Growth Strategy and Related Pharmacy Acquisition

On May 16, 2022, the Company announced the broadening of its retail growth strategy with a focus on health and wellness. Going forward, the Company expects that acquiring retail pharmacies will become an integral part of its growth plan and merger and acquisition focus. The retail pharmacy market in Canada is estimated at $40 billion (versus retail cannabis at just under $4 billion). It has stable and steadily growing earnings streams as Canadians increasingly focus on a wider array of health and wellness solutions and needs and where pharmacies are well situated to play an important role. Management's pharmacy store-level development plan will focus on improving the patient and customer experience, increasing revenue, and pursuing operating efficiencies to enhance margins and EBITDA[(1)].

While the pharmacy line of business is an attractive as a stand-alone strategy, management believes that health and wellness is considered the main driver of consumer cannabis growth in Canada, including from the Company's own customer data.

As part of its strategy expansion, the Company signed a binding letter of intent on May 13, 2022 to acquire Cotton Mill Pharmacy ("Cotton Mill") for a total purchase price of $0.9 million, subject to standard working capital adjustments at closing. In operation since 2015, Cotton Mill is a fully independent no banner pharmacy located in Cornwall, Ontario.

To finance the acquisition, the Company has received a term sheet for a $0.7 million secured 10-year term acquisition loan (the "Acquisition Loan") from Caisse Desjardins Ontario Credit Union Inc., at an interest rate of 5.5% using current pricing to be adjusted to the prevailing equivalent interest rate at close. Closing of the Acquisition Loan is conditional upon confirmatory due diligence and definitive documentation. A portion of the purchase price will be paid through a one-year vendor take-back loan of $0.1 million at an annual interest rate of 4.0%. The Company expects to pay the balance of the purchase price ($0.1 million)

from cash on hand. There is no debt being acquired in the entity being purchased.

With the goal of achieving operational scale, ShinyBud's objective is to build a network of retail pharmacies that will operate as a separate line of business under the newly established subsidiary and retail banner, “mīhī Health & Wellness Inc.”. The retail pharmacy business model is stable and has both a long track record of growth and a favourable outlook for the continued expansion of the business with an average annual growth rate of 3% expected over the next 10 years.

Apart from its prospective acquisition of Cotton Mill, mīhī Health & Wellness is currently evaluating five additional pharmacy targets that are at final stages of due diligence.

The Company believes that broadening its retail growth strategy beyond retail cannabis to focus on health and wellness through pharmacy provides the Company with an additional pillar of growth and is a competitive differentiator that effectively mitigates certain cannabis sector headwinds. From a capital deployment and growth perspective, pharmacy acquisitions will play a central role in the Company’s growth strategy.

Outlook – Retail Pharmacy

mīhī Health & Wellness is targeting the acquisition of 5 to 10 retail pharmacies in Ontario by the end of its fiscal year ending January 31, 2023 in furtherance of the Company’s new pharmacy retail growth strategy. Apart from its prospective acquisition of Cotton Mill, there are currently five pharmacy targets that are at final stages of due diligence. The development of new greenfield pharmacy locations is not anticipated, unless existing corporate lease obligations within the Company’s cannabis portfolio demonstrate the strong potential for a pharmacy as the best use of a retail space.

Going forward, key areas of focus for the Company’s pharmacy line of business will focus on steadily enhancing EBITDA[1] through scale and leveraging pharmacy retail experience upon acquisition of each new location, building brand presence, and optimal competitive positioning within each community where it operates.

[1] This is a non-IFRS financial measure that does not have a standardized meaning prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers. Refer to “*Non-IFRS Financial Measures – EBITDA and Adjusted EBITDA” section for more information.*

FINANCIAL AND OPERATING RESULTS

Overall Performance

ShinyBud's overall results for the three months ended April 30, 2022 include sales of $7.6 million, with a gross profit of $2.8 million, operating expenses of $4.2 million and other expenses, gains and losses of $0.4 million, resulting in a net comprehensive loss of $1.8 million.

The following table sets out a summary of consolidated financial information for the periods indicated.

	Three months ended April 30,		
	2022	**2021**	**2020**
	($)	**($)**	**($)**
Revenue	**7,574,520**	4,342,192	771,807
Cost of goods sold	**4,738,840**	2,697,654	492,219
Gross profit	**2,835,680**	1,644,538	279,588
Expenses			
General and administrative	**4,053,520**	1,047,836	312,396
Marketing and promotion	**117,664**	42,313	40,502
Total expenses	**4,171,184**	1,090,149	352,898
(Loss) income before other income (expenses)	**(1,335,504)**	554,389	(73,310)
Other (expenses) income			
Other expenses	**304**	-	-
Loss on extinguishment of loan payable	**(1,267,726)**		
Revaluation gain on derivative liability	**1,596,532**	-	-
Impairment loss	**(484,706)**		
Gain on change in fair value of shareholder loans	**136,221**	-	-
Finance costs	**(403,596)**	(92,615)	(48,510)
Total other (expense) income	**(422,971)**	(92,615)	(48,510)
(Loss) income before income taxes	**(1,758,475)**	461,774	
Provision for tax - current	**-**	148,000	-
Provision for tax - deferred	**-**	(50,000)	-
Net loss and net comprehensive loss for the period	**(1,758,475)**	363,774	(121,820)
Loss per share for the year			
Basic and diluted income (loss) per share	**(0.16)**	0.05	(0.02)
Weighted average number of common shares outstanding	**10,657,799**	7,227,867	7,227,867
Total assets	**32,869,598**	6,391,957	1,142,165
Total liabilities	**19,014,954**	5,058,709	1,348,473
Total non-current financial liabilities	**11,666,020**	3,917,664	1,025,042

Resulting segmented views, based on the nature of major expense categories discussed below, indicate the enterprise net loss of $1.8 million is comprised of loss of $0.4 million from store level operations and a loss of $1.3 million from corporate activities. On a recurring basis, net income from stores is $0.3 million while corporate costs are attributed $1.1 million to the cannabis line of business and $0.3 million to the Pharmacy LOB, which will continue to proportionately shift in line with corporate growth strategy.

