

BELLROCK BRANDS INC.

**CSE FORM 2A
LISTING STATEMENT**

October 31, 2020

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CAUTIONARY STATEMENTS REGARDING U.S. CANNABIS OPERATIONS

This Listing Statement relates to the securities of an entity that is expected to continue to directly derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. BellRock Brands Inc. (as the Issuer) is directly involved (through its wholly-owned subsidiaries and license holders) in the cannabis and hemp oil industry in the U.S. where local state laws permit such activities. Currently, its subsidiaries and license holders are directly engaged in the manufacture, possession, use, sale or distribution of cannabis and hemp oil in the adult-use and medicinal cannabis market in the states of California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma.

Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, including the states of California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the *Controlled Substances Act of 1970* (the “CSA”). An investor’s contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Well over half of the states of the United States have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”) or cannabidiol (“CBD”), while other states have legalized and regulated the sale and use of medical cannabis with strict limits on the levels of THC and CBD. Notwithstanding the permissive regulatory environment of adult-use and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Issuer of liability under the United States federal law, nor provide a defense to any federal proceeding which may be brought against the Issuer. Any such proceedings brought against the Issuer may adversely affect the Issuer’s operations and financial performance.

As a result of the conflicting views between states and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Issuer in the United States. As such, there are a number of risks associated with the Issuer’s existing and future business and investments in the United States.

For the reasons set forth above, the Issuer’s interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

There are a number of risks associated with the business of the Issuer. See *Risk Factors* hereof.

FORWARD LOOKING STATEMENTS

This Listing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. 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 Listing Statement. Such forward-looking statements speak only as of the date of this Listing Statement and include, but are not limited to, statements with respect to:

- the ability of the Issuer to obtain necessary financing;
- the performance of the Issuer’s business and operations;
- the Issuer’s expected market and the profitability thereof;
- the regulatory framework for medical and adult-use use of cannabis in the United States, Canada and other countries in which the Issuer may carry on its business;
- the ability of the Issuer to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices;
- the Issuer’s ability to obtain the necessary licensing and approvals for their proposed products;
- the ability of the Issuer to research and develop marketable products for the medicinal and adult-use cannabis markets;
- the ability of the Issuer to achieve adequate intellectual property protection;
- the Issuer’s future liquidity and financial capacity;
- the grant and impact of any additional licenses to conduct activities with cannabis;
- anticipated and unanticipated costs;
- costs, timing and future plans concerning the business and operations of the Issuer;
- results and expectations concerning various partnerships, strategic alliances, projects and marketing strategies of the Issuer; and
- the economy generally.

The forward-looking statements contained in this Listing Statement are based on a number of assumptions which may prove to be incorrect including, but not limited to:

- the Issuer’s ability to raise capital;
- the Issuer’s ability to secure the requisite licenses and governmental approvals to research;
- the success of the Issuer’s research and development efforts;
- the market for and potential revenues to be derived from the Issuer’s proposed products;
- the expected growth in the number of users of medical and adult-use cannabis in the United States, Canada and other countries in which the Issuer may carry on its business;
- the market for and potential revenues to be derived from the Issuer’s cannabis extract products and other projects being consistent with the Issuer’s expectations;

- the ability of the Issuer to successfully compete in the medical and adult-use cannabis markets in the United States, Canada and other countries in which the Issuer may carry on its business; and
- costs, timing and future plans concerning operations of the Issuer being consistent with current expectations.

