



CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

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The following management discussion and analysis ("MD&A") of Canntab Therapeutics Limited ("Canntab" or "the Company") provides a review of corporate developments, results of operations and financial position for the three months ended August 31, 2022 ("Q1 2023") compared with the corresponding period ended August 31, 2021 ("Q1 2022"). This discussion is prepared as of October 28, 2022 and should be read in conjunction with (i) the unaudited interim condensed consolidated financial statements and the accompanying notes for the three months ended August 31, 2022 and 2021, and (ii) both the audited consolidated financial statements and MD&A for the fiscal years ended May 31, 2022 and 2021. Additional information relating to the Company is available on Canntab's SEDAR profile at www.sedar.com and the Company's website at www.canntab.ca. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares, (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision, or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

COMPANY OVERVIEW

Canntab Therapeutics Limited ("Canntab" or the "Company") was incorporated on April 20, 2016 under the Canada Business Corporations Act. The Company, with its head office located at 223 Riviera Drive, Markham, Ontario, L3R 5J6, is a Canadian phytopharmaceutical company focused on the manufacturing and distribution of a full suite of hard pill cannabinoid formulations in multiple doses and timed-release combinations. Canntab's proprietary hard pill cannabinoid formulations provide doctors, patients and consumers with medical grade solutions which incorporate all the features one would expect from any prescription or over the counter medication sold in pharmacies around the world.

Canntab trades on the Canadian Securities Exchange under the symbol "PILL", the OTCQB Best Market under the symbol "CTABF" and the Frankfurt Stock Exchange under the symbol "TBF1".

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

The Extended Release Tablet (“XR” or the “XR Tablet”) is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems. These challenges include, but are not limited to, accuracy of dosing, onset times, duration of action, bioavailability, discreetness of consumption, ease of spoilage and the reduction of side effects, and are all directly addressed by the unique formulation of the XR Tablet. The XR Tablet is designed to contain either THC, CBD or a combination of THC/CBD (depending on the composition of the medicine), permitting it to meet the demands of a broader patient base than the current synthetic-THC based pills in the market today.

Intellectual property underpins the value of XR Tablets in the form of four international patent applications already filed. With the recent Health Canada licensing amendment that allows for sales directly to the consumer, the Company is now aggressively moving forward with its business plan and full commercialization of its brand and products.

CURRENT HIGHLIGHTS

- ◆ In October, 2022, received first two orders from Nova Scotia Liquor Corporation.
- ◆ In October, 2022, IP Australia issued patent AU 2018233582 (Australian “Modified Release Multi-Layer Tablet Cannabinoid Formulations”), the Company's 4th granted patent and 2nd in Australia.
- ◆ In September, 2022, received agreement from holders of debentures subscribed for in December, 2020 to (i) extend the maturity date of the debentures from December 30, 2022 to October 31, 2023, and (ii) to forbear from declaring or acting upon, or exercising related rights or remedies, under the debentures.
- ◆ Received approval from Saskatchewan Liquor and Gaming Authority and Nova Scotia Liquor Corporation to market the Company's full product range in those respective provinces.
- ◆ Entered into an affiliate agreement in March, 2022 with OnPharm-United, a 600+ network of independent pharmacy owners in Ontario.
- ◆ Signed agreement with First Nations Growers GP Inc. in February, 2022 to address the opiate and illicit drug crisis affecting Indigenous peoples throughout Canada.
- ◆ Finalized a convertible debenture in January, 2022 offering for gross proceeds of \$1,311,999 on terms similar to previous offering in December, 2020, maturing by January, 2024
- ◆ Official launch of online e-commerce platform and web site at www.canntab.ca on January 20, 2022, providing Canadians with an opportunity to source true medical THC and CBD in a pharmaceutical grade hard tablet from the only THC and CBD provider in hard tablet in Canada, with initial orders completed and shipped during 2022 Q3
- ◆ Started regular shipping to the Ontario Cannabis Store ("OCS") in January, 2022.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

RECENT EVENTS

Debenture Amending Agreement

On September 22, 2022, pursuant to the terms of the Interlender Agreement dated December 21, 2020, the Company entered into a Debenture Amending Agreement with the holders of the debentures issued on December 30, 2020 under which the parties agreed:

- ◆ to extend the maturity date of the debentures from December 30, 2022 (the "current maturity date") to October 31, 2023;
- ◆ to waive any default in payment due and payable as of the current maturity date and to forbear from enforcing any enforcement rights under the Interlender Agreement, or to forbear from declaring or acting upon, or exercising related rights or remedies under the debentures, relating to the current maturity date; and
- ◆ that all other terms of the debenture shall continue in full force and effect.

