



Fire & Flower Holdings Corp.

Management Discussion and Analysis

For the Thirteen and Twenty-six Weeks ended July 30, 2022

Dated September 13, 2022

INTRODUCTION

The following management's discussion and analysis ("MD&A") of financial condition and results of operations of Fire & Flower Holdings Corp. and its wholly-owned subsidiaries ("Fire & Flower" or "FFHC" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the thirteen and twenty-six weeks ended July 30, 2022 ("Q2 2022" and "FY 2022", respectively).

The information in this MD&A is current as of September 13, 2022 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the thirteen and twenty-six weeks ended July 30, 2022 (the "Interim Financial Statements") and the audited consolidated financial statements and notes thereto for the fifty-two weeks ended January 29, 2022 (the "2021 Annual Financial Statements", and together with the Interim Financial Statements, collectively referred to as the "Financial Statements"). The Financial Statements referenced above have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standards ("IAS") 34 ("Interim Financial Reporting") and interpretations of the IFRS Interpretations Committee for all periods presented.

The Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's board of directors (the "Board of Directors") as of September 12, 2022.

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. All references to the Company contained herein include references to its subsidiaries, as applicable, in the context. The Financial Statements and the Company's most recent annual information form ("2021 AIF") are filed on www.sedar.com. Additional information about the Company can also be found on www.sedar.com.

ACCOUNTING PERIODS

The fiscal year of the Company consists of a fifty-two or fifty-three week period ending on the Saturday closest to January 31, which is January 28, 2023 ("FY 2022") and January 29, 2022 ("FY 2021"), for the current and prior year period presented in this MD&A, respectively.

Each quarterly interim period for the current and prior fiscal year consists of thirteen weeks. Further details on accounting periods are described within subsequent events section.

NON-IFRS AND SUPPLEMENTARY FINANCIAL MEASURES

Throughout this MD&A, references are made to non-IFRS and supplementary financial measures, including same store sales, free cash flow ("FCF") and Adjusted EBITDA. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in Company's core business that may not otherwise be apparent when relying solely on IFRS measures. Management uses non-IFRS measures in measuring the financial performance of the Company.

FORWARD LOOKING STATEMENTS

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

These forward-looking statements include, among other things, statements relating to:

- the performance of the Company's business and operations;
- the expected timing and cost of the Company's business objectives and milestones;
- the intention to grow the business, operations and potential activities of the Company;
- the expected timing and completion of certain filings, acquisitions and other transactions;
- the competitive conditions of the cannabis industry;
- the intended expansion of the Company's operations, its costs and receipt of all requisite regulatory approvals to complete such expansion and increase sale capacity;
- the applicable laws, regulations and any amendments thereof;
- the competitive and business strategies of the Company;
- the expected impact of new product offerings and certain cost saving initiatives;
- the grant, timing and impact of any licence or supplemental licence to conduct activities or any amendments thereof;
- the intention of the Company to complete any offering of securities;
- the intention of the Company to make certain elections;
- the impact of the novel strain of the coronavirus ("COVID-19") on the business and operations of the Company.

Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial performance, financial position and cash flows as of and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that the forward-looking statements may not be appropriate for any other purpose. Such assumptions include, but are not limited to, assumptions regarding: (a) the demand for the Company's products and services and fluctuations in future costs and revenues; (b) sufficiency of current working capital to support future operating and working capital requirements; (c) equity and debt markets continuing to provide access to capital on acceptable terms; (d) policies of enforcement of applicable laws; (e) the expected actions of third parties; (f) the Company's future growth prospects and business opportunities; (g) the expected demand for current and future product offerings, including growth in the amount of cannabis sold by the Company and the expected size of and pricing of products in the recreational cannabis market; (h) expectations with respect to the renewal and/or extension of the Company's licences and permits; (i) capital cost of the Company's expected expansion; (j) the competitive conditions of the cannabis industry; (k) the applicable laws, regulations and any amendments thereof; (l) the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof; (m) the Company's ability to comply with applicable governmental regulations and standards; (n) the Company's success in implementing its strategies and achieving its business objectives; (o) the number of stores to be operated by the Company; and (p) general business and economic trends and conditions, including negative impacts from the continued spread of COVID-19 on the global economy or on the Company's business, financial position or results of operations.

The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. Forward-looking statements are made as of the date they are made and are based on the beliefs, estimates, expectations and opinions of management on that date. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by law. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

The forward-looking statements contained herein and in other reports filed by the Company and made by the Company's directors, officers and other persons authorized to speak on the Company's behalf are expressly qualified in their entirety by these cautionary statements.

COMPANY OVERVIEW AND STRATEGY

Overview of the Company

The Company's principal business is the operation of a fully integrated cannabis consumer technology platform, supported by a fulfillment network of retail stores and rapid delivery to cannabis consumers. The Company is focused on delivering a seamless customer experience, from online customer acquisition and discovery through to purchase and fulfillment. The Company's fully-integrated platform allows it to own the customer relationship from customer acquisition and discovery through customer acquisition channels, such as PotGuide.com and Wikileaf.com, through to a personalized online or in-store shopping experience through our proprietary Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™ retail banners, powered by our technology development subsidiary, Hifyre Inc. ("**Hifyre**") and our proprietary Spark Perks™ membership program, and culminating in best-in-class rapid delivery to our customers' doors through our delivery subsidiary, Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**").

The Company's common shares (the "**Common Shares**") trade on the Toronto Stock Exchange (the "**TSX**") under the ticker symbol "FAF".

On August 7, 2019, 2707031 Ontario Inc. (the "**Investor**"), an indirect wholly-owned subsidiary of Alimentation Couche-Tard Inc. ("**ACT**"), made a strategic investment in the Company (the "**Strategic Investment**") and received convertible debentures (the "**Investor Debentures**") and warrants (the "**Investor Warrants**"). Pursuant to the terms of the Strategic Investment, the Investor acquired the right, but not the obligation, to acquire that number of Common Shares that may result in the Investor holding 50.1% of the issued and outstanding Common Shares, on a fully-diluted basis, if the principal amount of the Investor Debentures, Investor Warrants and Top-up Rights (as defined in the Amended and Restated Investor Rights Agreement dated September 16, 2020 between the Company and the Investor (the "**IRA**")) are converted and exercised, respectively, in full. As of the date of this MD&A, the Investor held 35.2% of the issued and outstanding Common Shares.

The Company's material wholly-owned subsidiaries are Fire & Flower Inc. ("**FFI**"), Hifyre, Hifyre US, Inc., PGED Corp., Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**"), 10926671 Canada Ltd. (operating as Open Fields Distribution), 11180703 Canada Ltd. (operating as Hi-Line Ventures), 13318184 Canada Inc. and Friendly Stranger Holdings Corp. ("**Friendly Stranger**" or "**FSHC**").

The Company's head office, registered office and records office is located at 130 King Street West, Suite 2500, Toronto, Ontario, M5X 1C8.

Description of the Business

The Company's mission is to "Deliver Cannabis to the World" through a fully-integrated cannabis consumer technology platform enabled by advanced technology and data analytics to focus on consumer needs and transform the way consumers learn about and purchase cannabis. Through Hifyre's online cannabis platforms, along with the Company's retail brands and partner branded online dispensaries, the Company drives cannabis consumers into its data-driven retail network, powered by the proprietary Hifyre™ Digital Retail and Analytics Platform and the cross-platform Spark Perks™ membership program, to deliver a highly personalized consumer shopping experience. Fulfilment is carried out through the Company's Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™ retail networks, Pineapple Express Delivery rapid delivery platform and its wholesale distribution and fulfilment capabilities (operating as "Open Fields Distribution"). The Company's complete platform and asset-light retail strategy provides a significant competitive advantage, additional revenue opportunities, as well as a growth platform to enter international markets in a flexible and compliant manner.

Retail

As at July 30, 2022, the Company, through its wholly-owned subsidiaries FFI and Friendly Stranger, owned and operated ninety-one (91) licensed cannabis retail stores and one (1) accessories store. The Company has also licensed the Fire & Flower™ brand and Hifyre™ Digital Platform to Fire & Flower US Holdings Inc. ("**Fire & Flower US**"), which is currently operating one Fire & Flower™ branded retail cannabis store licensed under California state laws and one retail cannabis store licensed under Colorado state laws. In addition to service as traditional brick-and-mortar retail shops, the Company's network of retail stores also serve as distribution nodes and last-mile fulfilment outposts for delivery direct to consumers.

The Company's retail experience model is designed to be continuously optimized through insights garnered from the Hifyre™ Digital Platform to provide a highly personalized shopping experience to both long-time cannabis users who may be transitioning from the unregulated market as well as customers who are new to consuming cannabis. In addition, the Hifyre™ IQ Data and Analytics Platform is one of the leading products that provide market industry data to the cannabis industry across North America.

The Company's purchase of cannabis product inventory is determined by the applicable provincial regime and optimized through automated tools included in the Hifyre™ Digital Platform. In the provinces of Alberta, British Columbia, Ontario, Manitoba and the Yukon Territory, all purchases of cannabis products are made through an exclusive government-operated wholesaler. In the province of Saskatchewan, no such intermediary exists, and the Company engages directly with Licensed Producers through its Wholesale and Logistics business. Pricing for cannabis products purchased by the Company for sale in its cannabis retail stores in Alberta, Manitoba, Ontario, British Columbia and the Yukon Territory is set by the provincial/territory regulator.

On May 19, 2022, the Company launched Firebird Delivery™, a virtual marketplace, in seven Ontario cities (Toronto, Kingston, London, Ottawa, Oshawa, Guelph, and North Bay). Firebird Delivery™ leverages the Hifyre™ Digital Platform and CannDeliv delivery logistics software to power the fulfillment by the Company's retail network with same-day delivery windows and new "Rush Delivery" option for estimated delivery completion within one hour.

The following table sets out the Company's retail operations across Canada as at July 30, 2022:

As at July 30, 2022:	
Province/ Territory	Stores Operated ⁽¹⁾
Alberta	34
Saskatchewan	15
Manitoba	6
Yukon Territory	1
Ontario	35 ⁽²⁾
British Columbia	1
Total Corporate Stores	92

(1) All operated stores as July 30, 2022 were owned by the Company.

(2) Reflects 34 licensed cannabis retail stores and 1 accessories only store in Ontario that were in operation as at July 30, 2022 and is exclusive of sites that were in the process of being licensed and sites under construction.