These forward-looking statements should not be relied upon as representing the Issuer's views as of any date subsequent to the date of this Listing Statement. Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Issuer. Additional factors are noted under "Risk Factors" in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and the Issuer does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable law.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

1. GLOSSARY

Unless otherwise indicated all capitalized terms not otherwise defined in this Listing Statement have the meanings ascribed under this section:

"2018 Amalgamation" means the three-cornered amalgamation and securities exchange among the Issuer, Dixie Brands Acquisition and USA Inc. pursuant to which Dixie Brands Acquisition and USA Inc. merged to form Dixie Brands (USA) Inc. that was completed on the Amalgamation Effective Date;

"2018 Farm Bill" means the United States Agricultural Improvement Act of 2018, Pub. L. No. 115-334 (2018);

"ACMPR" means the Access to Cannabis for Medical Purposes Regulations (Canada) pursuant to the *Controlled Drugs and Substances Act* (Canada);

"Affiliate" means a company that is affiliated with another company as described below. A company is an **"Affiliate"** of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"Amalgamation Agreement" means the definitive agreement dated September 28, 2018 entered into between the Issuer, Dixie Brands Acquisition, and USA Inc. in respect of the 2018 Amalgamation;

“**Amalgamation Effective Date**” means November 27, 2018;

“**Associate**” has the meaning ascribed to such term in the *Securities Act* (Ontario), as amended, including the regulations promulgated thereunder;

“**AUMA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**Awards**” has the meaning ascribed to such term under the heading “*Options to Purchase Securities*”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**BCC**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**Board of Directors**” or “**Board**” means the board of directors of the Issuer;

“**BR Brands**” means BR Brands, LLC, a limited liability company formed under the *Delaware Limited Liability Company Act* on December 18, 2017;

“**BRB Mary’s Financial Statements**” means the audited financial statements of BRB Mary’s Holding Corp. for the years ended December 31, 2019 and 2018 and the unaudited interim financial statements of BRB Mary’s Holding Corp. for the subsequent six-month period ended June 30, 2020, which are attached to this Listing Statement as Schedule “A”;

“**BRB Management Services Agreement**” has the meaning ascribed to such term under the heading “*Executive Compensation - Compensation of Named Executive Officers and Directors*”;

“**BRB Mary’s MD&As**” means BRB Mary’s Holding Corp.’s MD&As for the year ended December 31, 2019 and subsequent six-month period ended June 30, 2020, which are attached to this Listing Statement as Schedule “B”;

“**BSA**” means the *Bank Secrecy Act of 1970*, also known as the *Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970* (31 U.S.C. 5311 et seq.);

“**Business Day**” means any day other than a Saturday, Sunday, or a statutory or civic holiday in the City of Toronto, Ontario;

“**Cannabis Act**” means Canada’s *Cannabis Act, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts (Canada)*, (S.C. 2018, c. 16);”

“**CBD**” means cannabidiol;

“**CDS**” means the CDS Clearing and Depository Services Inc.;

“**CDSA**” *Controlled Drugs and Substances Act* (Canada);

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**CMCA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - Florida*”;

“**Cole Memorandum**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**Common Shares**” means the common shares in the capital of the Issuer;

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Continuance**” has the meaning ascribed to such term under the heading “*General Development of the Business – Significant Acquisitions and Dispositions*”;

“**Contributed Assets**” has the meaning ascribed to such term under the heading “*General Development of the Business – Significant Acquisitions and Dispositions*”;

“**Contributed Interests**” has the meaning ascribed to such term under the heading “*General Development of the Business – Significant Acquisitions and Dispositions*”;

“**Contributed Liabilities**” has the meaning ascribed to such term under the heading “*General Development of the Business – Significant Acquisitions and Dispositions*”;

“**Contribution Agreement**” means the share contribution and exchange agreement dated April 21, 2020 between the Issuer and BR Brands;

“**Control Person**” means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“**CPG**” means consumer packaged goods;

“**CSA**” means the United States *Controlled Substances Act*;

“**CSE**” means the Canadian Securities Exchange;

“**CUA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**DEA**” means Drug Enforcement Administration;

“**Dixie Brands Acquisition**” means Dixie Brands Acquisition Inc., a wholly-owned subsidiary of the Issuer incorporated on September 18, 2018 under the *Delaware General Corporation Law* for the purpose of carrying out the 2018 Amalgamation;

“**Dixie USA**” means Dixie Brands (USA), Inc., the resulting corporation from the merger of Dixie Brands Acquisition and USA Inc., organized under the laws of Delaware;