OnPharm-United affiliate agreement

On March 23, 2022, the Company announced that it had entered into an affiliate agreement with OnPharm-United, a 600 plus network of independent pharmacy owners throughout the Province of Ontario, subject to certain legal clarifications being sought from the Ontario College of Pharmacists. OnPharm-United is dedicated to providing its members with the ability to maintain their independent status while benefiting from increased buying and negotiating power. The network also provides access to a suite of innovative programs, services and resources. All member pharmacies will have access to educational information on medical cannabis, Canntab's exclusive hard tablet medical products, including cannabidiol ("CBD") and tetrahydrocannabinol ("THC"), and all necessary tools to permit the pharmacists to refer patients to the Canntab.ca website to fulfill their prescriptions for medical cannabis

Indigenous Peoples Agreement

On February 7, 2022, the Company announced a strategic planning collaboration and commercial partnership to create an Indigenous Opiate and Illicit Drug Crisis Plan (the "Plan") lead by First Nations community leader Chief Adam Pawis of the Shawanaga First Nation. The Plan includes Canntab providing direct online access through a First Nations specific web portal designed to service Indigenous communities and their members nationwide, both on and off First Nations territories. The goal in entering into this partnership is to provide health and wellness solutions to over 100,000 patients, helping to mitigate opiate use and abuse and other medical issues utilizing Canntab's products.

The Canntab web portal is providing First Nations-Inuit and Indigenous Peoples with customized access to Canntab's offering of patented and proprietary pharmaceutical grade cannabidiol ("CBD") and tetrahydrocannabinol ("THC") in solid dose pills and caplets. Canntab's alternative solutions will be made available online to service the most remote First Nation's communities and its members regardless of location.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

The Plan is being conducted through an agreement with First Nations Growers GP Inc. The agreement is for an initial one-year term, which is renewable, and provides for a cash fee of \$30,000 for start-up costs and an issuance of 1,000,000 warrants upon the satisfaction of specified milestones and regulatory approval, which are exercisable into one common share of Canntab at price of \$0.80 per warrant for a period of 24 months.

Current sales results and initiatives

In a currently declining economy and burdensome regulatory environment in Canada, it has become apparent that the emerging Canadian cannabis market by itself (i) will take longer to fully adopt the Company's technology and products than its current financial resources will allow. Despite numerous agreements and/or marketing initiatives, sales at a commercially viable level in Canada have yet to materialize. As such, Canntab's business model has expanded to explore the possibility/opportunity of licensing its patented technology to global cannabis manufacturers and other strategic parties. We are currently using our patented process to bring products to market in Canada and Australia and moving forward to manufacture in various parts of the world. Towards that goal, we are currently engaged in discussions with parties from markets such as the USA, Australia, Germany, UK, Chile, and the Scandinavian countries that recognize the uniqueness of our technology and products and the benefits for the market they serve. Management believes that it will close licensing and on-going royalty payments with several of these international partners.

In the meantime, the Company is continuing to pursue its current sales initiatives as follows:

- ◆ conversion of production activity to a small batch special order basis, such that all existing sales can be fulfilled from the Company's current inventory
- ◆ continued growth of online sales and sales through the Ontario Cannabis store
- ◆ recent completion of registration of other provincial distribution bodies, including Nova Scotia and Saskatchewan
- ◆ discussions with Quebec based companies to license the Company's technology and produce in Quebec