During the thirteen weeks ended July 30, 2022, the Company opened two (2) additional locations and closed eleven (11) of its existing locations. The Company anticipates being able to grow both organically as well as through acquisition in the future. Subsequent to the thirteen weeks ended July 30, 2022, the Company opened one (1) additional location.

On October 5, 2021, the Company announced that it had advanced its strategic initiative with ACT, the parent company of Circle K stores, to open new Fire & Flower™ cannabis retail stores adjacent to existing Circle K stores located in new markets across Canada (the "**Co-Location Program**"). Initially launched as a pilot project in July 2020, the expected expansion of the Co-Location Program will now see co-located retail stores open in the provinces of Alberta, Saskatchewan and Manitoba. The co-located stores will be operated by a subsidiary of ACT pursuant to certain master franchise agreements whereby the subsidiary of ACT has the right to develop and operate cannabis retail outlets utilizing the Company's cannabis brand trademarks, intellectual property, operating plans and system of design.

Wholesale and Logistics

The Wholesale and Logistics segment is comprised of the Company's wholly-owned subsidiaries, Open Fields Distribution ("**Open Fields**") and Pineapple Express Delivery. The Company, through Open Fields, operates a cannabis wholesale business in Saskatchewan under a cannabis wholesale permit issued by the Saskatchewan Liquor and Gaming Authority ("**SLGA**"). Open Fields purchases cannabis products directly from Licensed Producers that are authorized to sell into Saskatchewan and distributes such products to the Company's licensed corporate-owned and branded retail stores as well as third-party independent licensed retailers in Saskatchewan. Open Fields also purchases cannabis accessories and related ancillary products from Canadian-based and global suppliers and distributes them to the Company's retail stores and third-party independent retailers in Canada. Sales to third-party retailers provides the Company with additional revenue and margin opportunities that includes fulfillment of e-commerce sales across Canada of cannabis accessories and related ancillary products. Pricing for cannabis products purchased by Open Fields for re-sale through the Company's retail stores and independent retailers in Saskatchewan is determined through negotiation with provincially authorized Licensed Producers.

On January 21, 2022, the Company completed the acquisition of Pineapple Express Delivery, a Canadian delivery and logistics company servicing recreational and medical cannabis customers across Canada. With this acquisition, Pineapple Express Delivery's proprietary technology, the CannDeliv logistics platform, has been integrated into the Hifyre™ Digital Platform to provide the Company with a full cannabis e-commerce and delivery service, supporting the Company's network of retail stores and same-day delivery to cannabis consumers through Firebird Delivery™. Post-acquisition, Pineapple Express Delivery platform has been rolled out and is operating in the provinces of British Columbia, Saskatchewan, Manitoba and Ontario. Further details on the acquisition are described below under *"Acquisitions – Acquisition of Pineapple Express Delivery"*.

On April 14, 2022, the Company announced that Open Fields had entered into a cannabis distribution agreement (the **"Distribution Agreement"**) with Manitoba Liquor & Lotteries Corporation (**"MBLL"**), pursuant to which Open Fields will, at the direction of MBLL, offer distribution of cannabis products from Licensed Producers to cannabis retailers in the province of Manitoba. Under the Distribution Agreement, Open Fields will not purchase or sell cannabis or cannabis products but will receive fees from Licensed Producers for its distribution services.

Hifyre™ Digital Platform

Hifyre™ has developed and deployed a proprietary, omni-channel, data-driven system to drive the Company's advanced retail operations and provide insight into consumer behaviours. The fully-integrated Hifyre™ Digital Platform allows the Company to own the customer relationship from digital customer acquisition through to a personalized online or in-store purchase experience and, ultimately, rapid delivery to the customer's door. The Hifyre™ Digital Platform allows customers to discover and interact with cannabis brands independent of a brick-and-mortar store, but still provides them the unparalleled convenience of rapid delivery from a robust and well-organized physical fulfilment network. The Hifyre™ Digital Platform has also integrated Pineapple Express Delivery's proprietary technology, the CannDeliv platform, to provide licensing services to users within the industry.

The first generation of the platform was successfully launched for legalization on October 17, 2018, and Hifyre™ continues to execute development activities on the platform and acquire complimentary technology that can be integrated into the existing Hifyre technology stack. By capturing user behaviour data and applying predictive analytics, Hifyre™ is able to facilitate the retail business' delivery of a highly personalized customer experience. This both allows the Company to connect customers with products that match their buying habits and interests, and helps the Company efficiently manage its inventory and product assortment to offer products its customers enjoy most.

The Company expects the Hifyre™ Digital Platform to provide it with a significant competitive advantage at retail, create opportunities for additional high-margin revenue streams and a platform for growth into international markets. Hifyre™ also licenses certain data analytics components of the Hifyre™ Digital Platform to allow its customers to better understand consumer preferences, behaviour and market dynamics. The Hifyre™ Digital Platform includes the industry-leading data platform and high-margin subscription revenue stream, Hifyre™ IQ, which is subscribed to by a significant number of Canadian licensed producers, equity research analysts and a variety of customers in business, finance, banking and consulting. Hifyre™ has also launched a digital advertising offering, Hifyre™ Reach, which uses the Company's advanced consumer segmentation engine to deliver targeted advertising services, compliant with the highly regulated cannabis marketing restrictions.

The Hifyre™ Digital Platform has supported the Company to closely monitor its retail operations in real-time and rapidly adapt to regulatory and operational changes, including expanding its Spark Fastlane™ in-store and curbside pickup services, implementing its Firebird Delivery™ services, and introducing its Spark Perks™ Member Pricing program.

On May 19, 2022, Firebird Delivery™, a virtual marketplace and last mile delivery service, was launched leveraging the full technology stack of the Hifyre™ Digital Platform and CannDeliv delivery logistics software. Firebird Delivery™ provides a new acquisition and engagement channel to Spark Perks age-verified membership, creating new connection opportunities for the Hifyre Reach ad network and Hifyre IQ data platform, with the ability to expand to other age-verified categories in multiple geographies.

On September 15, 2021, Hifyre™ announced that it had completed the acquisition of certain assets of Wikileaf Technologies Inc. and its subsidiaries (**"Wikileaf"**), an online platform for cannabis enthusiasts, as well as the acquisition of all of the issued and outstanding shares of PGED Corp. (**"PotGuide"**), one of the world's largest cannabis websites and content platforms. The Company intends to leverage the user traffic on the Wikileaf and PotGuide platforms and Hifyre's proprietary white-label dispensary e-commerce software to convert traffic into cannabis and accessories purchases across the Fire & Flower retail network across certain US states through its Strategic Agreements with Fire & Flower US.

Q2 2022 AND RECENT HIGHLIGHTS

Financial and Operational Summary

(in thousands of dollars, except per share information and as otherwise noted)		Q2 2022	Q1 2022	Q2 2021	Twenty-six Weeks ended	
		July 30, 2022	April 30, 2022	July 31, 2021	July 30, 2022	July 31, 2021
Financial Highlights						
Revenue	\$	40,742	40,944	43,306	81,686	87,390
Gross profit	\$	9,699	12,166	16,173	21,865	32,691
Adjusted EBITDA ⁽¹⁾	\$	(6,037)	(2,311)	3,146	(8,348)	5,453
Net (loss) income	\$	(21,557)	(9,906)	19,450	(31,463)	(42,148)
Net (loss) income per share, basic	\$	(\$0.48)	(\$0.27)	\$0.58	(\$0.76)	(\$1.33)
Net (loss) income per share, diluted	\$	(\$0.48)	(\$0.27)	\$0.18	(\$0.76)	(\$1.33)
Gross margin percentage	%	23.8%	29.7%	37.3%	26.8%	37.4%
Operating Highlights						
Operated ⁽²⁾ cannabis stores - beginning of period	#	100	102	80	102	51
Operated ⁽²⁾ cannabis stores - end of period	#	91	100	87	91	87
Balance Sheet Data						
Cash & cash equivalents	\$	18,575	28,444	29,275	18,575	29,275
Total assets	\$	204,462	227,171	225,854	204,462	225,854
Total liabilities	\$	79,680	81,617	108,106	79,680	108,106
Debentures, loans, and conversion option derivatives	\$	2,953	2,961	5,196	2,953	5,196
Debenture and loans principal amount outstanding	\$	2,407	2,407	4,657	2,407	4,657

(1) Refer to the "Adjusted EBITDA" section for further details and reconciliation to the Company's IFRS measures.

(2) Includes directly owned licenced stores and certain store locations operated by the Company pursuant to the terms of certain consulting service agreements, which are consolidated.

Performance Highlights

- Revenue of \$40.7 million and \$81.7 million during the thirteen and twenty-six weeks ended July 30, 2022, respectively (July 31, 2021: \$43.3 million and \$87.4 million, respectively). This is a year-over-year decrease of \$2.6 million (-6%) and \$5.7 million (-7%), respectively. The Company had ninety-two (92) stores, including one (1) accessories store, in operation at the end of July 30, 2022, compared to ninety-one (91) stores, including four (4) accessories stores at the end of July 31, 2021.
- Revenue remained flat quarter-over-quarter in both Q2 2022 and Q1 2022. Retail revenue grew \$0.8 million (2.7%) quarter-over-quarter, despite a net reduction of nine (9) stores in Q2 2022. This offset a revenue decline of \$1.0 million in the Digital Platform segment, while revenue from the Wholesale and Logistics segment remained flat quarter-over-quarter.
- Adjusted EBITDA of negative \$6.0 million and negative \$8.3 million during the thirteen and twenty-six weeks ended July 30, 2022 (July 31, 2021: Adjusted EBITDA of positive \$3.1 million and \$5.5 million, respectively).
- Net loss of \$21.6 million and \$31.5 million for the thirteen and twenty-six weeks ended July 30, 2022 (July 31, 2021: net income of \$19.5 million and net loss of \$42.1 million, respectively).
- As of the date of this MD&A, \$2.4 million principal value of convertible debentures issued to the Investor remains outstanding.
- On April 28, 2022, the Investor exercised 6,717,554 Series B Warrants and 1,570,513 Top-up Series B Warrants for a total value of \$37.8 million. Pursuant to the terms of a secured loan agreement dated December 13, 2021 between the Company and the Investor (the "Secured Loan Agreement"), a portion of the total warrant amount of \$37.8 million was used to repay the principal of \$20.0 million (the "Secured Loan") and interest of \$0.5 million to the Investor as prescribed within the Secured Loan Agreement. There are no further amounts owing under the Secured Loan Agreement.

