citizen stash Cannabis Corp.

CITIZEN STASH CANNABIS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2021

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(Expressed in Thousands of Canadian Dollars Except Share Amounts)

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Citizen Stash Cannabis Corp. ("Citizen Stash" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month period ended May 31, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited consolidated financial statements of the Company for the three and six month period ended May 31, 2021 and 2020 and related notes thereto. The results for the three and six month period ended May 31, 2021 are not necessarily indicative of the results that may be expected for any future period.

All financial information contained in this MD&A is current as of July 29, 2021 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Additional information regarding the Company is available on SEDAR at www.sedar.com, and the Company's website www.experionwellness.com. The date of this MD&A is July 29, 2021.

FORWARD-LOOKING STATEMENTS

Forward-looking statements inherently involve known and unknown risks, which factors may include, but are not limited to unavailability of financing, changes in government regulation, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees and transaction costs, competition, stock market volatility, and unanticipated operating events and liabilities inherent in industry.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in the current general business and economic conditions; that there is no unanticipated fluctuation of interest rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Company's activity costs; that the Company is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that no environmental and other proceedings or disputes arise; and that the Company maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive.

The global pandemic related to an outbreak of the novel coronavirus disease ("COVID-19") has cast uncertainty on each of these assumptions. There can be no assurance that they continue to be valid. Given the rapid pace of change, it is premature to make further assumptions about these matters. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business is not known at this time. These impacts could include, amongst others, an impact on our ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue or profitability of our ongoing operations. See "Risk Factors".

Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

The forward-looking statements contained herein are based on information available as of July 29, 2021.

CORPORATE HIGHLIGHTS

Strategic Focus

To ensure better alignment of the consumer brand Citizen Stash and the Corporate brand identity, the Company's board of directors approved the implementation of a name change of the parent company following approval from shareholders at the annual general and special meeting of shareholders held on May 26, 2021. Effective June 15, 2021, the parent company's name was changed from Experion Holdings Ltd. to Citizen Stash Cannabis Corp. The common shares of the Company were also changed as at this date, and are now trading under the symbol, "CSC" on the TSX Venture Exchange.

Citizen Stash's strategic focus continues to be distributing and selling premium craft flower and cannabis products under our consumer brand, Citizen Stash, nationally across Canada. Citizen Stash has developed a reputation in the marketplace for delivering premium cannabis products which consistently offers consumer value and a superior experience.

Citizen Stash continues to offer and distribute an increasing number of premium cannabis products to drive both revenue and profitability. Specifically, Citizen Stash began to focus on an 'aggregation & distribution' business model early in fiscal 2020 which has proven extremely successful with consistent and strong revenue growth. This model utilizes several strategic partners, including contract purchase arrangements with licensed growers (who grow Citizen Stash's strains and genetics), and other suppliers of value-added derivative products. This model enables a capital-efficient way to expand premium flower capacity, cannabis products and to support the expanding supply chain. Citizen Stash's unique 'aggregation & distribution' model consists of a diverse genetic bank, cultivation experience and strain development, premium brand demand and access to retail distribution nationally and is unique within the cannabis industry. This combination of expertise and abilities is attractive to a growing number of cannabis companies who wish to remain focused on a business to business ("B2B") sales model or may not have the capabilities to reach consumers directly. Partnering with select B2B cultivators allows Citizen Stash to quickly enter the market with diversified products, gain market share and drive revenue. Citizen Stash can execute this business strategy with significantly less capital costs versus a traditional licensed producer, ultimately driving an enhanced return on invested capital.

Global Pandemic

We are closely monitoring the guidance of federal and local government authorities, and global health organizations on COVID-19 to prioritize the health and safety of our employees, contractors, customers and the communities in which we operate.