“**DOJ**” means the United States Department of Justice;

“**FCEN**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**FCEN Memorandum**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**FDA**” means the United States Food and Drug Administration;

“**IFRS**” means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board, effective January 1, 2011;

“**IHR**” means the Industrial Hemp Regulations under the Cannabis Act;

“**industrial hemp**” or “**hemp**” is a variety of *Cannabis sativa* that is often differentiated based on its chemical profile. Unless otherwise specified herein, “hemp” and “industrial hemp” are used interchangeably;

“**Issuer**” means BellRock Brands Inc. (formerly, Dixie Brands Inc.), which was incorporated under the OBCA as “Boeing Holdings & Explorations Limited” on July 20, 1970 and on November 27, 2018, completed a reverse takeover transaction and changed its name to Dixie Brands Inc., as more particularly described under the heading “*Corporate Structure – Jurisdiction of Incorporation*”;

“**Khiron**” means Khiron Life Sciences Corp., a company incorporated under the laws of the BCBCA;

“**LARA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Michigan*”;

“**Leahy Amendment**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**Listing Statement**” means this listing statement, as may be amended and/or supplemented from time to time;

“**Management Services Agreement**” has the meaning ascribed to such term under the heading “*Executive Compensation - Compensation of Named Executive Officers and Directors*”;

“**Mary’s**” has the meaning ascribed to such term under the heading “*General Development of the Business – General Development of the Issuer’s Business*”;

“**MAUCRSA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**MCRSA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**MD&A**” means management’s discussion and analysis;

“**MED**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - Colorado*”;

“**METRC**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**Michigan Cannabis Regulations**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Michigan*”;

“**MM Tech**” means MM Technology Holdings, LLC was incorporated under the *Delaware Limited Liability Company Act* on August 28, 2014;

“**MMCC**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Maryland*”;

“**MMFLA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Michigan*”;

“**MMMA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Michigan*”;

“**MTA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation – Michigan*”;

“**Nevada DOT**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - Nevada*”;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NPV Shares**” means the 500,000 non-participating voting shares of the Issuer entitling each holder thereof to 100 votes per NPV Share at any meeting of the shareholders of the Issuer;

“**OMMA**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - Oklahoma*”;

“**Operating Partners**” means a manufacturing or distribution company that is licensed within its territory to manufacture, or distribute cannabis-related Products that has entered into a manufacturing agreement, license agreement, royalty agreement, a joint venture or any similar arrangements with the Issuer;

“**Person**” means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever;

“**Plan**” has the meaning ascribed to such term under the heading “*Options to Purchase Securities*”;

“**Products**” means hemp-based, cannabinoid and THC-infused products;

“**Pro-Forma Financial Statements**” means the unaudited pro forma statement of financial position for the Issuer as at June 30, 2020 to give effect to the Transaction as if it had taken place as of June 30, 2020, which is attached to this Listing Statement as Schedule “D”;

“**Qualified Financing**” means a financing where USA Inc. raises \$12 million or more in working capital from and after April 1, 2018, through the issuance of USA Shares or convertible promissory notes to accredited investors based upon a pre-money valuation of USA Inc. of \$60 million or more;

“**RCFI**” means Rose Capital Fund I, LP was formed on March 23, 2017 under the *Delaware Limited Partnership Act*;

“**Rose Management**” means Rose Management Group LLC was formed on May 4, 2017 under the *Delaware Limited Liability Company Act*;

“**Secured BRB Bridge Note**” means the certain senior secured convertible note, dated as of March 30, 2020 (as the same may be amended, restated or replaced from time to time), issued by the Issuer to BR Brands in exchange for the aggregate cash proceeds of \$250,000 loaned by BR Brands to the Issuer thereunder;

“**seed-to-sale**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**Sessions Memorandum**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**SOPs**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – U.S. Compliance Procedures*”;

“**Staff Notice 51-352**” has the meaning ascribed to such term under the heading “*Regulatory Overview – Summary of the Issuer’s U.S Cannabis Activity*”;