E-Commerce platform

On January 20, 2022, the Company announced the official launch of its online e-commerce platform and web site at www.canntab.ca. The e-commerce platform and web site provide Canadians with an opportunity to source true medical THC and CBD in a pharmaceutical grade hard tablet. Canntab is now able to script patients directly online, take in existing or new prescriptions from doctors or even share a prescription with another licensed producer. The recent amendment to the medical sales license now allows Canntab to sell and distribute its 12 Health Canada approved SKU's (instant release tablets delivering THC, CBD and a combination of THC/CBD in 12 different strengths) directly to every medically prescribed patient across the country.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

Ontario Cannabis Store

The Company executed a Master Cannabis Supply Agreement with OCS in September, 2021. In January, 2022, Canntab completed its first two shipments to OCS. These initial deliveries to the OCS mark the beginning of a productive and growing relationship. The Company's products are now available to all Ontario Cannabis stores for purchase, in addition to being available for sale via the OCS website. Canntab will support the sales and distribution of the Canntab brand with strong marketing materials and point of sale programs, engaging expert teams to educate all Ontario budtenders about the unique nature of Canntab's products and its patented delivery system.

Management is confident of further future listings and significant orders from OCS under the Master Cannabis Supply Agreement. The Company is also actively engaged with other provinces to complete the application process to list our products with their respective regulatory bodies.

Pathway Health Corporation

In December, 2021, Canntab entered into a service agreement with Pathway Health Corporation ("Pathway"). Pathway is one of the largest providers of out-of-hospital pain management services in Canada, owning and operating nine community-based clinics across four provinces. Its team of healthcare professionals and clinic staff can assess and treat patients with chronic pain or those interested in medical cannabis.

Canntab's full suite of oral tablet products consisting of a range of both THC and CBD strengths will be available to patients served by Pathway. Canntab believes this type of dosage format will be preferred by certain patients - such as those in the senior demographic, who are largely interested in a product that is easy to administer and yet, is also titratable due to the availability of different strengths. With a network of specialized medical clinics in major markets across Canada that treat patients with chronic pain, the largest out-of-hospital chronic pain centre and the largest medical cannabis tele-health network in Canada, Canntab's medical cannabis products can potentially be made available to tens of thousands of medical cannabis patients. Pathway highly anticipates Canntab's introduction to the market of its extended release tablets (XR Tablet) which is planned for early 2023.

Canntab's full suite of oral tablet products including a comprehensive range of both THC and CBD strengths will be made available to Levitee and their patients. It is believed that a hard tablet delivery format will be the preferred dosage format by many of Levitee's patients including, more specifically, the senior demographic and patients with several issues related to the use of opiates and other related painkillers. Such patients are largely interested in a product that is easy to administer and is also titratable due to the availability of multiple strengths.

Since the signing of the agreement, Levitee has experienced a significant turnover of its executive suite and Board of Directors and its current market value is 5% of what it was. As such, the Company do not expect to generate any revenue from this initiative.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

Convertible debentures

On January 31, 2022, the Company closed on its second private placement of \$1,311,999 of secured debentures, issued at a price of \$1,000 per debenture with a term of two years and due by January 31, 2024. The proceeds have been used to fund working capital for the Company and for general corporate purposes. Some of the major terms of the issuance, essentially similar to the first convertible debenture offering in December, 2020, are as follows:

- (i) The principal amount bears interest at a rate of 10% per annum, payable quarterly in cash on the last business day of each calendar quarter. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in common shares at the conversion price at any time following the issue date.
- (ii) The debentures are convertible into common shares of the Company at a conversion price of \$0.70 per share, and will mature two years from the date of issuance. Beginning on the date that is four months and one day following the closing date of the offering, the Company will have the right to prepay or redeem a part or the entire principal amount of the convertible debentures plus any accrued and unpaid interest at any time by providing a minimum of 20 days and a maximum 60 days of redemption notice prior to the redemption date. The conversion price will be subject to customary adjustments in certain events.
- (iii) On closing, the Company issued to the purchasers of the convertible debentures one share purchase warrant for each share underlying the convertible debenture purchased, or 1,874,285 warrants in total. The warrants are exercisable for a period of two years from issuance into shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of \$0.90 per share. The warrants are subject to an acceleration right exercisable by the Company at its option if, for the preceding 15 consecutive trading days, the volume weighted average trading price of the shares is greater than \$1.05 per share. If the Company provides notice that it intends to exercise its acceleration right, the accelerated expiry date of the warrants will be the 30th calendar day following the date of such notice of exercise.
- (iv) There are numerous other conditions with respect to conversion features, ratchet features and/or redemption privileges that caused the conversion feature and warrants to be classified as derivative liabilities and revalued each reporting period.