In March 2020, Citizen Stash implemented all the necessary measures according to the various health and safety authorities' guidance to safeguard our employees, contractors, and customers to ensure a healthy and safe work environment. Management halted all non-essential company travel and deterred employees from participating in conferences or other large gatherings pursuant to health guidelines. Our Health Canada certified facility already includes extensive cleaning and sanitation requirements including full protective equipment for those who are in contact with cannabis products, but as mentioned, we initiated additional protocols specific to COVID-19 such as:

- Guidance on COVID-19 for employees, in particular those that are feeling unwell
- Self-isolation policy for employees who have travelled in the last three weeks
- Increased sanitation and cleaning frequency throughout the facility
- Screening of employees and contract workers as they arrive on site
- Social distancing within the workplace
- Mandatory mask wearing and other PPE requirements
- Encouraging employees to work remotely when possible, including virtual meetings

COVID 19 has impacted retail sales nationally by limiting access to cannabis products under fluctuating health orders particularly in Ontario. Citizen Stash’s revenues can and will be impacted as provinces adjust healthorders.

Production and Operational Highlights

Citizen Stash continues to focus on expanding its cultivation and distribution of cannabis products without the need to invest in large-scale capital projects, which would involve high overhead costs, major capital commitments and integration challenges. To achieve the Company’s cultivation and distribution expansion goals, the Company is committed to sourcing and securing multiple preferred craft grow partners, developing first to market strains and cannabis products. The Company is also focused on gaining market share (shelf space) nationally to drive increasing revenues through aggregation and distribution.

Our 14,500 square foot facility in Mission, B.C. has been optimized to develop genetics, cultivate true craft premium flower and to efficiently process, package and distribute cannabis products to the consumer market throughout Canada. Focusing on the premium market has provided several advantages; most notably, our ability to set a path to achieve the necessary margins and distribution reach to generate sufficient revenues to achieve profitability and introduce and scale successful products quickly.

The following are key operational and financial achievements for the quarter ending May 31, 2021:

- Citizen Stash sold 409,335 grams of dried flower through the retail distribution channel compared to 290,058 grams for the same period in 2020; an increase of 41.1% over the same period last year.
- Achieved 92% revenue growth in the second quarter of 2021 compared to the same quarter in 2020.
- Revenue for the six-month period ending May 31, 2021 exceeded the same period in the prior year (2020) by 192%.
- Citizen Stash licensed the Burb trademark, a cannabis retailer, and will distribute Burb branded products through the Ontario Cannabis Store (“OCS”). The OCS has committed to carrying our unique strain, “BC ZAZA”, in 3.5 gram jars, under the Burb brand, with sales starting in Q3.
- Citizen Stash expanded the distribution of premium cannabis pre-rolls with new listings of Fruity Pebbles OG (“FPOG”) in both British Columbia and Alberta, as well as “Chocolate Sour Diesel” and “Sundae Driver” in Alberta, with sales starting in Q3.
- Alberta committed to listing “Chocolate Sour Diesel”, “Sundae Driver” and FPOG in 3.5 gram jars.
- Signed a processing agreement with The Valens Company to outsource the production of Citizen Stash pre-rolls.
- Worked with the Canadian Budtenders Association to taste our popular “MAC1” strain with 50 budtenders nationally, becoming the first ever product to have 100% budtender approval.
- Citizen Stash continues its impressive count of successful harvests at the Mission B.C. facility. To date we have enjoyed 96 continuous and successful harvests.

Brand and Product Development

Citizen Stash – Consumer Brand

The Citizen Stash brand continues to gain traction in the marketplace and is sold in five provinces and two territories across Canada. Brand recognition has been established by offering a true premium cannabis product and experience supported by unique cannabis strains. Since 2019, Citizen Stash has launched thirteen cannabis strains, including a high-THC, high-quality strain, "MAC1", in which consumer response was well received, with shipments often selling out quickly. Citizen Stash continues to build on its innovation with two additional first to market SKUs in the second quarter of 2021, launching Fruity Pebbles (“FPOG”) and Sundae Driver. These two strains are extremely popular on the U.S. west coast, particularly California, and Citizen Stash will be the only LP in Canada with these superior genetics. FPOG has a tropical berry flavor and multi-colored “nuggs” reminiscent of your favorite cereal. Sundae Driver has notes of dark chocolate and a sugary fruit flavor.