The store portfolio (currently all in the cannabis line of business) increased over the quarter as follows:

2022	**Number of Stores**
Total as of January 31	**28**
Opened during the three months ended April 30	2
Total as of April 30	**30**
Opened subsequent to the three months ended April 30	1
Total as of June 27, 2022	**31**

Revenue

Revenue increased by 74% to $7.6 million during the three-month period ending April 30, 2022 from the three-month period ended April 30, 2021. The increase in sales was driven primarily by the growth in SBInc's retail network through new store openings and acquisitions.

	Three month period ended				
	April 30, 2022	**April 30, 2021**	**Change**	**January 31, 2022**	**Change**
	($)	($)		($)	
Retail operations	**7,077,897**	4,209,694	68%	4,963,848	43%
Data program	**487,500**	132,498	268%	225,566	116%
Trademark	**9,123**	-	0%	3,418	167%
Total Revenue	**7,574,520**	4,342,192	74%	5,192,832	46%

Gross Profit

For the three-month period ended April 30, 2022, gross profit increased by 72% to $2.8 million as compared to the three-month period ended April 30, 2021. The increase in gross profit was primarily driven by an expanded SBInc store network, the 1118 Acquisition completed on January 19, 2022, and the business combination with mīhī as part of the RTO completed on January 20, 2022. During the period, SBInc focused on maintaining its gross margin percentage based on the assortment of products offered and the addition of higher margin cannabis 2.0 products, including beverages and edibles in the sales mix relative to greater margin compression in the industry.

	Three month period ended				
	April 30, 2022	**April 30, 2021**	**Change**	**January 31, 2022**	**Change**
	($)	($)		($)	
Gross profit	**2,835,680**	1,644,538	72%	1,826,503	55%
Gross profit margin	**37.44%**	37.87%	0%	35.17%	2%

General and Administrative Expenses

Total general and administrative expenses increased to $4.1 million for the three-month period ended April 30, 2022 as compared to $1.0 million for the three-month period ended April 30, 2021. The increase was primarily due to expenses associated with the level of activity of expanding the SBInc retail store network from eight stores at April 30, 2021 to 30 stores at April 30, 2022.

The following table provides a breakdown of general and administrative expenses for the periods indicated:

	Three month period ended April 30,	
	2022	**2021**
General and administrative expenses	**($)**	**($)**
Salaries and benefits	**1,765,066**	459,488
Depreciation and amortization (notes 7, 8 and 9)	**786,568**	235,130
Facility expenses	**303,690**	93,348
Insurance and licensing fees	**136,180**	37,424
Legal and professional fees	**677,924**	59,271
Travel and entertainment	**96,050**	27,679
Technology and communication costs	**121,920**	44,007
Office expenses and other	**56,174**	17,402
Bank charges	**109,948**	74,087
Total general and administrative expenses	**4,053,520**	1,047,836

Notable material increases in specific general and administration expense categories included:

1. Salaries and Benefits

Salaries and benefits expense increased to $1.8 million for the three-month period ended April 30, 2022. The increase in salaries and benefits was due to the following factors:

i. the increased number of SBInc retail stores and the incremental cost for additional personnel to work in the stores and to facilitate the build-out and supervision in the number of cannabis locations;

ii. additional salaries and share-based compensation arising from the hiring of a new executive management team, comprises of a new CEO, CFO, COO and EVP Corporate Development and the appointment of a new board of directors upon completion of the RTO in January 2022. Note 20 (Related Party Transactions – Key Management Compensation) and Note 15 (Share-Based Compensation) to the Financial Statements provides further information.

2. Legal and Professional Fees

	Three-month period ended April 30,	
	2022	**2021**
Legal & professional fees	**($)**	**($)**
Audit & consulting fees	**220,250**	9,000
Legal	**50,000**	50,271
One-time strategic costs	**407,674**	-
Total	**$677,924**	$59,271

3. Insurance and Licensing Fees

Insurance and licensing expense totaled $0.14 million for the three-month period ended April 30, 2022, an increase of 264% from the prior year primarily because of the addition of the directors and officers insurance.

Depreciation and Amortization

Depreciation and amortization expense on property and equipment, intangibles and right-of-use assets totaled $0.79 million for the three-month period ended April 30, 2022, an increase of 235% from the previous year primarily due to new store openings and acquisitions.

Marketing and Promotion

Marketing and promotional expenses for the three-month period ended April 30, 2022 totaled $0.12 million, an increase of 178% from the previous year. These expenses primarily reflect branding development, store product marketing and digital advertising.

Revaluation of Derivative Liabilities

The Company recorded a gain from the value of derivative liability of $0.26 million for the three-month period ended April 30, 2022. This non-cash accounting charge relates to share purchase warrants (the "**FirePower Warrants**") issued in connection with the $3.0 million term loan agreement entered into by SBInc on June 17, 2021 with Evergreen Gap Debt LP (the "**FirePower Loan**") (see also Note 13(i) to the Interim Financial Statements). The cashless exercise feature in the FirePower Warrants creates a derivative liability which is required to be revalued each reporting period.

The Company recorded a gain from the value of derivative liability of $1.3 million for the three-month period ended April 30, 2022. This non-cash accounting gain relates to the Underlying Warrants issued to the former holders of subscription receipts sold by SBInc in the Private Placement referred to under "*Company Overview – Historical Background*" above (see also Note 13(ii) to the Interim Financial Statements). The

cashless exercise feature in the Underlying Warrants creates a derivative liability which is required to be revalued each reporting period.

Gain on Change in Fair Value of Shareholder Loans

The Company recorded a gain on change of fair value of $0.14 million for the three-month period ended April 30, 2022. This non-cash accounting loss relates to the loan payable to the founding shareholder and loan payable to shareholder. Those two loans are valued at fair value through profit and loss. The fair value of the loans must be revalued each reporting period. A change in the fair value of the loans results in an impact on the statement of loss and comprehensive loss.