On September 22, 2022, pursuant to the terms of the Interlender Agreement dated December 21, 2020, the Company entered into a Debenture Amending Agreement with the holders of the debentures issued on December 30, 2020 (*see discussion under "Recent Events" section above*).

GOING CONCERN

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future, continue to convert its sales orders into revenue, realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the unaudited interim condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these unaudited interim condensed consolidated financial statements. Such adjustments could be material.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

As at August 31, 2022, the Company had an accumulated deficit of \$17,167,260 (May 31, 2022 - \$16,699,455). Working capital deficiency as at August 31, 2022 was \$1,574,301 compared to \$1,092,903 as at May 31, 2022. For the three months ended August 31, 2022, net loss and comprehensive loss was \$467,805 (2021 - \$603,827). Other than some initial licensing fees received and some recent online and international sales, operations since inception have been largely funded from the issuance of shares and convertible debentures, the exercise of stock options and warrants and the sale of excess equipment.

As evidenced by its accumulated deficit, the Company has, during its start-up phase, made significant capital and operational investments from the funds raised. These funds have been used to build out the legal and operating infrastructure, the intellectual property portfolio and to obtain the production and sales licences necessary to capitalize on the opportunities within the cannabis marketplace in Canada and internationally.

The Company has undergone numerous recent financing initiatives as follows: (i) an initial convertible debenture offering for gross proceeds of \$1,575,000 in December, 2020, (ii) a second convertible debenture offering for gross proceeds of \$1,312,000 in January, 2022, (iii) \$- raised from exercise of share purchase warrants, stock options, special warrants and broker warrants since June, 2021, and (iv) \$239,000 from the sale of excess equipment. Based on the above and all other business initiatives being undertaken by management, the Company anticipates that it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future, but there is uncertainty as to how long these funds will last. The Company believes that, based on its revenue forecasts, expected opportunities in the marketplace and the ability to reduce expenditures, it could continue as a going concern for a minimum of twelve months from the date of these financial statements.

To achieve that, the Company will need to (i) continue to develop its marketing opportunities into further revenue generating transactions, (ii) obtain forbearance agreement from convertible debenture holders to forbear from enforcing their enforcement rights (as defined in the Interlender Agreement), or to forbear from declaring or acting upon, or exercising related rights or remedies under the debentures, (iii) arrange future financing that will largely depend upon prevailing capital market conditions and the continued support of its shareholder base, and (iv) identify and negotiate partnerships to assist Canntab in expanding its product offerings in Canada, United States, and other international jurisdictions. Management will need to continue assessing its financing options to raise the funds required to continue its strategy of expanding its product line, manufacturing facilities, research and development and geographic coverage. However, there can be no assurance that management's fund raising plans will be successful. While the Company has been successful in recent fundraising efforts as noted above, there can be no assurance that additional funds could be raised in the future. As a result, these factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

PRODUCTS

The recent amendment to the medical sales license now allows Canntab to sell and distribute its 12 Health Canada approved SKU's directly to every medically prescribed patient across the country. The Company is selling both THC and CBD tablets and caplets in a variety of doses in an Instant Release ("IR") format under the prescription name INSTACANN®.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

The Company has developed the formulation and prototype for its next product, the Extended Release Tablet ("XR Tablet"), which delivers standardized medical cannabis extract from selective strains in a solid, extended release pharmaceutical dosage. In Q1 2023, the Company produced 2 commercial batches of 25 mg and 50 mg CBD tablets, the first of the XR product line. The XR Tablet is a proprietary phytocannabinoid vehicle that is designed to directly address the drawbacks and challenges of competing oral delivery systems, including, but not limited to, accuracy of dosing, onset times, duration of action, bioavailability, ease of spoilage, and the reduction of side effects. The Company is rapidly moving toward the commercialization phase and gearing up for its first series of pre-clinical trials. The Company plans to manufacture and distribute the XR Tablet in legal medical cannabis jurisdictions including Canada, select states within the United States, Australia, and Germany.