Citizen Stash delivers some of the highest pricing in the Canadian market for its products and has not had any product recalls once sent out to retail, a testament to consumer demand and quality. Citizen Stash established a genetic bank of numerous high-quality commercially viable strains that positions the Company to launch first to market in-demand products for the next several years.

Some of Citizen Stash’s recent product and “strain” successes include:

- Citizen Stash is a now a top 5 supplier of pre-rolls to the OCS in terms of units and sales.
- Citizen Stash is a top 13 supplier in terms of dollar sales for all flower and pre-rolls to the OCS with only 12 SKU listings.
- Executed 250 Citizen Stash marketing “kits” for “420” nationally in the month of April 2021.
- Signed a flower and pre-roll licensing deal with cannabis retailer and lifestyle brand, Burb.

Citizen Stash’s ability to source and utilize other licensed craft cultivators to grow its premium strains, and process and distribute this dried flower creates a unique opportunity to offer a diverse range of cannabis strains while supporting on-going innovation with the consistent introduction of new products into the consumer market.

Product Distribution

A strong consumer brand needs to be underpinned by an established national retail distribution network. In just over two years, Citizen Stash has gone from no provincial distribution to now serving five provinces: British Columbia, Alberta, Manitoba and Saskatchewan and Ontario; and two territories, Yukon, and Northwest Territories. The Company continues to focus on registration with Quebec and the Maritimes and is hopeful to be servicing these markets within the second half of fiscal 2021.

Citizen Stash has also engaged a national sales agent organization to target retailers on our behalf throughout Canada. The partnership with this group supports the expansion of Citizen Stash nationally, delivers ongoing sales and brand support at the retail level, ensures strong relationships with every provincial liquor and cannabis board, and drives demand directly with retailers across Canada.

SELECTED FINANCIAL INFORMATION

Selected Statements of Net Loss and Comprehensive Loss Information (In $)	**Three months ended**			**Six months ended**	
	May 31, 2021	**February 28, 2021**	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Revenue	3,296,117	4,060,263	1,719,634	7,356,380	2,523,289
Gross profit (loss) before FV adjustment	586,797	911,002	298,050	1,294,720	322,261
Gross profit (loss) after FV adjustment	495,758	874,241	666,741	1,166,920	694,788
Expense	1,595,967	1,018,221	888,311	2,614,188	1,874,525
Other (expense) income	(112,158)	54,130	56,731	(58,028)	(342,163)
Net (loss) and comprehensive (loss)	(1,212,367)	(89,529)	(278,301)	(1,504,975)	(1,578,198)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.01)	(0.02)
Number of shares outstanding	100,887,323	100,762,323	100,532,160	100,765,070	100,518,880
Adjusted EBITDA[1]	(494,885)	36,441	(83,509)	(458,444)	(882,642)

(1) Adjusted EBITDA is a non-GAAP measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as comprehensive loss for the period, as reported, before interest, taxes, depreciation, and amortization, and adjusted by removing share-based payments, and other one-time and non-cash items, including impairment losses and inventory write-downs.

Selected Statements of Financial Position Information (In $)	**May 31, 2021**	**November 30, 2020**	**May 31, 2020**
Cash	1,653,428	276,685	3,019,124
Inventory	3,217,198	2,083,363	1,439,392
Other working capital	858,325	1,534,314	56,373
Non-current assets	6,198,681	6,428,862	10,263,072
Equity	9,487,724	10,323,224	14,646,418

(1) Other working capital is the total of current assets, including accounts receivable, biological assets, assets held for sale, and prepaid expenses and deposits, less current liabilities, including accounts payable and accrued liabilities, and deferred revenue.

Revenue

Cannabis revenue was $3,296,117 for the three-month period ended May 31, 2021, a decrease of $746,146 (-19%) compared to the prior quarter, the three-month period ending February 28, 2021. Cannabis sales increased by $1,576,483 (92%) compared to the three-months ended May 31, 2020, which had revenue of $1,719,634.