RESULTS OF OPERATIONS - CONSOLIDATED

The following table sets out the summary consolidated financial information for the periods indicated and have been derived from the Financial Statements.

<i>(in thousands of dollars, except per share amounts)</i>	Thirteen Weeks Ended			Twenty-six Weeks Ended		
Statement of Income and Loss	July 30, 2022 (\$)	July 31, 2021 (\$)	\$ Change % Change	July 30, 2022 (\$)	July 31, 2021 (\$)	\$ Change % Change
Revenue	40,742	43,306	(2,564) (6%)	81,686	87,390	(5,704) (7%)
Cost of goods sold	(31,043)	(27,133)	(3,910) 14%	(59,821)	(54,699)	(5,122) 9%
Gross profit	9,699	16,173	(6,474) (40%)	21,865	32,691	(10,826) (33%)
Selling, general and administrative	16,873	14,605	2,268 16%	32,082	30,137	1,945 6%
Depreciation & amortization	6,110	4,182	1,928 46%	10,874	8,511	2,363 28%
Restructuring, impairment and other costs, net	6,370	793	5,577 703%	6,370	940	5,430 578%
(Gain) loss on revaluation of derivative liability, net	(59)	(25,321)	25,262 (100%)	(320)	28,789	(29,109) 101%
Finance costs, net	1,355	1,096	259 24%	3,096	4,407	(1,311) (30%)
Total expenses (income)	30,649	(4,645)	35,294 (760%)	52,102	72,784	(20,682) (28%)
(Loss) income before tax	(20,950)	20,818	(41,768) (201%)	(30,237)	(40,093)	9,856 (25%)
Income taxes, net	(607)	(1,368)	761 (56%)	(1,226)	(2,055)	829 (40%)
Net (loss) income	(21,557)	19,450	(41,007) (211%)	(31,463)	(42,148)	10,685 (25%)
Net (loss) income per share, basic	(\$0.48)	\$0.58	(\$1.06) (183%)	(\$0.76)	(\$1.33)	\$0.57 (43%)
Net (loss) income per share, diluted	(\$0.48)	\$0.18	(\$0.66) (367%)	(\$0.76)	(\$1.33)	\$0.57 (43%)
Adjusted EBITDA ⁽¹⁾	(6,037)	3,146	(9,183) (292%)	(8,348)	5,453	(13,801) (253%)

(1) Refer to the "Adjusted EBITDA" section for further details and reconciliation to the Company's IFRS measures.

Overview of Consolidated Results

Revenue

Consolidated revenue for the thirteen weeks ended July 30, 2022 was \$40.7 million compared to \$43.3 million for the prior year comparable period, a decrease of \$2.6 million (-6%). The decrease from the prior year comparable period reflects a decrease in revenue from the Retail segment of \$1.4 million (-4%) and a decrease in the Digital Platform segment of \$1.8 million (-49%) offset by an increase in Wholesale and Logistics segment of \$0.7 million (+9%).

Consolidated revenue for the twenty-six weeks was \$81.7 million compared to \$87.4 million in the prior year comparable period, a decrease of \$5.7 million (-7%). The decrease reflects a year-over-year decline in revenue from Retail of \$5.6 million (-9%) and Digital platform of \$1.6 million (-25%) offset by an increase in Wholesale and Logistics of \$1.5 million (+10%).

Further analysis of revenue is provided in the discussion of the operating segments results below.

Gross Profit

Gross profit for the thirteen weeks ended July 30, 2022 was \$9.7 million or 24% of the corresponding revenue (July 31, 2021: \$16.2 million or 37% of revenue). This is a decrease of \$6.5 million (-40%) from the prior year comparable period.

Gross profit for the twenty-six weeks was \$21.9 million or 27% of the corresponding revenue (July 31, 2021: \$32.7 million or 37% of revenue). This is a decrease of \$10.8 million (-33%) from the prior year comparable period.

Further analysis of gross profit is provided in the discussion of results of operating segments below.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses for the thirteen weeks ended July 30, 2022 were \$16.9 million compared to \$14.6 million (July 31, 2021), an increase of \$2.3 million. SG&A expenses for the twenty-six weeks ended July 30, 2022 were \$32.1 million compared to \$30.1 million (July 31, 2021), an increase of \$2.0 million. SG&A expense, excluding share-based compensation and acquisition and strategic initiative professional fees, for the thirteen and twenty-six weeks ended July 30, 2022 was \$15.7 million (39% of revenue) and \$30.2 million (37% of revenue) compared to \$13.0 million (30% of revenue) and \$27.2 million (31% of revenue) in the prior year comparable periods. The year-over-year increase in the current fiscal quarter and year-to-date was primarily driven by the addition of Pineapple Express Delivery and PotGuide acquisitions, investments made to expand the Digital Platform's virtual presence, and marketing expenditures for the launch of Firebird Delivery™ and Spark Perks™ Member Pricing.

Recently, the Company launched its new company-wide "Get-To-Green" initiative that will contribute meaningfully to the objective of positive Adjusted EBITDA and Free Cash Flow. The "Get-To-Green" initiative focuses on right-sizing the Company's cost structure and improving operating efficiency through scalability. Cost savings are expected to be realized beginning in Q3 2022.

Further analysis of expenses is provided in the discussion of results of operating segments below.

Depreciation and Amortization

For the thirteen and twenty-six weeks ended July 30, 2022, depreciation and amortization expenses totalled \$6.1 million and \$10.9 million, respectively (July 31, 2021 – \$4.2 million and \$8.5 million, respectively). The increase is primarily due to the amortization of acquired intangible assets of Pineapple Express Delivery, PotGuide and Wikileaf.

Restructuring, Impairment, and Other costs, Net

For the thirteen and twenty-six weeks ended July 30, 2022, \$6.4 million in restructuring, impairment and other costs were incurred in relation to retail store location assets, retail operation licences, and severance costs under the Company's restructuring plan. Under management's plan to optimize the Company's retail portfolio and strategy, eleven (11) locations were identified where the Company no longer intends to continue operating cannabis retail stores. This resulted in an impairment charge of \$2.0 million on the associated property and equipment, \$0.9 million on ROU assets net of lease liability remeasurement and \$1.4 million on acquired licenses in the Province of Ontario and Alberta. Furthermore, the Company recorded an expense of \$2.1 million comprised of \$0.8 million of severance and other benefits and \$1.3 million relating to the cost of closing certain retail locations including the expected cost to settle and exit the respective lease.

During the thirteen and twenty-six weeks ended July 31, 2021, the Company recognized a total restructuring, impairment and other costs of \$0.8 million and \$0.9 million, respectively.

Gain (Loss) on Revaluation of Derivative Liability, Net

For the thirteen and twenty-six weeks ended July 30, 2022, the Company recorded a gain on revaluation of derivative liabilities of \$0.1 million and \$0.3 million, respectively (July 31, 2021: gain of \$25.3 million and loss of \$28.8 million). The derivatives are related to the conversion option liability for the Investor Debentures, as well as certain Investor Warrants that are categorized as derivative liabilities. The change in values is impacted by conversions, changes in the passage of time, volatility assumptions and the movements in the price of the underlying shares of the Company. These inputs are described in further detail under Note 15 of the Financial Statements. The Investor exercised the Series B Warrants during the twenty-six weeks ended July 30, 2022 which reduced the amount of derivative liabilities held by the Company.

Decrease in the Company's share price combined with high share price volatility and shorter maturity period as at the valuation date July 30, 2022 are the predominant drivers of the revaluation gain during the thirteen and twenty-six weeks ended July 30, 2022. Decrease in share price was the predominant driver for the revaluation loss during the thirteen and twenty-six weeks ended July 31, 2021.

Finance Costs, Net

For the thirteen and twenty-six weeks ended July 30, 2022, finance costs, net totalled \$1.4 million and \$3.1 million, respectively (July 31, 2021: \$1.1 million and \$4.4 million). The \$1.4 million in costs are primarily due to accretion expense of \$1.2 million on lease liabilities and interest expense of \$0.2 million on convertible debentures principal, net of other finance income. The expense has decreased from the prior year comparable periods as \$53.0 million principal in convertible debentures was converted in March 2021 during the thirteen weeks ended July 31, 2021. During the thirteen and twenty-six weeks ended July 31, 2021, finance costs were higher due to higher interest expense on a higher convertible debentures balance with a carrying principal amount ranging from \$4.7 million to \$57.8 million throughout the period.

Income Taxes, Net

For the thirteen and twenty-six weeks ended July 30, 2022, the Company recognized \$0.6 million net income tax expense and \$1.2 million net income tax expense (July 31, 2021: \$1.4 million and \$2.1 million, respectively), primarily due to profitability of the Company's Digital Platform and an entity within the Wholesale and Logistics segments.

Net (Loss) Income

Net loss for the thirteen weeks ended July 30, 2022 was \$21.6 million (\$0.48 loss per share) compared to a net income of \$19.5 million (\$0.58 income per share) for the thirteen weeks ended July 31, 2021.

Net loss for the twenty-six weeks ended July 30, 2022 was \$31.5 million (\$0.76 loss per share) compared to net loss of \$42.1 million (\$1.33 loss per share) for the twenty-six weeks ended July 31, 2021.

Adjusted EBITDA

Adjusted EBITDA for the thirteen weeks ended July 30, 2022 decreased to negative \$6.0 million from positive \$3.1 million in the prior year comparable period.

Adjusted EBITDA for the twenty-six weeks ended July 30, 2022 decreased to negative \$8.3 million from positive \$5.5 million in the prior year comparable period.

The year-over year decline in both the thirteen weeks and twenty-six weeks ended July 30, 2022 reflects both ongoing headwinds in the cannabis industry and strategic investments in the Spark Perks™ Member Pricing program, Hifyre Digital Platform and launch of Firebird Delivery in the current quarter.

Further analysis of Adjusted EBITDA is provided in the discussion of results of operating segments below.