Loss on Extinguishment of Loan Payable

The Company recorded a loss on extinguishment of loan payable of $1.3 million for the three-month period ended April 30, 2022. This non-cash accounting loss relates to the amendment of the FirePower loan. On April 30, 2022, Shiny Bud Inc. executed an amendment to the FirePower Loan involving a $1.0 million prepayment of the $3.0 million principal. In addition, a bonus payment in the amount of $400,000 is payable by SBAmalco in two installments of $200,000 due October 1, 2022 and November 1, 2022, whereupon no further fees will be payable in respect of any voluntary or mandatory prepayment. The change in the cash flow structure forced the derecognition of the initial loan and the recognition of a new loan payable. The effective interest rate on this new loan is 13.72%.

Finance cost

Finance cost totaled $0.4 million for the three-month period ended April 30, 2022 versus $0.09 million for the three-month period ended April 30, 2021. The $0.31 million is attributed to the increase in the accretion expense on lease liabilities due to the increase in the number of retail leases and to the accretion of interest on the FirePower Loan.

Impairment on Certain Underperforming Assets

The Company has performed an analysis of impairment of its property and equipment based on the historical performance of each of its retail stores. At April 30, 2022, management assessed that there were indicators of impairment of two of its retail store locations as the economic performance of these locations were worse than expected. An impairment charge of $0.41 million was recognized for the three months ended April 30, 2022 based on the net recoverable value of property and equipment at these two locations. See Notes 7 and 8 to the Interim Financial Statements for additional information.

NON-IFRS FINANCIAL MEASURES – EBITDA AND ADJUSTED EBITDA

EBITDA, Adjusted EBITDA, adjusted working capital, are non-IFRS financial measures that do not have standardized meanings prescribed under IFRS and may not be comparable to similar measures disclosed by other issuers. The Company defines EBITDA and Adjusted EBITDA as per the table below. Management calculates "EBITDA" for a financial period as the Company's income (loss) for the period, as determined in accordance with IFRS, before accretion and interest, tax, and depreciation and amortization, and calculates "Adjusted EBITDA" for a financial period as the EBITDA for the period after adjusting to remove transaction and acquisition costs, impairment, loss on settlement of loan, listing expense, gain on revaluation of derivative liability, gain on change in fair value, and share-based compensation.

Management uses EBITDA and Adjusted EBITDA to assess the Company's ability to generate cash from operations, and the Company believes them to be useful measures for this purpose. They are, however, supplementary information only and should not be relied upon for comparative or investment purposes. Readers must not consider non-IFRS measures in isolation or as a substitute for analysis of the Company’s financial results as reported under IFRS. EBITDA and Adjusted EBITDA are not, and must not be construed as alternatives to, net income (loss) or cash flow from operating activities as determined under IFRS.

The following table reconciles net (loss) income for the periods indicated to EBITDA and Adjusted EBITDA, respectively:

	Three-month period ended April 30,	
	2022	**2021**
	($)	**($)**
Net (loss) income	**(1,758,475)**	**363,774**
Income tax (recovery) expense	-	98,000
Finance costs	403,596	92,615
Depreciation & amortization	786,568	235,130
EBITDA	**(568,311)**	**789,519**
One-time strategic costs	509,342	-
Revaluation gain on derivative liability	(1,596,532)	-
(Gain) loss on change in fair value	(136,221)	-
Impairment	484,706	
Loss on extinguishment of loan payable	1,267,726	
Share-Based compensation	85,635	-
Adjusted EBITDA	**46,345**	**789,519**

Cash outflow for the lease liabilities during the quarter ended on April 30, 2022 were $459,451.
Cash outflow for the lease liabilities during the quarter ended on April 30, 2021 were $152,823.

Of the $0.05 million Adjusted EBITDA, $1.2 million is attributable to recurring retail cannabis line of business results offset by $0.79 million of corporate costs attributable to the cannabis business. An additional ($0.34 million) is attributable to corporate costs incurred as part of the emerging pharmacy line of business infrastructure.

Adjusted working capital is calculated as set out in the following table:

	Three-month period ended April 30, 2022
	($)
Balance sheet	(2,115,345)
Non cash derivative liability	1,716,518
Firepower prepayment covered by new credit facility	1,000,000
Adjusted working capital	**601,173**

Operating Risks

Management has identified and monitors the following three significant operating risks:

i. continued market saturation in the cannabis line of business;
ii. continued margin pressures in the cannabis line of business; and
iii. a reduction in consumer discretionary spend in general.

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain selected financial information for the eight most recently completed fiscal quarters ending April 30, 2022:

	2023	2022				2021		
	Q1	Q4	Q3	Q2 (1)	Q1 (1)	Q4	Q3	Q2 (1)
Total Sales ($)	7,574,520	5,192,832	5,714,579	5,397,000	4,342,192	4,335,708	3,985,046	1,489,831
Gross Profit ($)	2,835,680	1,826,503	2,159,247	2,017,180	1,644,538	1,414,415	1,684,523	622,756
Profit (loss) from operations ($)	(1,335,504)	(2,621,912)	(54,924)	445,877	554,389	517,448	1,014,311	241,047
Weighted average number of stores	29	20	14	11	8	4	3	2

Note to table above:

(1) As a privately-held company, SBInc did not prepare financial statements for periods prior to completion of the RTO on January 20, 2022 other than those included in the Filing Statement of Cedarmont dated January 19, 2022 prepared in connection with the RTO pursuant to TSXV requirements. The Filing Statement includes interim financial statements of SBInc for the three and nine months ended October 31, 2021 and 2020, and annual financial statements of SBInc for the year ended January 31, 2021 and period from January 12, 2019 (date of incorporation) to January 31, 2020.

Overall, sales and profitability over the last several quarters are driven by the following three factors:

i. steady increase in the number of stores opened and acquired;
ii. industry-wide price reduction and margin compression; and
iii. transaction-related and startup expenses.

The continued quarterly growth in sales were driven by the steady increase in the number of stores organically developed or acquired.

Gross profit recorded for the three months ended January 31, 2021 and January 31, 2022 is due to seasonality and the pressure to discount the price of products during this period in order to remain competitive as other retailers offered holiday discounts.

The steep loss from operations reported for the quarter ended January 31, 2022 was primarily due to transaction-related and startup expenses concerning the formation of SBInc and becoming a public entity.