During the three-month period ended May 31, 2021, 409,335 grams of dried cannabis was sold, a decrease of 72,502 grams compared to the prior quarter February 28, 2021, and an increase of 119,277 grams compared to the three-month period ending May 31, 2020. During the three-months ended May 31, 2021, the average gross selling price, including excise tax, was $8.12 per gram; a decrease of $0.23 per gram compared to the prior quarter ($8.35 per gram) and a decrease of $1.30 per gram compared to the same three-month period in 2020 ($9.42 per gram).

The declining revenue during the three-month period ending May 31, 2021 as compared to the prior quarter, ending February 28, 2021, was mainly a result of COVID-19 retail shutdowns in Ontario due to provincial health orders. The Company expects the demand for its products will continue to grow in all markets, as these health orders are relaxed and as the Canadian consumer market evolves, retail expands, and our brand continues to establish itself. As demand rebounds, management is focused on sourcing, partnering, and ramping up supply with contract purchases and grow partners to sell into the Canadian consumer market, as well as introducing new and innovative strains into the market that will garner premium margins.

Gross Profit

Gross profit, before fair value adjustments of inventory, for the three-month period ending May 31, 2021 was $586,797 as compared to $911,002 for the prior three-month period ending February 28, 2021.The decrease in gross profit was driven by $784,290 lower sales in Q2 versus Q1 and a larger inventory write-down compared to the three-month period ending February 28, 2021.

Gross profit, after fair value adjustments of inventory, for the three-month period ending May 31, 2021 was $495,758 as compared to $874,241 for the prior three-month period ending February 28, 2021. The lower gross profit for the current three-month period was driven by a lower fair value adjustment on inventory, due to higher costs and a lower average selling price during the period as compared to the prior period.

Gross profit, before fair value adjustments of inventory, for the three-month period ending May 31, 2021 was $586,797 as compared to $298,050 for the three-month period ending May 31, 2020. The increase in gross profit in the current year was driven by higher revenue, increased efficiencies, and economies of scale, offset by inventory and other write-downs of $166,102 during the three-month period ending May 31, 2021.

Gross profit, after fair value adjustments of inventory, for the three-month period ending May 31, 2021 was $495,758 as compared to $666,741 for the prior years three-month period ending May 31, 2020. The decrease in gross profit in the current year was mainly driven by the reasons noted above (inventory write-down) and a higher 'unrealized gain on change in fair value of biological assets' in the prior year period, ending May 31, 2020.

Gross Margin

Gross margin on cannabis sales, excluding the impact of fair value changes, for the three-months ended May 31, 2021 was 21% compared to 27% in the prior three-month period ended February 28, 2021. The decrease in gross margin during the three-month period ended May 31, 2021 was primarily due to both a slightly lower revenue per gram realized and a higher cost per gram to process versus the prior three-month period ending February 28. 2021. In addition, the three-months ending May 31, 2021 had a higher write-down of inventory ($166,102) as compared to the prior three-month period ending February 28, 2021 ($72,224). Adjusting reported gross margin to exclude the inventory write-down, adjusted gross margin percentage would have been 27% for the three-month period ending May 31, 2021 and 29% for the three-month period ending February 28, 2021.

Gross margin on cannabis sales, excluding the impact of fair value changes, was 18% for the three-months ended May 31, 2021, compared to 21% for the same period in the prior year. The decrease is due to the reasons noted above as well a lower average gross selling price in the market during the current three-month period, ending May 31, 2021.