In addition, Canntab has formulated an Oral Dissolvable THC Tablet ("ODT"). This tablet is intended to dissolve under one's tongue as opposed to swallowing the tablet as one does with both our IR and XR tablets and caplets. It actually breaks the brain barrier by being absorbed through an individual's buccal cavity. It boasts a 10 minute onset time on average and is the fastest cannabis delivery mechanism other than smoking or combusting cannabis. The intended targets for using these tablets are both the medical and "adult use" users.

The ODT tablets will be available on December 2022. They have been approved for listing by the OCS and Canntab awaits their purchase order. The XR Tablets are expected to be available early in 2023. The XR tablets/caplets will come in the following strengths: (i) THC - 5mg and 10 mg, and (ii) CBD - 25 mg and 50 mg. The oral dissolvable THC tablets will come in 5mg.

INTELLECTUAL PROPERTY

The success of the Company's business depends in part on its ability to protect its technology and formulations related to pharmaceutical preparations containing natural or synthetic cannabinoids. In recognition of this, the Company continues to expand its intellectual property portfolio, which includes patent and trademark applications in the United States and Canada. On September 21, 2020, the Company announced it had been awarded a US patent titled "Modified Release Multi-Layer Tablet Cannabinoid Formulations" (*see discussion under "Recent Events" section above*). The Company's intellectual property portfolio includes numerous patent applications in Canada, the United States and internationally.

The Canadian patents/patent applications that were filed pertain to a variety of Canntab's innovative technologies related to oral dosage formulations of pharmaceutical cannabis, including Sustained Release Cannabinoid Formulations and Sustained Release Cannabinoid Pellets, Immediate Release Cannabidiol Formulations; Modified-Release Multi-Layer Cannabinoid Formulations; Flash-Melt Cannabinoid Formulations; and Bi-layer Cannabinoid Tablets.

These patent applications are part of Canntab's continuing strategy to develop a comprehensive intellectual property portfolio which covers the company's technology and formulations related to pharmaceutical preparations which contain natural or synthetic cannabinoids. Canntab is currently developing a number of products which utilize this technology, including a variety of extended released tablets containing a mixture of THC (Tetrahydrocannabinol) and CBD (Cannabidiol) that may be helpful in the treatment of a number of ailments, such as sleep disorders, post-traumatic stress disorder (PTSD), social anxiety, addiction, arthritis, general pain, pain management and appetite loss associated with cancer treatments, and addiction treatment therapy of opioids and other painkillers.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

In October, 2022, IP Australia issued patent AU 2018233582 (Australian “Modified Release Multi-Layer Tablet Cannabinoid Formulations”), in force until March 15, 2038. This is Canntab's 4th granted patent and 2nd in Australia. It has a further seven patent applications pending in those countries. One of the seven and one as yet unfiled application will be filed around the world. In addition to patents, the Company also has numerous trademark applications in the United States and Canada that cover four potential trade names for the XR Tablet.

QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	Aug-2022 2023 Q1	May-2022 2022 Q4	Feb-2022 2022 Q3	Nov-2021 2022 Q2	Aug-2021 2022 Q1	May-2021 2021 Q4	Feb-2021 2021 Q3	Nov-2020 2021 Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Balance sheet								
Cash and cash equivalents	145,169	691,111	1,501,215	331,746	980,069	1,490,863	1,434,375	397,536
Working capital (deficiency)	(1,574,303)	(1,092,903)	543,648	692,993	1,157,565	1,849,825	2,181,522	934,139
Shareholders' equity (deficiency)	(732,622)	(311,223)	1,055,613	950,728	1,913,360	2,268,758	3,370,490	3,747,016
Income statement								
Tablet sales	38,505	39,540	48,461	170,850	34,511	(843,375)	465,375	378,000
Operating expenses	388,448	630,372	620,336	557,528	773,518	671,346	418,854	536,055
Net loss and comprehensive loss	(467,805)	(1,444,284)	(418,338)	(1,222,737)	(603,827)	(2,304,324)	(604,697)	(609,769)

RESULTS OF OPERATIONS

Three months ended August 31, 2022 compared to August 31, 2021

The Company had a net loss of \$467,805 for Q1 2023 compared to \$603,827 for Q1 2022.