“**State Operators**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – U.S. Compliance Procedures*”;

“**STATES Act**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**SVS**” means the issued and outstanding subordinate voting shares in the capital of the Issuer prior to the Continuance;

“**T&T**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – State Regulation - California*”;

“**THC**” means delta-9-tetrahydrocannabinol;

“**Therabis 2019 Purchase Agreement**” means that the Unit Purchase Agreement, dated as of January 2, 2019, by and among (i) Therabis, LLC, a Delaware limited liability company, (ii) RSG6, LLC, (iii) RCFI, and (iv) Dixie Brands (USA), Inc.;

“**Transaction**” has the meaning ascribed to such term under the heading “*General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of the Assets of BR Brands*”;

“**U.S.**” or “**United States**” means the United States of America;

“**U.S. Tax Code**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*”;

“**USA Inc.**” means Dixie Brands, Inc., a corporation formed on July 21, 1993 under the *Delaware General Corporation Law*, predecessor to Dixie USA;

“**USA Preferred Stock**” means the 1,300,000 shares of preferred stock authorized for issue by USA Inc.;

“**USA Shares**” means the issued and outstanding common stock in the capital of USA Inc.;

“**USAM**” has the meaning ascribed to such term under the heading “*Regulatory Overview – U.S. Cannabis Regulation*”; and

“**USDA**” means the United States Department of Agriculture.

Words importing the masculine shall be interpreted to include the feminine or neuter and the singular to include the plural and vice versa where the context so requires.

In this Listing Statement, other words and phrases that are capitalized have the meanings assigned in this Listing Statement.

All references to “\$”, “US\$” or “dollars” in this Listing Statement are to United States dollars unless otherwise expressly stated. References to “CDN\$” are to lawful currency of Canada.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

The head office of the Issuer is located at 4990 Oakland Street, Denver, Colorado 80239 and the registered office is located at 1500 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

2.2 Jurisdiction of Incorporation

The Issuer was incorporated under the OBCA as “Boeing Holdings & Explorations Limited” on July 20, 1970, following an amalgamation between Artex Holdings & Explorations Limited and Boeing Holdings & Explorations Limited. On January 6, 1972, the Issuer changed its name to “Consolidated Boeing Holdings & Explorations Limited” and on April 10, 1980, the name was changed again to “Academy Explorations Limited”. On January 2, 1990, the Issuer amended its articles to create unlimited number of common shares and an unlimited number of special shares issuable in series. On November 27, 2018, the Issuer completed a reverse takeover transaction with Dixie Brands, Inc. (the predecessor to Dixie USA) and changed its name to “Dixie Brands Inc.” Upon completion of the Transaction on October 31, 2020, the Issuer changed its name to BellRock Brands Inc., continued its registered jurisdiction from Ontario to British Columbia and adopted new articles. See “*General Development of the Business - During the Year ended December 31, 2019 and to the date of Listing Statement*”.

2.3 Inter-Corporate Relationships

The Issuer has the following subsidiaries:

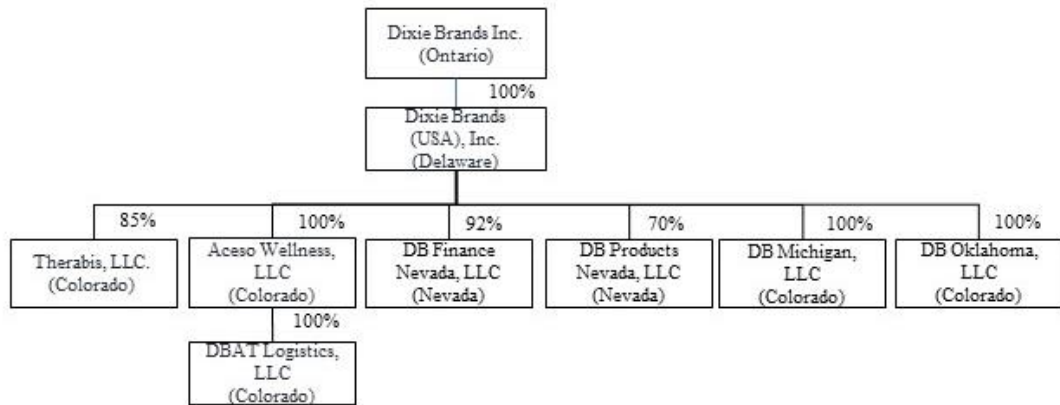
Name of Subsidiary	Jurisdiction of Incorporation	Shareholders and Interest held
BRB DB Holdings Inc.	Delaware	BellRock Brands Inc. (100%)
BRB Mary’s Holding Corp.	Delaware	BRB DB Holdings Inc. (100%)
Mary’s Operations, LLC	Colorado	BRB Mary’s Holding Corp. (100%)
Mary’s Pets, LLC	Colorado	BRB Mary’s Holding Corp. (100%)
Mary’s Nutritionals, LLC	Colorado	BRB Mary’s Holding Corp. (100%)
MM Technology Holdings, LLC	Delaware	BRB Mary’s Holding Corp. (100%)
Ironton Properties LLC	Colorado	MM Technology Holdings, LLC (100%)
Edgewater Foods, Inc.	Delaware	BRB DB Holdings Inc. (87.2%)
Lost County, Inc.	Delaware	BRB DB Holdings Inc. (69.3%)
Eaze Technologies, Inc.	Delaware	BRB DB Holdings Inc. (1.4%)
Dixie Brands (USA), Inc.	Delaware	BRB DB Holdings Inc. (100%)
Therabis, LLC	Colorado	Dixie Brands (USA), Inc. (85%)
Aceso Wellness, LLC	Colorado	Dixie Brands (USA), Inc. (100%)

DB Finance Nevada, LLC	Nevada	Dixie Brands (USA), Inc. (92%)
DB Products Nevada, LLC	Nevada	Dixie Brands (USA), Inc. (70%)
DBAT Logistics, LLC	Colorado	Aceso Wellness, LLC (100%)
DB Michigan, LLC	Colorado	Dixie Brands (USA), Inc. (100%)
DB Oklahoma, LLC	Colorado	Dixie Brands (USA), Inc. (100%)