Expenses

	Three months ended			Six months ended	
(In $)	May 31, 2021	February 28, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Salaries and wages	438,639	290,652	375,852	729,291	763,936
General and administrative	171,740	200,973	185,529	372,713	404,654
Professional fees	130,046	88,804	198,743	218,850	374,121
Sales and marketing	348,681	387,308	30,620	735,989	130,239
Depreciation and amortization	31,475	31,474	32,516	62,949	70,483
Share-based compensation	475,386	19,010	65,051	94,396	131,092
Restructuring fees	-	-	104,558	-	521,659

Salaries and Wages

Salaries and wages increased by $147,987 during the three-months ended May 31, 2021, compared to the prior three month period ending February 28, 2021 due to the shift of non-production labour from cost of sales; and increased by $62,787 compared to the prior year three-months ended May 31, 2020.

General and Administrative

General and administrative expense decreased by $29,233 during the three-months ended May 31, 2021 compared to the prior quarter, and decreased by $13,789 compared to the three-months ended May 31, 2020, mainly due to a concerted effort to reduce and rationalize operating expenses.

Professional Fees

Professional fees increased by $41,242 during the three-months ended May 31, 2021, compared to the prior quarter, the three-months ending February 28, 2021.

Sales and Marketing

Sales and marketing expenses decreased by $38,627 during the three-months ended May 31, 2021, compared to the prior quarter, the three-months ending February 28, 2021, due to lower commissions to a third-party national sales team.

Sales and marketing expense increased by $318,061 during the three-months ended May 31, 2021, compared to the prior year due to engagement of a third-party national sales team, increasing marketing materials at the retail level, and a shift of the Health Canada license fee to sales and marketing expense.

Depreciation and Amortization

Depreciation and amortization expense of $31,475 during the three-months ended May 31, 2021, was comparable to the prior quarter, the three-month period ending February 28, 2021.

Share-based Compensation

Share-based compensation increased by $456,376 during the three-months ended May 31, 2021 compared to the prior quarter, the three months ending February 28, 2021 due to both option and RSU grants for the Directors and a certain Officer of the Company.

ADJUSTED EBITDA (non-GAAP measure)

Adjusted EBITDA is a non-GAAP measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as comprehensive loss from operations as reported, before interest, tax, depreciation and amortization, and adjusted by removing share-based compensation, other items, and non-cash items including acquisition and restructuring fees, and impairments. Management believes adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis as described above.

	Three months ended			**Six months ended**	
Adjusted (non-GAAP measure) (In $)	**May 31, 2021**	**February 28, 2021**	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Net loss and comprehensive loss for the period	(1,212,367)	(89,529)	(278,301)	(1,1301,896)	(1,578,198)
Depreciation and amortization	31,475	31,474	32,516	62,949	70,483
Share-based compensation	475,386	19,010	65,051	494,396	131,092
Interest income	-	(8,915)	(7,333)	(8,915)	(27,678)
Interest expense	44,519	11,319	-	55,838	-
Other expense, net	-	858	(40,494)	858	(151,818)
Inventory write-downs	166,102	72,224	-	238,326	-
Restructuring fees	-	-	104,558	-	521,659
Adjusted EBITDA	(494,885)	36,441	(124,003)	(458,444)	(1,034,460)

For the three-months ended May 31, 2021, adjusted EBITDA decreased by $531,326 compared to the prior quarter, mainly due to higher net and comprehensive loss for the period driven by lower revenue and a lower gross margin for the period. For the six-months ended May 31, 2021, adjusted EBITDA increased by $576,016 compared to the prior year.

QUARTERLY RESULTS

The following table presents certain unaudited financial information for each of the eight quarters up to and including the quarter ended May 31, 2021. The information has been derived from our unaudited quarterly condensed consolidated financial statements. Past performance is not a guarantee of future performance, and this information is not necessarily indicative of results for any future period.