RESULTS OF OPERATIONS – REPORTABLE OPERATING SEGMENTS

The Company's reportable segments, organized based on products and services, are as follows: (1) The Retail segment which sells cannabis products and accessories to the adult-use market in provinces where the sale of cannabis by private retailers is legal, and operates under retail banners Fire & Flower™, Friendly Stranger™, Happy Dayz™, and Hotbox™; (2) The Wholesale and Logistics segment which distributes and delivers cannabis products and accessories; and (3) The Digital Platform segment which develops digital experiences and retail analytical insights. The Chief Operating Decision Maker ("CODM") assesses segment performance based on segment operating income or loss. Segments information include operations within Canada and USA.

For the twenty-six weeks ended July 30, 2022, the Company renamed its Wholesale distribution segment as Wholesale and Logistics to reflect the business activities classified within this segment. As a result of this, certain subsidiaries are now being presented within this segment to align with how the CODM reviews their performances.

The following tables sets out the summary consolidated financial information of the Company's reportable segments for the periods indicated and have been derived from the Interim Financial Statements.

Information about reportable segments	Retail		Wholesale & Logistics		Digital Platform		Corporate		Consolidated	
Thirteen weeks ended	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)
Segment revenues	30,357	31,842	8,464	7,797	1,921	3,667	-	-	40,742	43,306
Cost of goods sold	(23,286)	(20,978)	(7,555)	(6,155)	(202)	-	-	-	(31,043)	(27,133)
Segment gross profit	7,071	10,864	909	1,642	1,719	3,667	-	-	9,699	16,173
Selling, general and administrative expenses	(11,611)	(11,605)	(1,314)	(319)	(1,078)	(359)	(2,870)	(2,322)	(16,873)	(14,605)
Depreciation & amortization	-	-	-	-	-	-	(6,110)	(4,182)	(6,110)	(4,182)
Restructuring and impairment costs, net	-	-	-	-	-	-	(6,370)	(793)	(6,370)	(793)
Gain on revaluation of derivative liability, net	-	-	-	-	-	-	59	25,321	59	25,321
Finance costs, net	-	-	-	-	-	-	(1,355)	(1,096)	(1,355)	(1,096)
Income (loss) before tax	(4,540)	(741)	(405)	1,323	641	3,308	(16,646)	16,928	(20,950)	20,818
Adjusted EBITDA reconciling items	-	-	-	-	-	-	14,913	(17,672)	14,913	(17,672)
Adjusted EBITDA ⁽¹⁾	(4,540)	(741)	(405)	1,323	641	3,308	(1,733)	(744)	(6,037)	3,146
Gross profit - % of net revenues (%)	23.3%	34.1%	10.7%	21.1%	89.5%	100.0%			23.8%	37.3%

Information about reportable segments	Retail		Wholesale & Logistics		Digital Platform		Corporate		Consolidated	
Twenty-six weeks ended	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)
Segment revenues	59,913	65,461	16,923	15,425	4,850	6,504	-	-	81,686	87,390
Cost of goods sold	(44,613)	(42,375)	(14,704)	(12,324)	(504)	-	-	-	(59,821)	(54,699)
Segment gross profit	15,300	23,086	2,219	3,101	4,346	6,504	-	-	21,865	32,691
Selling, general and administrative expenses	(22,529)	(22,725)	(2,732)	(762)	(1,988)	(900)	(4,833)	(5,750)	(32,082)	(30,137)
Depreciation & amortization	-	-	-	-	-	-	(10,874)	(8,511)	(10,874)	(8,511)
Restructuring and impairment costs, net	-	-	-	-	-	-	(6,370)	(940)	(6,370)	(940)
Gain (loss) on revaluation of derivative liability, net	-	-	-	-	-	-	320	(28,789)	320	(28,789)
Finance costs, net	-	-	-	-	-	-	(3,096)	(4,407)	(3,096)	(4,407)
Income (loss) before tax	(7,229)	361	(513)	2,339	2,358	5,604	(24,853)	(48,397)	(30,237)	(40,093)
Adjusted EBITDA reconciling items	-	-	-	-	-	-	21,889	45,546	21,889	45,546
Adjusted EBITDA ⁽¹⁾	(7,229)	361	(513)	2,339	2,358	5,604	(2,964)	(2,851)	(8,348)	5,453
Gross profit - % of net revenues (%)	25.5%	35.3%	13.1%	20.1%	89.6%	100.0%			26.8%	37.4%

(1) Refer to the "Adjusted EBITDA" section for further details and reconciliation to the Company's IFRS measures.

Retail Segment

The Company had ninety-two (92) retail stores in operation at the end of July 30, 2022, compared to a hundred and one (101) retail stores at the end of April 30, 2022 and ninety-one (91) stores at the end of July 31, 2021.

In mid-May 2022, the Company launched Spark Perks™ Member Pricing program (Best Prices on the Best Products) to address the needs of the growing value-oriented cannabis consumer segment. The Spark Perks™ Member Pricing is an insights-based strategic approach to assortment and pricing based on a proprietary “Product Power Rank Score” algorithm generated from the Hifyre IQ data platform. This pricing strategy allows the Company to drive customer traffic on value-oriented products while maintaining margin on premium products and those that drive greater basket sizes. The impact on Q2 2022 results from the launch of the new Spark Perks™ Member Pricing program are highlighted below.

On May 19, 2022, the Company launched Firebird Delivery™ in seven Ontario cities (Toronto, Kingston, London, Ottawa, Oshawa, Guelph, and North Bay). Firebird Delivery™ provides the Company the ability to acquire new customers through virtual dispensaries - limiting the requirement for physical stores and creating significant opportunity for a capital conscious growth strategy.

Revenue

Retail revenue for the thirteen weeks ended July 30, 2022 was \$30.4 million, reflecting an increase of 2.7% quarter-over-quarter and a decline of 5% from \$31.8 million in the prior year comparative period. Retail revenue for the twenty-six weeks ended July 30, 2022 declined 9% to \$59.9 million from \$65.5 million in the prior year comparative period. The decrease for the quarter and year-to-date reflects the challenging market conditions in the cannabis retail industry as a whole, resulting from competitive pressures, license expansion outpacing market growth and a growing value-oriented customer base. On a same-store sales basis, comparing 87 stores with operations throughout the thirteen weeks ending July 30, 2022 and July 31, 2021, sales decreased 14% year-over-year, which is an improvement from the trend over the past several quarters. As well, average annualized sales per store increased 18% in Q2 2022 compared to Q1 2022. The quarter-over-quarter improvement in same-store sales and annualized sales per store can be attributed to the new Spark Perks™ Member Program launched in mid-May, higher traffic in stores and closure of low performing stores. Same store sales increased 10.2% from June 2022 to July 2022 to reflect a positive trend in the last month of the quarter. Access to Spark Perks™ Member Pricing and Firebird Delivery options require Spark Perks™ membership and as a result, there has been a significant increase in Spark Perks™ member sign-ups since May to more than 485,000 members as at the date of this MD&A.

In addition, the recent launch of Firebird Delivery™, including same-day delivery windows and new “Rush Delivery” option, is already starting to show a steady growth in the customer base and spending per transaction.

Gross Profit

Gross profit for the thirteen weeks ended July 30, 2022 was \$7.1 million or 23% of revenue compared to \$10.9 million or 34% of revenue for the thirteen weeks ended July 31, 2021. Gross profit for the twenty-six weeks ended July 30, 2022 was \$15.3 million or 26% of revenue compared to \$23.1 million or 35% of revenue for the twenty-six weeks ended July 31, 2021. The decline in gross profit dollars and margin percentage reflect the change in pricing from the new Spark Perks™ Member Pricing program launched in mid-May 2022. Subsequent to quarter end, the Retail segment is already seeing improvement in both gross profit dollars and margin percentage driven by increased number of transactions and units sold per store.

SG&A Expenses

SG&A expenses for the thirteen weeks ended July 30, 2022 was \$11.6 million (38% of revenue) compared to \$11.6 million (36% of revenue) in the prior year comparable period. SG&A expenses for the twenty-six weeks ended July 30, 2022 was \$22.5 million (38% of revenue), a decrease from \$22.7 million (35% of revenue) in the prior year. SG&A for the current year includes an investment of approximately \$0.4 million in marketing expenses related to the launch of the Spark Perks™ Member Pricing program and Firebird Delivery™.

Adjusted EBITDA

Retail Adjusted EBITDA for the thirteen weeks ended July 30, 2022 decreased to negative \$4.5 million from negative \$0.7 million in the prior year comparable period. This reflects a decrease in gross profit dollars. Adjusted EBITDA as a percentage of revenue for the full fiscal year was negative 15% compared to negative 2% in the prior year.

Retail Adjusted EBITDA for the twenty-six weeks ended July 30, 2022 decreased to negative \$7.2 million from positive \$0.4 million in the prior year comparable period. The decrease is primarily attributable to the decrease in gross profit dollars.

Wholesale and Logistics Segment

The results for the thirteen and twenty-six weeks ending July 30, 2022 include the operations of Open Fields wholesale business in the province of Saskatchewan and Pineapple Express Delivery which was acquired on January 21, 2022.

Firebird Delivery™ (a virtual dispensary operated by the Retail segment) leverages Pineapple Express Delivery's CannDeliv routing technology and logistics expertise to power the fulfillment by the Company's retail network with same-day delivery windows and new "Rush Delivery" option for estimated delivery completion within one hour. The cost of providing the delivery service for Firebird Delivery™, in excess of fees charged to the Retail Segment for the service, is recorded as cost of sales in the Wholesale and Logistics segment.

Revenue

Wholesale and Logistics revenue for the thirteen and twenty-six weeks ended July 30, 2022 increased to \$8.5 million and \$16.9 million, respectively (July 31, 2021: \$7.8 million and \$15.4 million, respectively) due to the acquisition of Pineapple Express Delivery offset by lower wholesale revenue from Open Fields as a result of competitive pressures and new entrants in the Saskatchewan marketplace.

Gross Profit

Wholesale and Logistics gross profit for the thirteen weeks ended July 30, 2022 was \$0.9 million (11% of revenue) compared to \$1.6 million (21% of revenue) for the thirteen weeks ended July 31, 2021. The decline in gross profit is due to an increase in gas prices and labour costs, particularly relating to the launch of Firebird Delivery™ in the current fiscal quarter. Management anticipates gross profit and margin improvement as operating delivery services become more efficient with economies of scale.

Wholesale and Logistics gross profit for the twenty-six weeks ended July 30, 2022 was \$2.2 million (13% of revenue) compared to \$3.1 million (20% of revenue) for the twenty-six weeks ended July 31, 2021. The decrease in gross profit dollars and percentage of revenue for the quarter was attributable to the combination of promotional pricing and increase in costs mentioned above.