The loss from operations reported for the most recent quarter ended April 30, 2022 was primarily due to the increase in expenses related to the listing of the Company's common shares on the TSXV, including listing fees, additional professional fees, and directors and officers insurance premiums. As a result of listing on the TSVX, the Company is now subject to higher compliance requirements. Furthermore, the loss from operations was impacted by the increase in the human resources required to support the integration of the acquisitions and RTO completed during the fourth quarter of 2022 and the amalgamation of the different companies on February 1, 2022.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Assets

As at April 30, 2022, the Company had a cash balance of $2.6 million (January 31, 2022: $4.5 million) and total current assets of $5.3 million (January 31, 2022: $7.1M). The decrease in cash was primarily related to continued payment of one-time costs and payables balances related to the initiation of the corporate structure in Q4, amalgamation costs and professional fees associated with the Company's first year end last quarter.

As at April 30, 2022, the Company had total assets of $32.9 million, a decrease of $2.7 million compared to $35.6 million at January 31, 2022. The decrease in total assets was primarily due to the decrease in cash. See "Liquidity and Capital Resources" section for further discussion related to cash and liquidity.

Liabilities

Total liabilities at April 30, 2022 decreased to $19.0 million compared to $20.0 million on January 31, 2022, primarily due to the decrease of the derivative liabilities from $3.3 million on January 31, 2022 to $1.7 million on April 30, 2022 and the increase in the loan payable from $2.1 million on January 31, 2022 to $3.4 million on April 30, 2022.

On April 30, 2022, the Company amended the terms of the FirePower loan agreement whereby the Company will prepay $1 million of the $3 million principal amount. The $1 million principal repayment will be made in five equal monthly installments of $0.20 million beginning in May 1, 2022. A bonus in the amount of $400,000 will be paid to Evergreen Gap Debt LP payable in two installments of $200,000 due October 1, 2022 and November 1, 2022. The amendment also eliminates all future pre-payment penalties.

In addition, the Company's compliance of the stated financial covenants under the FirePower loan agreement were waived until October 31, 2022. Effective October 31, 2022, the Company is required to maintain a total debt to trailing 6-month annualized EBITDA ratio of no more than 2:1 and a minimum debt service coverage ratio of at least 1.4 (in each case as calculated in accordance with the loan agreement on the last day of each month). All operating and other covenants under the FirePower loan agreement will remain in effect for so long as the loan agreement is in force.

The amendment to the FirePower loan has been accounted for as an extinguishment of the original loan and the recognition of a new loan, as the amended FirePower loan agreement includes substantially different terms than those under the original agreement. On April 30, 2022, the carrying value of the original loan was derecognized and the fair value of the new loan, net of the transaction costs of $400,000 noted above, was recognized. As a result, a loss on extinguishment of $1.3 million was recorded in the interim condensed consolidated statement of (loss) income and comprehensive (loss) income being the difference between the fair value of the new loan of $3.4 million and the carrying value of the original loan at the amendment date of $2.1 million.

	Amount ($)
Original loan payable	
Balance, January 31, 2022	2,070,314
Repayments	(100,584)
Interest accrued	166,584
Total loan payable prior to derecognition	2,136,314
Derecognition of original loan payable	(2,136,314)
Ending balance, April 30, 2022	-
New loan payable	
Initial recognition at fair value	3,404,040
Ending balance, April 30, 2022	3,404,040
Less – current portion	(1,000,000)
Total long-term portion	**2,404,040**

For *Capital Resources – see "Amendment to FirePower Loan*" below.

Liquidity and Capital Resources

The Company believes it has sufficient liquidity to support continued operations and meet its short-term liabilities and commitments as they become due.

As at April 30, 2022, cash was $2.6 million (April 30, 2021: negative $0.2 million) and the Company had working capital (current assets less current liabilities) of negative $2.1 million (April 30, 2021 – negative

working capital of $1.1 million). Included in current liabilities as at April 30, 2022 was a $1.7 million derivative liability balance (April 30, 2021: $Nil) related to the FirePower Warrants (see Note 13(i) to the Financial Statements) and the Underlying Warrants issued to the former holders of subscription receipts sold by SBInc in the Private Placement transaction referred to under "*Company Overview – Historical Background*" section (see Note 13(ii) in the Interim Financial Statements). In both cases, the terms of the warrants enable the holders to exercise their warrants on a cashless basis under certain events and thus have been classified as current derivative liabilities in the consolidated statement of financial position. Derivative liabilities are a non-cash obligation to the Company. Also, on April 30, 2022, SBAmalco executed an amendment to the FirePower Loan involving a $1.0 million prepayment of the $3.0 million principal. The $1.0 million prepayment has been reclassed to current liabilities. Excluding these items, the Company had adjusted positive working capital[2] of $0.60 million at April 30, 2022.

During the first half of calendar 2022, the Company's working capital will continue to be impacted by one-time expenses relating to completing its public company reporting requirements for the year ended January 31, 2022, including additional audit costs related to the RTO and public listing, outside consultancy costs in preparing the necessary IFRS memoranda for the audit, and legal review costs. Additional funds may be required to ensure the Company has achieved steady state profitability from its retail cannabis store network and to meet its debt servicing and repayment obligations as described below under "*Amendment to FirePower Loan*", and to fund the cash portion of the purchase price for the Company's first proposed pharmacy acquisition as described below under "*Initial Pharmacy Acquisition*". Additional funds will be required for the further development of the Company's future retail cannabis strategy and its proposed pharmacy strategy (see section entitled "Subsequent Events"). These future funding requirements may be met in several ways including, but not limited to, a combination of equity financings, debt financings (including the new Shareholder Loan described below under "*Loan from Founding Shareholder*") and other capital markets alternatives. The Company, upon approval from its board of directors, intends to balance its overall capital structure through new share issuances 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, scale back its expansion plans, make overhead reductions or sell store locations into the Company's franchise program as required.

The Company's future financing efforts may be affected by market volatility and other events such as the COVID-19 pandemic. The ability to expand the Company's operations in both cannabis and pharmacy markets will be reliant on, but not limited to, securing the necessary retail real estate locations, securing suitable acquisition opportunities, securing the necessary capital to build out or acquire target locations, and the ability to generate positive operating cash flow to meet its growth objectives and general working capital requirements.