	Three months ended			
(In $)	May 31, 2021	February 28, 2021	November 30, 2020	August 31, 2020
Revenue	3,296,117	4,060,263	2,649,678	2,124,346
Net loss and comprehensive loss	(1,212,367)	(89,529)	(4,175,376)	(188,455)
Basic and diluted loss per share	(0.01)	(0.00)	(0.04)	(0.00)
Number of shares outstanding	100,887,323	100,762,323	100,762,323	100,762,323

	Three months ended			
(In $)	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
Revenue	1,719,634	803,655	631,978	172,877
Net loss and comprehensive loss	(278,301)	(1,299,897)	(10,512,463)	(940,424)
Basic and diluted loss per share	(0.00)	(0.01)	(0.10)	(0.01)
Number of shares outstanding	100,531,073	100,531,073	100,474,823	98,808,156

FINANCIAL POSITION

The following table provides a summary of our financial position as of these three periods:

(In $)	May 31, 2021	November 30, 2020	May 31, 2020
Total assets	13,468,010	12,104,311	15,988,853
Total liabilities	3,837,286	1,781,087	1,342,435
Share capital	37,189,169	37,189,169	37,172,075
Reserves	4,251,906	3,642,510	3,618,977
Deficit	(31,692,158)	(30,389,941)	(26,088,336)

Total Assets

Total assets increased by $1,363,699 as at May 31, 2021, from $12,104,311 as at November 30, 2020, primarily due to an increase in cash and cash equivalents of $1,376,743 related to a new debt facility and an increase in inventory of $1,133,835 mostly due to the purchase of external inventory from contract grow partners, as well as the addition of edibles and extracts. The increase in assets was offset by a decrease of accounts receivable of $934,846 and a decrease of property, plant and equipment of $253,471.

Total Liabilities

Total liabilities increased by $2,056,199 as at May 31, 2021, from $1,781,087 as at November 30, 2020, primarily due to new long term debt proceeds of $2,500,000 and fluctuations in trade accounts payable associated with increases in purchased cannabis from grow partners and contract growers.

OUTSTANDING SHARES, WARRANTS, OPTIONS AND RESTRICTED SHARE UNITS

The Company is authorized to issue an unlimited number of common shares. The table below outlines the number of issued and outstanding common shares, options and restricted share units.

- The Company granted 1,312,500 Restricted Share Units (RSUs) to its Directors and an Officer, of which 500,000 RSUs will vest on May 31, 2022, 250,000 vesting August 31, 2022, 250,000 vesting November 30, 2022.

	July 29, 2021	**May 31, 2021**	**November 30, 2020**
Common shares issued and outstanding	101,129,747	100,887,323	100,762,323
Stock options/Warrants	4,159,625	4,252,049	3,902,980
Restricted share units	2,118,750	2,118,750	775,000
Fully diluted	107,408,122	107,258,122	105,440,303

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Management intends to finance operating costs over the next twelve months with current cash on hand, cash generated through operations, and the new $2.5 million credit facility (See “Financing Activities” below).

As of May 31, 2021, the Company had $1,653,428 of cash, $1,844,284 of receivables and $1,600,45 of accounts payable and accrued liabilities. As at November 30, 2020, the Company had $276,685 of cash, $2,779,130 of receivables and $1,414,018 of accounts payable and accrued liabilities.

(In $)	**May 31, 2021**	**November 30, 2020**
Operating activities	(1,066,036)	(1,386,645)
Investing activities	71,682	(170,601)
Financing activities	2,371,097	-

Operating Activities

Net cash used in operating activities for the six-months ended May 31, 2021, was $1,066,036 as a result of net loss and comprehensive loss for the period of $1,444,896, a decrease in the unrealized gain on change of fair value of biological assets (non-cash income), and working capital items used of $308,006.

During the comparative six-months ended May 31, 2020, net cash used in operating activities was $1,586,066 due to a net loss and comprehensive loss for the period of $1,521,900 partially offset by share-based compensation expense and non-cash working capital items used of $464,601.

Investing Activities

During the six-months ended May 31, 2021, net cash provided by investing activities was $71,682 due to the proceeds from the sale of assets held for sale. During the comparative six-months ended May 31, 2020, net cash used by investing activities was $363,161 primarily due to the purchase of property, plant and equipment.

Financing Activities

During the six-months ended May 31, 2021 net cash received from financing activities was $2,371,097.