SG&A Expenses

SG&A expenses for the thirteen weeks ended July 30, 2022 increased to \$1.3 million (15% of revenue) compared to \$0.3 million (4% of revenue) for the thirteen weeks ended July 31, 2021. SG&A expense increased from the comparative period due to acquisition of Pineapple Express Delivery.

SG&A expenses for the twenty-six weeks ended July 30, 2022 was \$2.7 million (16% of revenue) from \$0.8 million (5% of revenue) in the prior year. SG&A expense increased from the comparative period due to acquisition of Pineapple Express Delivery.

Adjusted EBITDA

Wholesale and Logistics Adjusted EBITDA for the thirteen weeks ended July 30, 2022 decreased to negative \$0.4 million from positive \$1.3 million in the prior year comparable period. The decrease reflects decreased gross profit dollars and gross margin percentage combined with an increase in SG&A expense as a percentage of revenue.

Wholesale and Logistics Adjusted EBITDA for the twenty-six weeks ended July 30, 2022 decreased to negative \$0.5 million from positive \$2.3 million in the prior year comparable period. The decrease reflects decreased gross profit dollars and gross margin percentage combined with an increase in SG&A expense as a percentage of revenue.

Digital Platform Segment

The results for the thirteen and twenty-six weeks ended July 30, 2022 include the operations of PotGuide which was acquired on September 15, 2021.

Revenue

Digital Platform revenue for the thirteen and twenty-six weeks ended July 30, 2022 was \$1.9 million and \$4.9 million, respectively from \$3.7 million and \$6.5 million, respectively in the prior comparative period. The year-over-year decline in Digital Platform revenue is primarily due to a delay in renewals of data subscription agreements and reduced project-based data and analytics work in the current fiscal quarter as the Company prioritized development of new products that have been launched in Q3 2022. Subsequent to quarter end, substantial renewal of data subscription agreements are anticipated to be completed through the back half of fiscal 2022 through more favourable economics for data subscription customers, thereby, stabilizing monthly recurring revenues in future quarters. In addition, the Company anticipates receiving licensing revenues in future quarters from co-located sites and U.S. expansion by Fire & Flower US.

The Company continues to build and monetize products in the Digital Platform including the recently developed *Consumer Insights and Product Distribution* modules within the Hifyre™ Digital Platform, which are anticipated to generate incremental revenue in the coming quarters.

Gross Profit

Gross profit for the thirteen weeks ended July 30, 2022 was \$1.7 million (89% of revenue) compared to \$3.7 million (100% of revenue) for the thirteen weeks ended July 31, 2021. Change in gross profit as a percentage of revenue is attributable to cost of sales associated with new revenue streams from PotGuide acquired in Q3 2021.

Gross profit for the twenty-six weeks ended July 30, 2022 was \$4.3 million (90% of revenue) compared to \$6.5 million (100% of revenue) for prior year comparable period.

SG&A Expenses

SG&A expenses for the thirteen and twenty-six weeks increased to \$1.1 million (58% of revenue) and \$2.0 million (41% of revenue), respectively from \$0.4 million (11% of revenue) and \$0.9 million (14% of revenue) in the prior year comparable periods. The increase in SG&A expense dollars is primarily attributable to the acquisition of PotGuide and investments made to expand the Digital Platform.

Adjusted EBITDA

Digital Platform Adjusted EBITDA for the thirteen weeks ended July 30, 2022 decreased to \$0.6 million from \$3.3 million in the prior year comparable period. The decrease reflects lower revenue and higher SG&A expenses. As a result, the Adjusted EBITDA as a percentage of revenue decreased to 33% in the current fiscal quarter (July 31, 2021: 90%).

Digital Platform Adjusted EBITDA for the twenty-six weeks ended July 30, 2022 decreased to positive \$2.4 million from \$5.6 million in the prior year comparable period. The decrease reflects lower revenue and higher SG&A expenses. As a result, Adjusted EBITDA as a percentage of revenue decreased to 49% in the current fiscal year-to-date compared to 86% in the prior year comparable period.

Corporate

The Corporate results are comprised of the incremental cost of corporate overhead in excess of the amounts allocated to Retail, Wholesale and Logistics and Digital Platform segments.

SG&A expenses for the thirteen and twenty-six weeks ended July 30, 2022 were \$2.9 million and \$4.8 million, respectively (July 31, 2021: \$2.3 million and \$5.8 million, respectively). SG&A excluding share-based compensation expense and acquisition and strategic initiative professional fees, were \$1.7 million and \$2.9 million for the current quarter and year-to-date, respectively (July 31, 2021: \$0.7 million and \$2.9 million). While in SG&A expenses excluding share-based compensation expense and acquisition and strategic initiative professional fees for the twenty-six week period was flat to the prior year, the year-over-year increase in the thirteen week period is primarily due to an increase in director and officer insurance and professional fees.

Share-based compensation expense for the thirteen and twenty-six weeks ended July 30, 2022 was \$0.7 million and \$1.3 million, compared to \$1.3 million and \$1.9 million in the prior comparable period.

Acquisition and strategic initiative professional fees for the thirteen and twenty-six weeks ended July 30, 2022 was \$0.5 million and \$0.6 million compared to \$0.3 million and \$1.0 million in the prior comparable periods. The decrease in the current year-to-date was attributable to higher legal costs associated with various acquisitions, debt financing, an at-the-market equity offering (“ATM Program”) and other professional fees associated with strategic initiatives in the prior year comparable period.

ADJUSTED EBITDA

The Company’s “Adjusted EBITDA” is a Non-IFRS metric used by management that does not have any standardized meaning prescribed by IFRS and may not be fully comparable to similar measures presented by other companies. Management defines Adjusted EBITDA as the income (loss) for the period, as reported, before income taxes and other expense (income) items such as finance costs, finance income, gains and losses related to derivative liability revaluations and debt extinguishments, and adjusted for share-based compensation, depreciation and amortization, impairment expenses, restructuring charges and acquisitions and strategic initiative professional fees.

The above measure is different from the Adjusted EBITDA measure disclosed in periods prior to Q1 2021 and has been adjusted for retrospectively, where the Company previously included lease liability cash payments as disclosed in accordance with IFRS 16 “Leases” accounting standards. The updated measure excludes lease liability payments and reflects the Company’s new approach to analyzing the consolidated operating performance across the business lines. The Company believes the updated definition is an alternative measure to assess performance as it provides meaningful operating results and facilitates period-to-period operating comparisons. The Company cautions readers that Adjusted EBITDA should not be substituted for determining net income (loss) as an indicator of operating results, or as a substitute for cash flows from operating activities.

A reconciliation of net income (loss) to Adjusted EBITDA is presented below:

	Thirteen Weeks ended		Twenty-six Weeks ended	
<i>(in thousands of dollars)</i>	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)
Net (loss) income – as reported	(21,557)	19,450	(31,463)	(42,148)
(Gain) loss on revaluation of derivative liability	(59)	(25,321)	(320)	28,789
Finance costs, net	1,355	1,096	3,096	4,407
Income taxes, net	607	1,368	1,226	2,055
Share-based compensation	678	1,319	1,310	1,851
Acquisition and strategic initiative professional fees	459	259	559	1,048
Depreciation & amortization	6,110	4,182	10,874	8,511
Restructuring, impairment and other costs, net	6,370	793	6,370	940
Adjusted EBITDA	(6,037)	3,146	(8,348)	5,453

Lease liability cash payments for the thirteen and twenty-six weeks ended July 30, 2022 was \$2.5 million and \$4.9 million, respectively (July 31, 2021: \$2.1 million and \$4.3 million, respectively).

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position Information (in thousands of dollars)	As at July 30, 2022	As at January 29, 2022
Cash and cash equivalents	18,575	19,847
Trade and other receivables	14,237	15,948
Merchandise inventories	10,884	12,458
Prepaid expenses, deposits and other assets	6,511	7,718
Property and equipment, net	42,682	47,500
Right-of-use assets, net	40,047	43,755
Intangible assets, net	40,985	45,113
Goodwill	30,541	30,541
Total assets	204,462	222,880
Accounts payable, accrued liabilities and income tax payable	20,430	25,446
Debentures, loans and derivative liability	3,029	24,544
Lease liabilities	50,107	52,203
Deferred tax liability	1,808	1,749
Provisions and other liabilities	4,306	3,246
Total liabilities	79,680	107,188
Total shareholders' equity	124,782	115,692

As at July 30, 2022, the Company had total assets of \$204.5 million, a decrease of \$18.4 million compared to \$222.9 million as at January 29, 2022. The decrease in total assets was primarily due to decrease in merchandise inventory of \$1.6 million, decrease in trade and other receivables of \$1.7 million due the timing of collection of trade receivables primarily in the Wholesale and Logistics segments, a decrease of \$4.8 million in property and equipment due to \$2.0 million of impairment and depreciation exceeding capital investment of \$1.7 million, \$4.4 million impairment of assets and a \$1.3 million decrease in cash and cash equivalents as described under the “*Liquidity and Capital Resources*” section below.

As at July 30, 2022, the Company had total liabilities of \$79.7 million, a decrease of \$27.5 million compared to \$107.2 million as at January 29, 2022. The decrease in total liabilities was primarily due to the repayment of the Secured Loan of \$20.0 million after the exercise of Series B Warrants by the Investor and payments made to vendors after the fiscal year end January 29, 2022.

As at July 30, 2022, total shareholders' equity was \$124.8 million, an increase of \$9.1 million compared to \$115.7 million at January 29, 2022. Total shareholders' equity increased primarily due to the issuance of 8,288,067 common shares issued to the Investor upon the exercise of the Series B Warrants offset by \$31.5 million increase of the accumulated deficit, which now stands at \$246.2 million.

LIQUIDITY AND CAPITAL RESOURCES

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

The accompanying interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of business as they come due. The ability of the company to continue operations as a going concern is ultimately dependent upon increasing revenues, improving profitability and cash flows, availability of funding from debt, warrants and other capital market alternatives. Management continually evaluates the Company's liquidity by reviewing immediate capital requirements and ensuring planning and budgeting controls and processes are in place to ensure sufficient funds are available to fund the Company's ongoing operations, including lease payments for locations secured for future store operations.