Apart from liabilities and commitments reflected in the Interim Financial Statements (including the notes thereto), the Company's liquidity and capital resources as at the date of this MD&A are also affected by the following events occurring after April 30, 2022.

Amendment to FirePower Loan

On June 17, 2021, SBInc entered into the FirePower Loan in the principal amount of $3.0 million, which is due in full on June 17, 2024 (see Note 12 to the Interim Financial Statements). On April 30, 2022, SBAmalco executed an amendment to the FirePower Loan involving a $1.0 million prepayment of the $3.0 million principal. The $1.0 million principal repayment is to be made in five equal monthly installments of $200,000, of which the first instalment was paid in May 2022 and the remaining instalments are due on the first day of June, July, August and September, respectively. In addition, a bonus payment in the amount of $400,000 is payable by SBAmalco in two installments of $200,000 due October 1, 2022 and November 1, 2022, whereupon no further fees will be payable in respect of any voluntary or mandatory prepayment. The financial covenants under the FirePower Loan, requiring that the Company maintain a

[2] This is a non-IFRS financial measure that does not have a standardized meaning prescribed under IFRS. Please refer to Non-IFRS Financial Measures in this MD&A.

total debt to trailing 6-month annualized EBITDA ratio of not more than 2:1 and a minimum debt service coverage ratio of at least 1.4 (in each case as calculated in accordance with the loan agreement on the last day of each month) will come into effect on October 31, 2022. All operating and other covenants under the FirePower Loan will remain in effect for so long as the loan agreement is in force.

Loan From Founding Shareholder

Also on April 30, 2022, the Company entered into a new credit facility for an unsecured loan of up to $1.0 million. An initial advance of $0.5 million is to be made by September 30, 2022. Further advances under the facility are subject to pre-approval and mutual agreement between the Company and the shareholder and therefore are not assured. The loan will mature on December 15, 2023, at which time the outstanding principal and all accrued interest will be due and payable. At April 30, 2022, the total advances to the Company was $nil.

Initial Pharmacy Acquisition

On May 13, 2022, the Company signed a binding letter of intent to acquire all the issued and outstanding common shares of Cotton Mill pharmacy in Cornwall, Ontario for a total purchase price of $900,000 subject to standard working capital adjustments at closing. As part of this planned acquisition the Company received a term sheet for a $700,000 secured 10-year term acquisition loan from Caisse Desjardins Ontario Credit Union Inc., on behalf of its participating caisses. A portion of the purchase price will be paid through a one-year vendor take-back loan of $100,000 at an annual interest rate of 4.0%. The Company expects to pay the balance of the purchase price ($100,000) from cash on hand. There is no debt being acquired in the entity being purchased. For further information, see “*Business Strategy – Retail Pharmacy*” section.

As at the date of this MD&A, management believes that the Company will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. This determination is based in part on the availability of new debt funding under the shareholder loan described above and management's expectation that the full $1.0 million will be made available to the Company thereunder as required, and on the Cotton Mill acquisition being cross-conditional upon the acquisition loan described above such that only $0.1 million of the purchase price will be payable in cash.

While management has been successful in securing financing in the past, there can be no assurance that additional debt or equity financing will be available to meet the Company’s requirements or, if available, on favorable terms, and there can be no assurance that the Company will be able to enter into appropriate lease arrangements or receive the applicable regulatory approvals to meet its expansion goals.

When managing and allocating capital resources, the Company’s objectives are to: (i) explore profitable growth opportunities; (ii) allocate capital in a focused and disciplined manner to generate a return on investment for shareholders; (iii) maintain the financial flexibility and ability to meet financial obligations; and (iv) maintain a capital structure that provides financial flexibility to execute on strategic growth plans.

This capital management and allocation strategy is to maintain an adaptable capital structure that allows the Company to react to any changes in economic conditions, market conditions and to the risks inherent in its underlying business.

See Note 25 (Financial Instruments) to the Annual Financial Statements for a further discussion pertaining to the Company’s liquidity and capital resources.

Financial Instruments

As set out in Note 25 to the Annual Financial Statements, the Company’s activities expose it to a variety of financial risks. The Company is exposed to credit, liquidity, interest and market risk due to holding certain financial instruments. The Company’s overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects of the Company’s financial performance. Risk management is carried out by senior management in conjunction with the board of directors.

OUTSTANDING SHARE DATA

The following table sets out the outstanding securities of the Company as at April 30, 2022 and the date of this MD&A:

Securities[(1)]	Outstanding at April 30, 2022	Outstanding at June 29, 2022
Common Shares	10,657,799	10,657,799
Warrants	1,693,729	1,680,262
Stock Options	1,064,159	1,064,159
Deferred Share Units (DSUs)	78,986	78,986

(1) Refer to the Notes 13, 15, 16 and 23 in the Financial Statements for a detailed description of these securities.

Common Shares

The outstanding share capital of the Company reflects (i) seed capital financing undertaken by Cedarmont following its incorporation in early February 2021, pursuant to which it raised $500,000 through the issue and sale of 10,000,000 common shares (pre-Consolidation) at a price of $0.05 per share, as well as the Cedarmont IPO pursuant to which it issued an additional 3,000,000 common shares (pre-Consolidation) at a price of $0.10 per share for aggregate gross proceeds of $300,000, and (ii) the effect of the RTO completed on January 20, 2022 and described under "*Company Overview – Historical Background*" section, including the consolidation (which reduced the number of then-outstanding common shares of the Company from 13,000,000 to 304,124 Common Shares) and the issue of an aggregate of 10,353,675 Common Shares (post-Consolidation) to the former shareholders of SBInc and mīhī.

Upon completion of the RTO there were 10,657,799 Common Shares outstanding.

No additional Common Shares have been issued since completion of the RTO.