On February 5th, 2021 (the "Closing Date"), the Company completed a loan agreement of up to $2.5 million with a Canadian based mortgage lender ("Lender"). The first tranche of the loan was advanced on the Closing Date, with cash received, net of fees and other expenses of $1,482,482. The Company had an option to draw a second advance of $935,000 anytime within 9-months of the Closing Date, up to the total maximum of $2,500,000. The Company exercised this option on May 13th, 2021 and received the remaining $935,000 which will be used to support inventory purchases, to drive further growth in the business. The loan bears interest of 11% payable monthly. The principal is required to be repaid within 19-months of the Closing Date but does have one optional 6-month extension available, at which time, the interest cost would be 14% per annum, payable monthly. The Company issued 1,000,000 warrants to the Lender as part of closing the transaction.

Capital Resources

The Company manages its capital structure and adjusts it based on the funds available to the Company in order to maintain operations. 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 that it manages as shareholders' equity.

The Company manages the capital structure and adjusts it considering changes in economic conditions and the underlying assets' risk characteristics. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents held. The Company is not currently subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year. As at May 31, 2021 total current assets less current liabilities totaled $5,728,951

The Company expects its current capital resources will be sufficient to carry out its operations in the near term.

FINANCIAL RISK MANAGEMENT

The Company is exposed to varying degrees and a variety of financial related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and how such exposure is managed is provided as follows:

Interest risk

The Company has minimal exposure to interest rate risk. The Companies operating cash balances are exposed to movements in interest income rates. As noted above, the Company closed a $2.5 million credit facility, however that facility has a fixed rate of interest, with no exposure to fluctuating interest rates.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and receivables. The Company's cash are held through large Canadian financial institution and no losses have been incurred in relation to these items.

The Company's receivables are mostly comprised of trade accounts receivable. In addition, the Company had 1% in trade accounts receivable outstanding over 60 days at May 31, 2021. The expected loss rate for overdue balances is estimated to be nominal based on subsequent collections, discussions with associated customers and analysis of the credit worthiness of the customer. Of the total billed trade receivables at May 31, 2021, the Company has subsequently collected 6% of the total balance. Of the Company's trade receivables outstanding at May 31, 2021, 95% are held with 7 provincial customers of the Company.

The carrying amount of cash and receivables represent the maximum exposure to credit risk, and as at May 31, 2021, this amounted to $3,497,712.

Economic dependence risk

Economic dependence risk is the risk of reliance upon a select number of customers, which significantly impacts the Company's financial performance. The Company recorded sales from seven provincial customers representing 99% of total revenue in the three-month period ended May 31, 2021.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at May 31, 2021, the Company has $1,653,428 of cash. The Company is obligated to pay accounts payable and accrued liabilities of $1,540,378. As at May 31, 2021, total current assets less current liabilities totaled $5,728,951.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements under IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities, and amounts of revenue and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

There have been no changes in the Company's significant accounting judgments and estimates during the six-month period ended May 31, 2021. For more information on the Company's accounting policiesand key estimates, refer to the note disclosures in the annual consolidated financial statements as at and for the six-month period ended May 31, 2021.

NEW STANDARDS EFFECTIVE DECEMBER 1, 2020

The Company has adopted the following new IFRS standard for the period beginning December 1, 2019.

IFRS 16 Leases

IFRS 16, Leases, specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 became effective for years beginning after January 1, 2019. There was no impact on the Company's consolidated financial statements on adoption of this standard.

RELATED PARTY TRANSACTIONS

Key management personnel

The Company's key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has defined key management personnel to include the CEO and CFO, and directors of the Company.

The remuneration paid or accrued for the Company's key management personnel and directors for the six-month ended May 31, 2021 and 2020 is as follows:

	Six months ended	
	May 31, 2021	**May 31, 2020**
Management compensation (1)	$ 259,209	$ 606,123
Directors' fees (2)	60,000	57,500
Share-based compensation (3)	424,920	16,068
	$ 744,129	$ 679,691

(1) Management compensation is included in salaries and wages in net loss and comprehensive loss.
(2) Directors' fees are included in general and administration in net loss and comprehensive loss.
(3) Share-based compensation are the fair value of options and restricted share units ("RSUs") granted and vested to key management personnel and directors of the Company under the Company's stock option plan and RSU plan. Share-based payments compensation is included in share-based compensation in net loss and comprehensive loss.