During Q1 2023, the Company recognized revenue, net of estimated return provisions, of \$38,505 (Q1 2022 - \$34,511) on sales to the Ontario Cannabis Store and online sales.

Operating expenses in Q1 2023 of \$388,448 decreased by \$385,070 compared to Q1 2022 of \$773,518. The major components of the operating expenses (*defined as total expenses less interest and accretion and non-cash items such as share based compensation, depreciation and amortization, impairment losses and losses on derivatives*) are as follows:

- Employee compensation and benefits were \$163,728 in Q1 2023 compared to \$307,697 in Q1 2022, a decrease of \$143,969. The headcount decreased in Q1 2023 compared to Q1 2022 as the Company reduced its production and operational staffing levels to conserve cash.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

- Professional fees decreased by \$185,319 from \$221,873 in Q1 2022 to \$36,554 in Q1 2023 due to higher audit fee accruals and legal fees on the various new affiliate agreements in Q1 2022.
- Consulting fees decreased by \$49,513 from \$99,575 in Q1 2022 to \$50,062 in Q1 2023 for reasons similar to employee compensation and benefits discussed above.
- Marketing and regulatory expenses in Q1 2023 were \$65,094 compared to \$57,284 in Q1 2022, a small increase of \$7,810, largely attributable to higher Health Canada licensing costs.
- General and administrative expenses in Q1 2023 were \$59,955, flat when compared to \$57,515 in Q1 2022.

Share based compensation totalled \$46,405 in Q1 2023 compared to \$24,181 in Q1 2022, an increase of \$22,224 largely due to the timing of recognition of option vesting relative to their issuance dates.

Interest and accretion totalled \$213,987 in Q1 2023 compared to \$121,490 in Q1 2022, an increase of \$92,497. The increase was almost all attributable to the second convertible debenture offerings completed in January, 2022.

The non-cash gain on derivative liabilities totalled \$293,553 in Q1 2023 compared to \$521,133 in Q1 2022. The gain was entirely attributable to the convertible debenture offerings completed in December, 2020 and January, 2022. The related derivative liabilities were revalued on a mark-to-market basis to their estimated fair value as at August 31, 2022 to May 31, 2022 (*see further discussion under "Liquidity and Capital Resources" section below*).

Depreciation of plant and equipment and right-of-use assets totalled \$126,299 in Q1 2023 compared to \$209,890 in Q1 2022, a decrease of \$83,591. The decrease was a result of a lower depreciable base in Q1 2023 after accelerated depreciation have been recognized over the past two fiscal years.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by \$545,942 to \$145,169 as at August 31, 2022 from \$691,111 as at May 31, 2022. Working capital deficiency as at August 31, 2022 was \$1,574,301 compared to \$1,092,903 as at May 31, 2022, a decrease of \$481,398. The major component of the decrease in working capital were the operating expenses in Q1 2023 of \$388,448 (*see "Results of Operations" section above*).

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

As the Company looks to restructure its business model, significant adjustments have been made to its overhead to preserve working capital. These measures include:

- conversion of production activity to a small batch special order basis, such that all existing sales can be fulfilled from the Company's current inventory
- layoff of almost all staff other than skeleton requirements
- deferral and/or cancellation of consulting arrangements
- agreement executed to sub-let the premises at 225 Riviera, Markham, Ontario
- amendments to the convertible debentures financings of December, 2020 and January, 2022 (under the Agency and Interlender Agreement), including:
 - deferral of effective payment of interest (until at least October, 2023) on both offerings
 - extension of the due date of the December, 2020 financing from December, 2022 to October, 2023

Accounts receivable as at August 31, 2022 of \$246,414 (May 31, 2022 - \$209,720), an increase of \$36,694. It is comprised mostly of HST recoverable from recent quarterly claims. With a CRA audit now completed, \$175,000 of the balance was refunded in full by the end of September, 2022, and the remainder was received in October, 2022.