Convertible Securities

The Company also has outstanding warrants, stock options and deferred share units (DSUs) pursuant to which additional Common Shares are currently issuable, as follows:

Security Type	Number of Common Shares Potentially Issuable	Weighted Average Exercise Price	Expiry Date Range
Stock Options	1,064,159	$6.29	Dec 7, 2025 – May 13, 2031
Warrants	1,693,729	$10.36	Jun 3, 2023 – Jun 17, 2026
DSUs	78,986	N/A	N/A

Further information regarding the outstanding stock options, warrants and DSUs is provided in Notes 15 and 16 to the Interim Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

The Company is involved in certain claims and litigation on matters related to employment and 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.

COMMITMENTS AND CONTINGENCIES

As set-out in Note 22 of the Interim Financial Statements, the Company is defending an action commenced on November 9, 2020 by the lessor of a Toronto lease, alleging that the Company breached the lease agreement. The lessor is claiming monetary damages of $16,667 for unpaid rent as at the time the lessor purported to terminate the lease in May 2020, and further damages of approximately $1,600,000 for alleged loss of benefit of the lease over its stated term expiring February 2029. The Company has counterclaimed against the lessor for a declaration that the Company is released from it obligations under the lease and for return of a $125,242 deposit paid at the time the lease was entered into. The lessor filed a reply and defense to counterclaim in January 2021 and the action remains at the pleadings stage. A legal provision of $510,000 has been recognized in the Financial Statements. Although the Company denies liability and intends to vigorously defend itself, there can be no assurance of the outcome. The value of the settlement provision is management's best estimate of the cost to settle the lease claim. Any differences from management's best estimate will be accounted for in the period they are determined.

The Company is involved in certain claims and litigation on matters related to employment and 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.

The following is a summary of the contractual undiscounted cash outflows for lease obligations as of April 30, 2022:

	2022
	($)
Less than one year	1,854,137
Between one and five years	6,268,251
Greater than five years	4,102,270
	$12,224,658

SUBSEQUENT EVENTS

Subsequent events are described in the Interim Financial Statements under Note 24 and relate to the following transactions/events that occurred after April 30, 2022:

Binding Letter of Intent

On May 13, 2022, the Company signed a binding letter of intent to acquire all the issued and outstanding common shares of Cotton Mill pharmacy for a total purchase price of $0.9 million, subject to due diligence and standard working capital adjustments at closing. For further information, see "*Business Strategy – Retail Pharmacy*" above.

RELATED PARTY TRANSACTIONS

As at April 30, 2022, the Company had certain transactions with related parties as defined in IAS-24 – *Related Party Disclosures,* pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing. For a description of Related Party Transactions see Note 20 to the Interim Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

A summary of significant accounting policies applied is included in Note 3 to the Interim Financial Statements, including recent accounting pronouncements of significance or potential significance and management's evaluation of impact and implementation progress. The Company has not early adopted

any standard, interpretation or amendment that has been issued but is not yet effective. The preparation of the Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, sales and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Financial Statements. The Company evaluates its estimates on an ongoing basis. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of sales and other items. Actual results may differ from these estimates under different assumptions or conditions. Critical accounting estimates and judgments made by management in the preparation of the Company’s financial information are listed below and are more fully described in Note 4 to the Annual Financial Statements:

- Estimated useful lives of property and equipment and intangible assets;
- Goodwill impairment testing and recoverability of assets;
- Lease term;
- Incremental borrowing rate;
- Asset acquisition vs. business combination;
- Business combinations;
- Share-based compensation and fair value of warrants; and
- Income taxes and recovery of deferred tax assets.

New Standards and Interpretations

The following standards were adopted on January 1, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The adoption of the above standards had no impact on the Company's consolidated financial statements.

New standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishments of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

RISK FACTORS

Following is a non-exhaustive discussion of various specific and general risks that could affect the Company and its business. Additional risks and uncertainties not presently known to the Company, or that the Company does not currently anticipate will be material, may also impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition.

Liquidity and additional financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. The Company is an early-stage applicant with little operational history. The ability of the Company to obtain all permits and licences required to carry out its business objectives as intended is uncertain. If the Company is unable to achieve its business objectives, such failure could materially and adversely affect the business, financial condition and results of operations of the Company. Existing or future competition in the cannabis industry could materially adversely affect the Company's prospects for growth.

Pharmacy retail businesses compete with other drugstore chains, supermarkets, online and other discount retailers, independent pharmacies, membership clubs, convenience stores and mass merchants. The Company’s pharmacies will have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than we do. The Company will also face competition from other retail health care clinics, and other mail order pharmacies. The Company’s potential new or existing competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of its larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell products at lower prices. Disruptive innovation by existing or new competitors could alter the competitive landscape in the future. Competition may also come from other sources in the future. Changes in market dynamics or the actions of competitors or manufacturers, including industry consolidation, the emergence of new competitors and strategic alliances could materially and adversely affect the pharmacy retail business.

The requirements of being a public company may strain the Company's resources

As a reporting issuer, the Company, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it would be listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Company's legal and financial costs making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Dependence on key management personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management as well as certain consultants (the "Key Personnel"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Limited operating history

The Company has a limited history of operations and is in early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the cannabis industry. The Company will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of sales. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful and the likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's sales do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future sales will be sufficient to generate the funds required to continue operations without external funding.

Being a public company may increase price volatility

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares. The increased price volatility could adversely affect the results of operations or financial condition.

General economic risks

The Company's operations could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability.

Any investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could

impair the value of the Company's securities.

Licences and permits

The operations of the Company will require licences and permits from various governmental authorities. The Company currently has all permits and licences that it believes are necessary to carry on its current business operation with the intention of obtaining additional licences and permits for additional operations. The Company will require additional licences or permits in the future to achieve its intended operations and there can be no assurance that the Company will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licence or permit will be renewable if and when required or that such existing licences and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licences are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licences that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company will be dependent on its suppliers' licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain such licences could have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantee that Health Canada will issue, extend or renew these licences or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to the Company's suppliers and the Company. Should Health Canada not issue, extend or renew the licences or should they issue or renew the licences on terms that are less favourable to such supplier and the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Changes in laws, regulations and guidelines

The Cannabis Act became effective on October 17, 2018. However, uncertainty remains with respect to the implementation of the Cannabis Act, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. There can be no assurance that the legalization of adult-use cannabis by the Canadian Federal Government will be carried out on the terms currently anticipated and the impact of the implementation of the legislative framework pertaining to the Canadian adult-use cannabis market remains uncertain. The impact of these new laws, regulations and guidelines on the business of the Company, including increased costs of compliance and other potential risks cannot be predicted, and accordingly, the Company may experience adverse effects.