Related party services

The Company entered into certain transactions with related parties during the six-month period ended May 31, 2021 and 2020 as follows:

	Six months ended	
	May 31, 2021	**May 31, 2020**
Operational fees paid or payable to companies owned by a director of the Company (1)	-	86,219
		$ 86,219

(1) Operational fees are included in General and administration in net loss and comprehensive loss.

Related party balances

The following related party amounts were included in (i) amounts receivable, and (ii) accounts payable and accrued liabilities:

	Six months ended	
	May 31, 2021	May 31, 2020
(i) Former director	$ -	$ 39,379
(ii) Current directors [1]	$ 28,750	$ 62,558

(1) The amounts reflect board fees accrued in the normal course of business.

RISK FACTORS

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, and should be reviewed in detail by all readers:

- ability to successfully obtain and renew Cannabis Act licenses, adhere to all regulatory requirements, and maintain the good standing of our licenses;
- actions by governmental authorities, including changes in laws, regulations, and guidelines, which may have adverse effects on the Company's operations;
- risk of failure or delay to acquire regulatory approvals required to produce and sell cannabis;
- the Company has a limited operating history and no assurance of profitability;
- ability to successfully purchase cannabis to process and distribute and whether the Company is able to realize its growth targets as a result;
- ability to execute the Company's strategy without additional financing;
- operating hazards and uninsured risks;
- availability of strategic alliances which complement or augment the Company's existing business;
- possibility of product liability claims against the Company;
- risk of product recalls and returns;
- ability to successfully develop new products and obtain required regulatory approvals;
- conflicts of interest which may arise between the Company and its directors and officers;
- potential for legal proceedings arising in the normal course of business;
- risks related to agricultural operations, including disease, insect pests, and changes in climate;
- the Company's dependence on transportation services and the possibility of disruptions;
- the price of production of cannabis will vary based on several factors outside of our control;
- risks related to compliance with safety, health, and environmental regulations;
- risk of political and economic instability in the jurisdictions in which the Company operates;
- execution of the Company's growth strategy;
- volatility in the Company's common share price on the TSX-V and OTCQB;
- global economy risk, which may impact the Company's ability to raise equity or obtain additional financing;
- future issuances of equity could decrease the value of the Company's shares;
- risks associated with the absence of dividends paid to shareholders;
- risks associated with breaches of security at our facilities or in respect of electronic documents and data storage and risks related to breaches of applicable privacy laws; and
- cyber security risks, loss of information and computer systems;

DIVIDENDS

The Company has no dividend record and is unlikely to pay any dividends over the next fiscal year as it intends to employ available funds for growth opportunities in the cannabis sector. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deem relevant.

MANAGEMENTS RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided or referred to in this report is the responsibility of management. In the preparation of the consolidated financial statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Proposed Transactions

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of potential business relationships.

Governance and Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the consolidated financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the consolidated financial statements and the disclosure contained in this MD&A.

MANAGEMENTS'S REPORT ON INTERAL CONTROLS OVER FINANCIAL REPORTING

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

DIRECTORS AND OFFICERS

Directors
Sean MacNeil
Michael Black
Byron Dudley
Bill Dickie
Dan Echino
Jarrett Malnarick

Audit Committee members
Byron Dudley (Chair), Sean MacNeil and Bill Dickie

Key Management
Jarrett Malnarick – Chief Executive Officer
Kerry Biggs – Chief Financial Officer

OTHER REQUIREMENTS

Additional disclosure of the Company's material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

On behalf of the Board,

Citizen Stash Cannabis Corp.

Director "Byron Dudley"   Director "Jarrett Malnarick"