As at July 30, 2022, cash and cash equivalents were \$18.6 million (January 29, 2022: \$19.8 million). At July 30, 2022, the Company had positive working capital (current assets less current liabilities) of \$15.2 million (January 29, 2022 – negative \$1.6 million). The Company's financial liabilities are comprised of convertible debentures and derivative liabilities including warrants, which have varying contractual maturity/expiry dates, and are described under note 8 and note 9 of the Interim Financial Statements.

The Company incurred net losses of \$31.5 million for the twenty-six weeks ended July 30, 2022 (July 30, 2021: \$42.1 million) and negative cashflow from operating activities of \$11.6 million (July 30, 2021: \$7.2 million). As at July 30, 2022, accumulated deficit was \$246.2 million (January 29, 2022: \$214.7 million).

The Company's primary sources of liquidity are cash from sales of goods and services to its customers, warrants proceeds and equity financing. The Company's outstanding warrants are held by 2707031 Ontario Inc. (the "Investor"), a wholly-owned subsidiary of Alimentation Couche-Tard Inc. ("ACT"). As at July 30, 2022, 17,796,284 Series C warrant units were held by the Investor exercisable at any time after October 1, 2022 at an exercise price of the lesser of: (A) \$30.00; and (B) 125% of the 20-day VWAP of the common shares on the last trading day prior to the date on which the Series C Warrants are exercised. As of July 30, 2022, ACT held 35.2% of the issued and outstanding Common Shares of the Company. During the twenty-six weeks ended July 30, 2022, the Investor exercised 8,288,067 Series B Warrants and the Company received net proceeds of \$17,334. The Investor held a total of 17,796,284 warrants as at July 30, 2022 (January 29, 2022: 26,084,351) which are exercisable after October 1, 2022 until June 30, 2023, with maximum exercise price of \$30.00 (notes 8 and 9 of the Interim Financial Statements).

The Company's ability to continue as a going concern is dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. The Company is actively pursuing additional financing options to raise additional capital in order to fund its operations and meet its future growth targets, including ongoing negotiations in respect of both non-dilutive debt financing and equity financing at preferred rates, however, there is no assurance that these initiatives will be successful, timely or sufficient. These material uncertainties cast significant doubt as to the ability of the Company to continue as a going concern and, hence, the appropriateness of the use of accounting principles applicable to a going concern.

The accompanying interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

On April 28, 2022, the Investor exercised 6,717,554 Series B Warrants and 1,570,513 Top-up Series B Warrants for gross proceeds of \$37.8 million and the Company received net proceeds of \$17.3 million following repayment of \$20.0 million in principal and \$0.5 million in interest owing pursuant to the Secured Loan Agreement. A portion of the total value of exercised warrant of \$37.8 million was used to repay the principal of \$20.0 million and interest of \$0.5 million owing pursuant the Secured Loan Agreement between the Investor and the Company described below.

On January 21, 2022, the Company closed the acquisition of Pineapple Express Delivery for an aggregate consideration of \$10.2 million consisting of (i) \$5 million of cash by way of repayment of debt; (ii) issuance of up to 313,708 Common Shares of the Company with an aggregate value of \$1.4 million; and (iii) contingent consideration of \$3.8 million consisting of 839,436 Common Shares of the Company held in escrow. As at January 29, 2022, 839,436 common shares were held in escrow in relation to the share consideration issued for the acquisition, subject to certain adjustments in accordance with the terms of the Agreement and Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year. Refer to the *Subsequent Events* section for the status as of the date of this MD&A.

On December 13, 2021, the Company entered into the Secured Loan Agreement, pursuant to which the Investor agreed to loan to the Company a maximum aggregate amount of \$30.0 million which may be drawn down in three separate tranches of \$10.0 million. The Secured Loan accrued interest at a rate of 8.0% per annum, payable quarterly, and matures on October 1, 2022. The Secured Loan Agreement contemplates prepayment of amounts drawn from the Secured Loan from the net proceeds received by the Company upon exercise of the Series B Warrants held by the Investor, which were exercisable by the Investor as of January 1, 2022 until September 30, 2022. As at January 29, 2022, a total of \$20.0 million was withdrawn under the Secured Loan and as at July 30, 2022, no amounts are outstanding on the Secured Loan.

On November 9, 2021, the Company closed the acquisition of assets related to the operations of cannabis retail store located in Sarnia, Ontario for aggregate purchase consideration of \$0.7 million in cash.

On October 29, 2021, the Company closed the acquisition of assets related to the operations of cannabis retail store located in Orangeville. Pursuant to the terms of the APA, the Company paid total aggregate consideration of \$1.0 million for the assets acquired comprising of (i) \$0.9 million in cash and (ii) 8,838 Common Shares of the Company with a value of \$0.1 million.

On October 25, 2021, the Company announced that it had repaid \$2.3 million outstanding under a term loan facility with ATB Financial using a portion of the \$3.9 million cash collateral previously held as security for the repayment of interest, fees and principal. The Company was permitted to repay the amounts under the ATB facilities prior to maturity without penalty.

On September 15, 2021, the Company announced the closing of the acquisition of all issued and outstanding shares of PotGuide for a total aggregate consideration of \$10.9 million (USD\$8.8 million) comprised of \$5.5 million cash (USD\$4.3 million) and 597,805 Common Shares of the Company.

On September 15, 2021, the Company announced the closing of the acquisition of certain assets from Wikileaf for total aggregate consideration of \$7.5 million, comprised of 801,710 Commons Shares of the Company.

During Q1 2021, the Company converted \$23.6 million and \$29.4 million in principal of the Investor Debentures and the April 2020 Debentures (as such terms are defined in the 2021 AIF), respectively. As of the date of this MD&A, \$2.4 million in convertible debenture principal remains outstanding. The conversions resulted in the settlement of the Company's material debenture obligations in Q1 2021.

On February 11, 2021, the Company completed an ATM Program for net proceeds of \$7.6 million in additional funding received in Q1 2021 and a cumulative \$14.7 million under the program.

The Company's expansion plans are subject to additional financing, appropriate lease arrangements for each potential retail location and required approvals from the applicable regulatory authorities in each of the provinces (and municipalities) in which the Company plans to open retail cannabis locations. As well, certain provincial and municipal regulatory authorities have limited the number and location of retail cannabis licences available for issuance and this may prohibit the Company from achieving its expansion goals.

These future funding requirements may be met in several ways including, but not limited to, a combination of equity financings, debt financings and other capital markets alternatives. If the Company is not able to obtain adequate financing, enter into appropriate lease arrangements or obtain applicable regulatory approvals/licences to meet its expansion plans, the Company will scale back its expansion plans accordingly.

The Company completed financings with respect to the Secured Loan, an ATM Program, April 2020 Debentures (as such term is defined in the 2021 AIF), and receipt of proceeds from the exercise of warrants by the Investor, which demonstrate the Company's ability to raise financing and manage capital to support growth of the business and continue the expansion of the retail network into new markets as they emerge.

Nasdaq Listing

On February 16, 2021, the Company filed its initial application to list its Common Shares on the Nasdaq, which was renewed for a further 12 month period as of February 16, 2022.

On January 19, 2022, the Company filed its Form 40-F Registration Statement with the United States Securities and Exchange Commission ("SEC") in preparation for the Company to list its Common Shares on the Nasdaq. On April 13, 2022, the Company announced the Common Shares had become eligible for electronic clearing and settlement in the United States through the Depositary Trust Company. As of the date of this MD&A the Company has decided to postpone completion of its listing in order to allocate capital and resources to other strategic initiatives while capital market conditions stabilize.

As at July 30, 2022 and as of the date of this MD&A, management believes that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. 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 (including funds from the exercise of any securities issued to the Investor) 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. See Note 21 of the Financial Statements for a discussion of the Company's liquidity.

Cash Flow Statement

Sources and Uses of Cash <i>(in thousands of dollars)</i>	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 30, 2022 (\$)	July 31, 2021 (\$)	July 30, 2022 (\$)	July 31, 2021 (\$)
Cash (used in) provided by operating activities before changes in non-cash working capital	(7,566)	1,190	(10,964)	1,912
Net change in non-cash working capital items	1,948	(8,483)	(612)	(9,153)
Cash used in operating activities	(5,618)	(7,293)	(11,576)	(7,241)
Cash (used in) provided by financing activities	(2,531)	7,588	12,402	13,227
Cash used in investing activities	(1,717)	(3,764)	(2,097)	(7,324)
Effect of foreign exchange on cash and cash equivalents	(3)	-	(1)	-
Decrease in cash and cash equivalents	(9,869)	(3,469)	(1,272)	(1,338)

Operating Activities

For the thirteen and twenty-six weeks ended July 30, 2022, cash used in operating activities was \$5.6 million and \$11.6 million respectively (July 31, 2021: \$7.3 million used in and \$7.2 million used in, respectively), and cash used in operating activities before changes in non-cash working capital was \$7.6 million and \$11.0 million (July 31, 2021: \$1.2 million provided by and \$1.9 million provided by). Operating activities were affected by the net change in non-cash working capital of \$1.9 million and \$0.6 million, respectively (July 31, 2021: \$8.5 million and \$9.2 million) due to the following activity in the twenty-six weeks ended July 30, 2022:

- trade and other receivables decreased by \$1.7 million (July 31, 2021: \$5.0 million increase) primarily due to timing of collections from both the wholesale and logistics, digital platform business and recoverable sales tax;
- a decrease in merchandise inventories of \$1.6 million (July 31, 2021: \$4.6 million increase) as the Company focuses on efficiently managing its inventory and product assortment;
- a decrease in prepaids expenses, deposits and other current assets of \$0.9 million (July 31, 2021: \$0.7 million decrease) primarily due to receipt of prepaid inventories at the end of the January 29, 2022;
- a decrease in accounts payable, accrued liabilities and other of \$4.8 million (July 31, 2021: \$2.6 million increase) due to timing of payments to vendors; and
- a decrease in deferred revenue of \$0.3 million due to the timing and recognition of Digital Platform revenue (July 31, 2021: \$0.1 million increase).

Financing Activities

For the twenty-six weeks ended July 30, 2022, cash provided by financing activities was \$12.4 million, which was driven by \$17.3 million proceeds from the exercise of Series B Warrants by the Investor after repaying principal and interest of \$20.5 million of the Secured Loan and lease liability cash outflows of \$4.9 million.