The Canadian federal regulatory regime requires plain packaging in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restriction on the use of logos and brand names on cannabis products could have a material adverse impact on the Company's business, financial condition and results of operation. In addition, the regulations under the Cannabis Act contemplate licences being granted for outdoor cultivation. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing.

Provincial governments in Canada have also made varying announcements on the regulatory regimes for

the distribution and sale of cannabis for adult-use purposes. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that are currently anticipated by the Company.

Pharmacies in Canada are subject to numerous federal and provincial governmental regulations and licensing requirements. The Company intends operate pharmacies in an environment in which regulation and government funding play a key role. Much of the regulation is provincial and pharmacies may encounter different regulations in different provinces. Non-compliance with existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of pharmacies, the licensing and conduct of pharmacists, the regulation, ownership and operation of pharmacies, the advertising of pharmacies and prescription services, the distribution, pricing and sale of prescription drugs, the provision of information concerning prescription drugs, privacy matters and restrictions or prohibitions on manufacturer allowance funding, could result in civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which may impact the Company’s results of operations or financial position.

Compliance with laws

The Company's and many of its suppliers' operations will be subject to various laws, regulations and guidelines. The Company will endeavour to comply with all relevant laws, regulations and guidelines. However, there is a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to the Controlled Drugs and Substances Act, the ACMPR thereunder, the Cannabis Act, the regulations thereunder and applicable stock exchange rules and regulations, may differ from those of others, and the Company's and its suppliers' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by Government Authorities and, where necessary, obtaining Regulatory Approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain Regulatory Approvals required by the Company may significantly delay or impact the development of the Company's business and operations, and could have a material adverse effect on the business, results of operations and financial condition of the Company. Any potential non-compliance could cause the business, financial condition and results of the operations of the Company to be adversely affected. Further, any amendment to or replacement of the ACMPR, the Cannabis Act or other applicable rules and regulations governing the activities of the Company and its suppliers may cause adverse effects to the Company's operations. The risks to the business of the Company or its suppliers associated with the decision to amend or replace the ACMPR, the Cannabis Act and subsequent regulatory changes, could reduce the potential customers of the Company and could materially and adversely affect the business, financial condition and results of operations of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, relating to healthcare services may have a material adverse impact on the Company or its suppliers, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time

to time. If the Company is unable to resolve any of these matters favourably, there may be a material adverse effect on the Company. There are also risks to the business of the Company represented by court rulings or legislative changes.

The AGCO may revise its policy on inducements to capture within its breadth certain contractual arrangements between Shiny Bud and licensed producers of cannabis. In the result, it might be the case that the Company would no longer be able to receive the payments being earned under such agreements.

Risks relating to suppliers

In addition to the risk factors that may impact the business, operations and financial condition of the Company and its suppliers noted above, the risk factors contemplated herein may directly impact the business, operations and financial condition of the Company's suppliers and, accordingly, may have an indirect material adverse effect on the Company.

Reliance on supplier facilities

The facilities of the Company's suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's suppliers' ability to continue operating under their licences or the prospect of renewing their licences, which may have an adverse effect on the Company.

Risks inherent in strategic alliances

The Company may enter into further, strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

Conflicts of interest

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

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the

Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Fraudulent or illegal activity by employees, contractors and consultants

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

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, including those imposed on the Company under applicable law, in each case the Company cannot be certain that such measures will ensure that the Company maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and could result in a material adverse effect.

Cannabis prices

The price of the Common Shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. The price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the Company.

The profitability of the Company's may be directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as its operating income will be derived in part from royalty payments or cannabis streams.

COVID-19

The Company's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The Company cannot accurately predict the impact COVID-19 will have on the Company's business. Risks posed by COVID-19 include uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. A resurgence of COVID-19 or a significant outbreak of another contagious diseases in the human population could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for the Company's products

and services and likely impact operating results.

Changes in drug development and prescriptions

The profitability of pharmacy businesses depends upon the utilization of prescription drugs. Utilization trends are affected by, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs generally due to higher gross margins on the sale of generic alternatives. Inflation in the price of drugs also can adversely affect utilization. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could have an impact on results of operations. In addition, gross profit margins could be adversely affected if there is an increase in the amounts paid to procure pharmaceutical drugs, including generic drugs, or if new brand name drugs replace existing generic drugs, or if new brand name drugs replace existing generic drugs. Changes in drug development and prescription mix may impact the Company’s results of operation. A portion of the Company’s sales will be dependent on the markup the Company earns on drugs dispensed as well as the related dispensing fee. The sources and amounts of the Company’s sales are determined by a number of factors, including the mix of patients, mix of pharmaceuticals dispensed and rates of reimbursement from payors. Changes in the mix of any of these categories could impact the Company’s pharmacy sales and results of operations. When drug products are modified or withdrawn by manufacturers, or when increased safety risk profiles of specific drugs or classes of drugs result in decreased usage, physicians may reduce or stop writing prescriptions for these drugs. Negative media reports or other reputational issues regarding drugs could result in reduced consumer demand for such drugs. In cases where there are no acceptable prescription drug equivalents or alternatives for these prescription drugs, the Company’s prescription volumes, sales and profitability could decline. The pharmaceutical industry’s pipeline of new drugs includes many drugs that over the long term may replace older, more expensive therapies, whether due to the development of new or more effective treatments, the replacement of brand name drugs with generic substitutes, the development of biosimilars or other replacement therapies and new and less expensive delivery methods (such as when an infusion or injectable drug is replaced with an oral drug) or additional products are added to a therapeutic class. As new treatments and drugs are developed, price competition among competing manufacturer’s products may increase. In such cases, drug costs may decline. The mix of the Company’s dispensed drugs could and will change over time as technology advances and existing products are improved or become obsolete and these changes are likely to impact the Company’s sales, results of operations and financial condition.