Inventory as at August 31, 2022 increased by \$83,460 to \$572,716, compared to \$489,256 at May 31, 2022, following production of 2 commercial batches of 25 mg and 50 mg CBD tablets, the first of the XR product line. Production activity has been converted to a small batch special order basis, such that all existing sales can be fulfilled from the Company's current inventory

Accounts payable and accrued liabilities as at August 31, 2022 increased by \$24,626 to \$992,295, compared to \$967,669 at May 31, 2022. Under the terms of the MediPharm Memorandum of Understanding dated September 16, 2021, the companies have agreed to settle this obligation for \$250,000 (plus applicable HST). This provision has been included in accrued liabilities. Accrued liabilities also includes provisions of \$214,333 (May 31, 2022 - \$142,158) with respect to unpaid coupon interest owing on both the December, 2020 and January, 2022 debentures.

The carrying value of the December, 2020 debentures payable was accreted to their carrying value as at August 31, 2022 of \$1,408,237 from \$1,300,114 as at May 31, 2022. The related derivative liabilities were revalued on a mark-to-market basis to their estimated fair value as at August 31, 2022 of \$16,538 compared to \$77,229 as at May 31, 2022, an unrealized gain of \$60,691.

The carrying value of the January, 2022 debentures payable was accreted to their carrying value as at August 31, 2022 of \$151,808 from \$126,204 as at May 31, 2022. The related derivative liabilities were revalued on a mark-to-market basis to their estimated fair value as at August 31, 2022 of \$45,253 compared to \$278,115 as at May 31, 2022, an unrealized gain of \$232,862.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	August 31, 2022	May 31, 2022	Change in reporting period
Common shares	38,909,159	38,909,159	-
Stock options	1,317,926	1,722,926	(405,000)
Special warrants	1,650,000	1,650,000	-
Share purchase warrants	3,843,035	3,843,035	-
Broker compensation warrants	47,813	47,813	-
	<hr/>	<hr/>	<hr/>
Total equity instruments	45,767,933	46,172,933	(405,000)

The only change to share capital and other equity instruments during the quarter ended August 31, 2022 were the expiry of 405,000 stock options. There was no share capital issued, or any stock options, special warrants, broker warrants or share purchase warrants granted, issued, exercised or forfeited during the period.

SUBSEQUENT EVENTS

- On September 22, 2022, pursuant to the terms of the Interlender Agreement dated December 21, 2020, the Company entered into a Debenture Amending Agreement with the holders of the debentures issued on December 30, 2020 (*see discussion under "Recent Events" section above*).
- In September, 2022, the Company entered into an agreement to sub-let its premises located at 225 Riviera Drive, Markham, Ontario.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

As at the date of these unaudited interim condensed consolidated financial statements, the Company has adopted the following new or revised IASB standards effective for annual periods beginning on or after January 1, 2022. The Company has determined that the adoption of these new or revised standards has not any impact on these unaudited interim condensed consolidated financial statements.

IAS 16 "Property, Plant and Equipment"

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and requires certain related disclosures.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

IAS 37 "Provisions"

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract.

IFRS 9 "Financial Instruments"

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective. The Company has not yet assessed the impact of these amendments on the unaudited interim condensed consolidated financial statements.

IAS 1, "Presentation of Financial Statements", and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

This standard has been amended to clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. This amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2023.

IAS 12 "Income Taxes"

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

IAS 8 "Definition of Accounting Estimates"

On February 12, 2021, the IASB issued Definition of Accounting Estimates. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

CANNTAB THERAPEUTICS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS ENDED AUGUST 31, 2022 AND 2021

IAS 1 "Accounting Policies"

On February 12, 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and an update to IFRS Practice Statement 2 "Making Materiality Judgements" to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include a requirement for companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023.

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to develop its resources properties so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital as total shareholders' equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.