Investing Activities

For the twenty-six weeks ended July 30, 2022, total cash used in investing activities was \$2.1 million, and was primarily due to \$2.1 million of cash used to acquire property and equipment.

FREE CASH FLOW

The Company's "Free Cash Flow" is a Non-IFRS metric used by management that does not have any standardized meaning prescribed by IFRS and may not be fully comparable to similar measures presented by other companies. Management defines Free Cash Flow as cash provided by operating activities less cash used to purchase intangible assets, property and equipment and less lease liability payments. Free Cash Flow is a key metric that measures the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends and repurchase shares.

Fiscal Quarter Ended (in thousands of dollars)								
	July 30, 2022	April 30, 2022	January 29, 2022	October 30, 2021	July 31, 2021	May 1, 2021	January 30, 2021	October 31, 2020
Cash (used in) provided by operating activities before changes in non-cash working capital items	(7,566)	(3,398)	(4,121)	1,653	1,577	722	1,317	(332)
Net change in non-cash working capital items	1,948	(2,560)	(965)	(1,925)	(8,907)	(670)	(2,839)	(963)
Cash (used in) provided by operating activities	(\$5,618)	(\$5,958)	(\$5,086)	(\$272)	(\$7,330)	\$52	(\$1,522)	(\$1,295)
Less: Lease liability payments	(2,540)	(2,401)	(2,413)	(2,333)	(2,082)	(2,208)	(1,938)	(511)
Less: Capital expenditures	(1,683)	(383)	(4,000)	(5,897)	(3,415)	(3,268)	(2,313)	(1,684)
Free Cash Flow (FCF)	(\$9,841)	(\$8,742)	(\$11,499)	(\$8,502)	(\$12,827)	(\$5,424)	(\$5,773)	(\$3,490)

Free cash flow for the thirteen weeks ended July 30, 2022 was negative \$9.8 million (January 29, 2022: \$11.5 million). The company expects its free cash flow to continue to improve as it implements its asset light strategic initiatives.

Contingencies

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.

On April 28, 2021, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia by Flora (Dawson Creek) enterprises Inc., Flora (Prince George) Enterprises Inc. and Tridelion Enterprises Inc., as plaintiffs, with respect to four asset purchase agreements for cannabis retail store locations in Kamloops, Vernon, Prince George and Quesnel, British Columbia which the parties agreed to terminate on April 6, 2020. The claim alleges breach by the Company of the asset purchase agreements and seeks an undefined amount of damages, a portion of which includes claims for the remainder of the purchase price under the terminated asset purchase agreements related to such cannabis retail stores, totalling \$8.1 million. The Company intends to vigorously defend itself against the claims made by the plaintiffs. As of July 30, 2022, the Company has not recorded any amount related to this contingency.

SUMMARY OF QUARTERLY RESULTS

The following table sets out certain selected financial information for the eight fiscal quarters:

Fiscal Quarter Ended								
(in thousands of dollars, except per share amounts)								
	July 30, 2022	April 30, 2022	January 29, 2022	October 30, 2021	July 31, 2021	May 1, 2021	January 30, 2021	October 31, 2020
Total Revenue	\$40,742	\$40,944	\$42,697	\$45,412	\$43,306	\$44,084	\$43,219	\$33,119
Net Income / (Loss)	(\$21,557)	(\$9,906)	(\$19,461)	(\$1,983)	\$19,450	(\$61,598)	(\$11,417)	(\$25,723)
Income taxes, net	607	619	1,330	(933)	1,368	687	781	1,218
Finance costs, net	1,355	1,741	1,505	1,333	1,096	3,311	4,055	5,972
Depreciation & amortization	6,110	4,764	5,495	5,074	4,182	4,329	3,419	2,914
	(\$13,485)	(\$2,782)	(\$11,131)	\$3,491	\$26,096	(\$53,271)	(\$3,162)	(\$15,619)
(Gain) loss on revaluation of derivative liability	(59)	(261)	(7,558)	(12,686)	(25,321)	54,110	2,444	(35,796)
(Gain) loss on extinguishment and revaluation of debentures	-	-	-	-	-	-	(710)	53,862
Share-based compensation	678	632	468	855	1,319	532	522	581
Acquisition and strategic initiative professional fees	459	100	1,306	740	259	789	1,662	1,060
Restructuring, impairment and other costs, net	6,370	-	14,505	9,677	793	147	2,699	(2,119)
Adjusted EBITDA⁽¹⁾	(\$6,037)	(\$2,311)	(\$2,410)	\$2,077	\$3,146	\$2,307	\$3,455	\$1,969
Net (Loss) / Earnings Per Share – Basic ⁽²⁾	(\$0.48)	(\$0.27)	(\$0.54)	(\$0.06)	\$0.58	(\$2.06)	(\$0.55)	(\$1.51)
Net (Loss) / Earnings Per Share – Diluted ⁽²⁾	(\$0.48)	(\$0.27)	(\$0.54)	(\$0.06)	\$0.18	(\$2.06)	(\$0.55)	(\$1.51)

(1) Adjusted EBITDA measure disclosed in periods prior to Q1 2021 included lease liability cash payments as disclosed in accordance with IFRS 16 “Leases” accounting standards. As a result, Adjusted EBITDA for prior fiscal quarters differ from amounts disclosed in prior periods due to an update in measurement as described under “Adjusted EBITDA”. Refer to reconciliation of adjusted EBITDA within MD&As for each quarter prior to Q1 2021 for lease liability payments included in the calculation of Adjusted EBITDA above.

(2) Quarterly earnings per share are not additive and may not equal the annual earnings per share reported. This is due to the effect of stock issued, cancelled, or repurchased during the year on the basic and diluted weighted average number of Common Shares outstanding together with the effects of rounding. Per share amounts are restated retrospectively for the ten-to-one share consolidation completed effective December 1, 2021.

On December 1, 2021, the Company completed a ten-to-one share consolidation of its issued and outstanding Common Shares (the “Share Consolidation”) and began trading on the TSX on a post-consolidation basis on December 2, 2021. The Share Consolidation has been applied retrospectively and as a result, the per share and Common Share amounts are stated on an adjusted post-consolidation basis.

Results for the past eight quarters reflect changes in revenues and expenses as the Company optimizes its retail store network and executes its strategy of becoming a leading cannabis consumer technology platform. Net income or losses are also subject to the changes in the fair values and interest expense incurred on the Company’s convertible debentures and derivative liabilities. These changes are a function of market price and estimate of the Company’s share price volatility. These are further described under “Statement of Financial Position” and “Results of Operations – Consolidated”.

With respect to operations, the results have varied between these fiscal quarters principally because of, (i) the evolution of the adult-use cannabis market, including increased competition as provinces increase the number of store operator licenses issued, as well as aggressive price discounting by competitors, (ii) the seasonal nature of the cannabis retail business, (iii) increased marketing and branding expenses related to building and growing the Company’s brands, (iv) professional and consulting fees supporting acquisitions and business development activities, (v) share-based compensation expenses increasing as stock options vest, (vi) increased salaries and wages as the organization grows and enters into commercialization and operation of its retail stores, (vii) restructuring costs, (viii) impairment charges and (ix) debt and financing costs to support the expansion of the Company’s retail and technology platform. It is anticipated that certain costs are non-recurring and/or will normalize over time.

OUTSTANDING SHARE DATA

As at September 13, 2022, the Company had 45,304,208 Common Shares issued and outstanding.

As at September 13, 2022, the Company had the following securities outstanding, which are exercisable for Common Shares:

Securities Outstanding	Number of Securities	Weighted Average Exercise/ Conversion Price
Convertible Investor Debentures	\$2,407,415 principal amount	\$9.00
Stock Options	2,682,295	\$3.40
Restricted Share Units	170,038	N/A
Deferred Share Units	14,945	N/A
Investor Warrants ⁽¹⁾	13,339,078	variable
Investor Top-up Warrants	4,457,206	variable

(1) The conversion / exercise price for these instruments are variable and not disclosed on a weighted average basis. See the 2021 AIF for terms of these instruments. Additional Investor Warrants may be issued pursuant to certain Top-up Rights (as defined in the Amended and Restated Investor Rights Agreement between the Company and the Investor) to ensure that the Investor holds a number of Investor Warrants that may result in the Investor holding 50.1% of the issued and outstanding Common Shares, on a fully diluted basis, if the principal amount of the Investor Debentures, Investor Warrants and Top-up Rights are converted and exercised, respectively, in full.

On January 18, 2022, pursuant to the terms of the IRA between the Company and the Investor, the Investor's Top-up Rights were triggered and the Company issued an additional 1,570,513 Series B Warrants, and 4,457,206 Series C Warrants, for an aggregate issuance of 6,027,719 warrants ("**Top-up Warrants**"). Under the IRA, the Investor is entitled to certain Top-up Rights (as defined in the IRA) when its fully diluted interest in the Company drops below 49.1%. During the twenty-six weeks ended July 30, 2022, the Investor exercised an aggregate of 8,288,067 Series B Warrants for gross proceeds of \$37.8 million.

On November 29, 2021, the Company announced that it had filed articles of amendment implementing a consolidation of its Common Shares on the basis of ten (10) pre-consolidation Common Shares for one (1) post-consolidation Common Share. On December 1, 2021, the Company completed a ten-to-one share consolidation on its issued and outstanding Common Shares with common shares trading on a post-consolidation basis commencing on December 2, 2021. The Share Consolidation has been applied retrospectively and as a result, all Common Shares, options, warrants, restricted share units, and per share amounts are stated on an adjusted post-consolidation basis for all periods presented.

As at the date of this MD&A, 786,636 Common Shares were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery which may be released upon Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year.

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.

SUBSEQUENT EVENTS

Subsequent events are described under "*Q2 2022 and Recent Highlights*" and relate to the following transactions/events that occurred after the fiscal period ended July 30, 2022:

Amendments Fire & Flower US Option and License Agreements and Payment of Option Fee

On August 2, 2022, the Company entered into amending agreements (the "**August 2022 Amendments**") in respect to its Strategic Agreements with Fire & Flower US. The August 2022 Amendments revised the conditions for payment to the shareholders of Fire & Flower US for an aggregate amount of US\$5 million, which was released from escrow to the shareholders of Fire & Flower US concurrent with entering into the August 2022 Amendments. The August 2022 Amendments also revised the ongoing software and support fees payable to the Company until such time as Fire & Flower US has obtained a license to deliver cannabis in Denver, Colorado, and extended the territories in which Fire & Flower US may utilize the Company's intellectual property to include New Mexico and Ohio.