Changes in reimbursement programs, prescription drug pricing and commercial terms

Changes in reimbursement programs, prescription drug pricing and commercial terms could adversely affect its pharmacy operations and financial performance. The Company will be reliant on prescription drug sales for a portion of its sales and profits at its pharmacies. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could have a material adverse impact on the Company’s business, sales and profitability. Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility, drug pricing and may also regulate manufacturer allowance funding that may be provided to or received by pharmacies. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer’s products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs. Sales of prescription drugs, pharmacy reimbursement and

drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers. The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or corporate employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans. Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price granted by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers. Changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales, particularly branded drugs. These changes may have a material adverse impact on the Company’s business, sales and profitability of its pharmacy line of business. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs.

Reputational risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand within the cannabis industry, which could affect the business, results of operations, financial condition and cash flows of the Company. The Company's dependence on consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

In addition, the parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. For example, the Company

could receive a notification from a banker advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Pharmacist errors

Pharmacist errors may harm our business and our reputation. Exposure to risks related to managing confidential information and possible professional errors by pharmacists could have a significant impact on reputation and corporate image. Pharmacists may offer counseling to customers about medication, dosage, delivery systems, common side effects and other information the pharmacists deem significant. Pharmacists may also have a duty to warn customers regarding any potential negative effects of a prescription drug if the warning could reduce or negate these effects. An error or omission could cause reputational harm and impact financial performance.

Management of growth

The Company may be subject to growth-related risks. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and growth prospects.

Equity price risk

The Company may be exposed to equity price risk as a result of holding long-term investments in other companies. Just as investing in the Company is inherent with risks such as those set out in this MD&A, by investing in these other companies, the Company may be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Anti-money laundering laws and regulation risks

The Company is subject to a variety of laws and regulations domestically and internationally that involve money laundering, financial recordkeeping and proceeds of crime, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by Government Authorities internationally.

In the event that any of the Company's proceeds, any dividends or distributions therefrom, or any profits or sales accruing from operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Unknown defects and impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Challenging global financial conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on the Company and the price of the Company's securities could be adversely affected.

Credit and liquidity risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to: (a) through suppliers of the Company which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those suppliers' ability to perform their obligations under agreements with the Company; (b) through financial institutions that may hold the Company's cash and cash equivalents; (c) through companies that will have payables to the Company; (d) through the Company's insurance providers; (e) through the Company's lenders, if any; and (f) the Company exercising its redemption right (see "Information Concerning the Company – Description of Securities"). The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the price of the Consolidated Shares could be adversely affected.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a material adverse effect on the Company. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company. Securities litigation could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on the Company's financial position.

Hedging risk

The Company may hedge or enter into forward sales of its forecasted right to purchase cannabis. Hedging involves certain inherent risks including: (a) credit risk – the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company; (b) market liquidity risk – the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and (c) unrealized fair value adjustment risk – the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefitting from positive changes.

Cybersecurity risks

The information systems of the Company and any third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The operations of the Company depend, in part, on how well networks, equipment, information technology ("IT") systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation and results of operations of the Company.

Dividend policy

The declaration, timing, amount and payment of dividends are at the discretion of the Company's board of directors and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

Operating risks

Cannabis operations generally involve a high degree of risk. The Company's suppliers will be subject to all of the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect one of the suppliers, it may (a) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis; and (b) cause delays or stoppage of operations. The occurrence of either of the above mentioned risks or hazards could have a material adverse effect on the ability of the Company to carry out its business and the price of the Company's securities.

Customer acquisitions

The Company's success depends, in part, on the Company's ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Constraints on marketing products

The development of the Company's businesses and operating results may be hindered by applicable restrictions on sales and marketing. The regulatory environment in Canada and abroad limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected, which could have a materially adverse effect on the Company's business, financial condition and operating results.

Risks inherent in an agricultural business

The business of certain of the Company's supplier involves the growing of cannabis. Cannabis is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company's suppliers. Significant fluctuations in the total harvest will impact the Company's ability to operate. High degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have a material adverse effect on the production of products by the Company's supplier, which may have a material adverse effect on the Company.

Wholesale price volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company's suppliers are recalled due to an alleged product defect or for any other reason, the Company may be required to incur unexpected expenses relating to the recall and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company's suppliers were subject to recall, the image of that product, the supplier and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

Product liability

As a seller of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it sells are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including that the products they sell caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs to the Company, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. There can be no assurances that the Company or the Company's suppliers will be able to obtain or maintain

product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Environmental and employee health and safety regulations

The Company's operations may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, the Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or in restrictions on certain of the Company's operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Reliance on key inputs

Certain of the Company's businesses are dependent on a number of key inputs and their related costs including raw materials and supplies related to their growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the financial condition and operating results of these suppliers. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of these suppliers, in which circumstance there could be a materially adverse effect on the financial results of the Company.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major capital expenditure programs may be significantly greater than anticipated or available, in which circumstance there could be a materially adverse effect on the financial results of the Company.

Intellectual property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps

patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

Vulnerability to rising energy costs

Certain of the Company's supplier's growing operations consume considerable energy, making such suppliers vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of these suppliers and their ability to supply products to the Company at a reasonable rate, which could have a materially adverse effect on the Company's business, financial condition and operating results.

Transportation risks

The Company's suppliers will depend on fast and efficient courier services. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company and/or the suppliers. Due to the nature of the business of the Company, security of product during transport is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and prospects of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada or other regulatory agencies, could also have an impact on the Company's and/or its suppliers' ability to continue operating.

Leases

The Company may enter into lease agreements for locations in respect of which at the time of entering such agreement, it does not have a permit or licence to sell cannabis products. In the event the Company is unable to obtain a permit and/or licence to sell cannabis products at such locations in compliance with applicable law, such leases may become a liability of the Company without a corresponding revenue stream (subject to stores where the Company may sell cannabis accessories only, in compliance with applicable law). In the event that the Company is unable to obtain permits and/or licences at numerous locations for which it has or will have a lease obligation, this could have a material adverse effect on the Company's business, financial conditions and operating results.