Pineapple Express Delivery Inc. Working Capital Adjustment Common Shares

On August 12, 2022, in accordance with the definitive agreement dated December 9, 2021, pursuant to which the Company acquired Pineapple Express Delivery, the Company issued an additional 150,281 Common Shares, reflecting an upwards adjustment to the aggregate purchase price, and released 52,800 Common Shares with a carrying value of \$0.2 million from escrow, all of the foregoing as settlement of certain working capital adjustments. As at the date of this MD&A, 786,636 Common Shares were held in escrow in relation to the share consideration issued for the acquisition of Pineapple Express Delivery which may be released upon Pineapple Express Delivery achieving certain performance-based milestones in the fiscal 2022 year or may alternatively be cancelled if the performance-based milestones are not achieved.

Change in fiscal year end

The fiscal year of the Company was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar twelve-month period ending December 31. This adjustment will be made in the fourth quarter of the current fiscal year and will reflect the operating results from October 30, 2022 to December 31, 2022.

RELATED PARTY TRANSACTIONS

The remuneration of directors and key management personnel during the twenty-six weeks ended July 30, 2022, is set out below:

(in thousands of dollars)	Twenty-six Weeks Ended	
	July 30, 2022 (\$)	July 31, 2021 (\$)
Consulting fees, salaries, benefits, and other remuneration – key management	639	1,910
Consulting and fees - directors	241	228
Share based payments - key management and directors ⁽¹⁾	605	349
	1,485	2,487

(1) Excludes deferred bonus compensation (cash bonuses earned and yet to be paid out), which totalled \$Nil million as at July 30, 2022 (January 29, 2022: \$0.7 million). As at July 30, 2022, the non-current portion of bonus payable totalled \$Nil (January 29, 2022: \$Nil).

During the twenty-six weeks ended July 30, 2022, a total of 948,591 stock options were granted to the Company's officers and directors (July 31, 2021: 161,207), with an exercise price between \$2.97 to \$3.78 (July 31, 2021: \$12.30), and maturity date of April 28, 2027 to June 16, 2027 (July 31, 2021: March 23, 2027 to April 29, 2027).

During the thirteen and twenty-six weeks ended July 30, 2022, the following transactions occurred with the Investor:

- Exercised 6,717,554 Series B Warrants for a total of \$30.3 million
- Exercised 1,570,513 Top-up Series B Warrants for a total of \$7.5 million
- Repayment of the Secured Loan of \$20 million and \$0.5 million interest expense
- Sub-lease rental and management fee charges of \$0.1 million and \$Nil, respectively, were incurred for certain retail locations where the Company has sub-lease arrangements with the Investor (July 31, 2021: \$0.1 million and \$0.1 million)

As at July 30, 2022, \$0.4 million of capital expenditure charges remain payable to the Investor (January 29, 2022: \$0.4 million).

Debenture related transactions with the Investor are described under "Overview of the Company" and "Q2 2022 and Recent Highlights".

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

A summary of significant accounting policies applied is included in Note 4 of the 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, revenues 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 revenues and other items. Actual results may differ from these estimates under different assumptions or conditions.

Significant judgments and estimates made by management in the preparation of the Company's financial information are listed below and are more fully described in Note 6 of the Financial Statements:

- Determination of acquisition date fair values for business combinations;
- Provisions over restructuring and other costs;
- Estimates over calculation of current and deferred income taxes;
- Unobservable inputs used in the estimation of fair value of convertible debentures and warrants financial instruments;
- Lease liability related estimates for expected lease term and incremental borrowing rate;
- Recoverable amounts and impairment assessments of goodwill, intangible assets, PP&E and lease ROU assets; and
- Determination of segment information.

NEW STANDARDS AND INTERPRETATIONS

New standards and amendments to existing standards have been issued and may be applicable to the Company for its annual periods beginning on or after January 29, 2022. See note 2 of the Company's Interim Financial Statements for a summary of new accounting standards adopted during 2022 and note 5 of the 2021 Annual Financial Statement for a summary of future accounting standards not yet adopted.

FINANCIAL INSTRUMENTS

See Note 21 of the 2021 Annual Financial Statements and Note 14 of the Interim Financial Statements for a discussion of the Company's financial instruments and risk management.

INTERNAL CONTROLS

In accordance with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") of the Canadian Securities Administrators, the Company issues a "Certification of Annual Filings." This Certification requires certifying officers to certify, among other things, that they are responsible for establishing and maintaining Disclosure Controls and Procedures ("**DC&P**") and Internal Controls over Financial Reporting ("**ICFR**") as those terms are defined in NI 52-109. The control framework used to design the Company's ICFR is based on the framework established in Internal Control - Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's ICFR are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in the Company's ICFR during the thirteen and twenty-six weeks ended July 30, 2022, that have materially affected, or are reasonably likely to materially affect, its ICFR.

The Company's DC&P have been designed to provide reasonable assurance that material information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding issuing disclosures as required under applicable regulations.

Exclusion of Wikileaf, PotGuide and Pineapple Express Delivery

Pursuant to NI 52-109, the Company has limited the scope of the design of DCP and ICFR to exclude controls, policies and procedures over entities acquired by the Company not more than 365 days before the end of the financial period. Assets and liabilities of PotGuide and Wikileaf (acquired September 15, 2021) and Pineapple Express Delivery (acquired January 21, 2022) excluding goodwill and intangible assets generated from these acquisition and intercompany balances, represented 4% of the Company's current assets, 1% of total assets, 3% of current liabilities, and 2% of total liabilities as at July 30, 2022.

The Company's ICFR and DC&P, no matter how well designed, can have inherent limitations that may not prevent or detect all misstatements and can provide only reasonable assurance that the objectives of the control systems are met.

RISKS AND UNCERTAINTIES

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

COVID-19

In November 2020 and April 2021, the Government of Ontario announced lockdowns through Ontario, in efforts to combat COVID-19. As of the date of this MD&A, lockdowns in Ontario have been eased and no other provincial or territorial government has ordered the closure of any of the Company's operations in response to COVID-19, though several provincial and municipal governments have imposed restrictions on occupancy limits and/or sales in physical retail stores.

Since the outset of the pandemic in March 2020, the Company has reacted to this unprecedented public health challenge by i) rapidly commissioning a Pandemic Response Team focused on keeping its employees safe and healthy while ensuring the continuity and sustainability of its business; ii) implementing enhanced in-store procedures including increased and frequent cleaning, installation of safety shields, reduction of paper materials and ceasing acceptance of cash or product returns; iii) monitoring store performance, shopping patterns and employee availability on an ongoing basis to optimize operating hours and selectively close stores where required by law or otherwise appropriate to enhance the productivity of the network under the circumstances; iv) temporarily adapting its business model by moving towards exclusively servicing stores through the Spark Fastlane™ "click-and-collect" service that enables customers to order products online for fast pickup and payment in store; and v) offering curbside pick-up and delivery options in British Columbia, Saskatchewan and Ontario.

By April 2022, many of the restrictions introduced by the government were significantly reduced, however, certain pandemic related restrictions remained in place. Although the Company has been able to continue to carry on business in all provinces it operates in, if the impact of COVID-19 continues for an extended period, it may materially adversely affect the business operations and future financial results.

Recent Supply Disruptions

On August 5, 2022, the Ontario Cannabis Store ("OCS"), the sole wholesaler of cannabis to licensed retail stores in Ontario, reported a cyberattack on one of its logistics partners, resulting in the cessation of processing and delivery of cannabis orders. Processing and delivery of cannabis orders by the OCS has since resumed and the Company experienced minimal disruption to its retail activities in Ontario.

Beginning August 15, 2022, a labour strike by the British Columbia General Employees' Union resulted in the closure of cannabis distribution facilities by the British Columbia Liquor Distribution Branch ("BCLDB"), the sole wholesaler of cannabis to licensed retail stores in British Columbia. The strike has since ended, though labour negotiations remain ongoing. The Company experienced minimal disruption to its retail activities in British Columbia as a result of the disruption due to its limited exposure to British Columbia and sufficiency of inventory on hand. During the strike, the government operated BC Cannabis Stores' e-commerce website was no longer fulfilling online orders. Pineapple Express Delivery has entered into an agreement to offer next business day delivery for BC Cannabis Stores' e-commerce website in the Metro Vancouver region, but had to cease such activities until BC Cannabis Stores resumed fulfillment of online orders.

Notwithstanding the minimal impact experienced by the Company as a result of the aforementioned supply chain disruptions, any extended disruption in operations at a provincial wholesale body, particularly in a key market, such as Ontario and Alberta, could result in a material impact on the Company's business, financial condition and prospects. For further description of certain risks related to the Company's supply chain, please refer to the risk factors labelled "Risks Relating to Suppliers", "Third-Party Risk" and "Cybersecurity Risks" in the Company's 2021 AIF.

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

OUTLOOK

Driven by the proprietary Hifyre™ Digital Platform, the Company remains focused on bolstering its fully-integrated cannabis consumer technology platform to own the customer relationship from digital customer acquisition through to a personalized online or in-store shopping experience and, ultimately rapid delivery to a customer's door. The Company intends to utilize the Hifyre™ Digital Platform to deliver differentiated service offerings in the highly competitive adult use cannabis market and create a sustainable, global, long-term competitive advantage.

As of the date of this MD&A, the Company has more than 485,000 Spark Perks™ members, from which it collects data on consumer purchase behaviors to help the Company better understand the preferences of its customers and cultivate a convenient, personalized & curated shopping experience, whether online or in-store. The Company will continue to use this data to grow its retail network in an asset-light way that leverages corporate or franchise shops to complete last-mile direct to consumer delivery through Pineapple Express Delivery. Leveraging powerful predictive analytics, Fire & Flower and our suppliers can ensure the right products are in the right location to meet customer demand and thereby drive sales and profitability for the Company.

The Company's Digital Platform also provides the Company with additional high-margin revenue streams through Hifyre™ IQ, which is subscribed to by a significant number of Canadian licensed producers, equity research analysts and a variety of customers in business, finance, banking and consulting, and Hifyre™ Reach, a Cannabis Act compliant marketing platform that connects brands to intended consumers through targeted consumer segmentation.