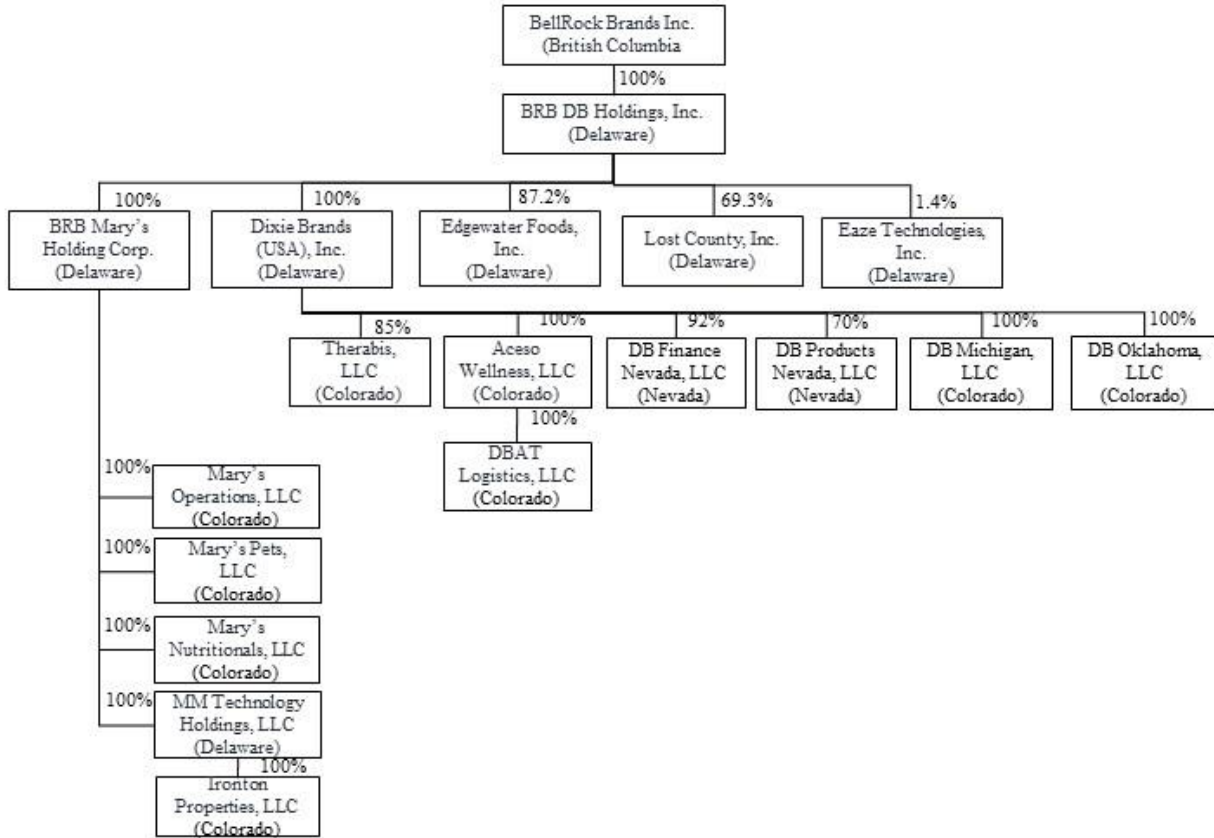
2.4 Fundamental Change

The Issuer received approval from the CSE on October 8, 2020 with respect to its requalification application.

The following diagram illustrates the Issuer’s corporate structure, together with the governing law or the jurisdiction of incorporation of each principal material subsidiary and the percentage of voting securities beneficially owned by the Issuer, immediately prior to the completion of the Transaction:



The following chart illustrates the intercorporate relationships that exist as of the date of the Listing Statement:



2.5 Non-Corporate Issuers or Issuers Incorporated Outside of Canada

This section is not applicable to the Issuer.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Issuer’s Business

Prior to the 2018 Amalgamation, the Issuer had previously operated as a mineral exploration company. The company was listed as a junior natural resources company but had no business operations revenue or profits in the period immediately prior to the 2018 Amalgamation and had adopted a strategy to stay liquid while searching for an appropriate opportunity with a private corporation looking to expand its operations by acquiring control of, or investment capital from, a publicly owned company such as the Issuer. Assets of the Issuer immediately prior to the 2018 Amalgamation consisted of cash and cash equivalents and marketable securities in the form of guaranteed investment certificates and bank preferred shares.

Following the 2018 Amalgamation, the Issuer served as a branding and marketing company that licenses certain technology and product names used in or related to THC-based products, by and through various brands including “DIXIE ELIXIRS & EDIBLES”, as well as full spectrum hemp oil derived human and animal dietary supplements through the brands “ACESO WELLNESS” and “THERABIS”, respectively.

Following the completion of the Transaction on October 31, 2020, the Issuer acquired, amongst other assets, BRB Mary's Holding Corp., MM Technology Holdings, LLC ("**MM Tech**"), Mary's Nutritionals, LLC, Mary's Operations, LLC, and Mary's Pets, LLC (collectively, "**Mary's**"). See "*General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of the Assets of BR Brands*". The Issuer also owns or is partnered with BZL Worldwide, Inc., Edgewater Foods, Inc., and Lost County, Inc., which develop and market branded cannabis products, targeted towards different customer segments. The addition of these assets transformed the Issuer into a multi-state cannabis consumer packaged goods ("**CPG**") company operating in the United States.

The Issuer

On July 5, 2018, the Issuer closed a non-brokered private placement offering of 25,000,000 Common Shares at \$0.02 per share for a gross proceed of \$500,000.

On July 5, 2018, the Issuer announced that the board of directors has authorized the grant of 400,000 incentive stock options to certain directors and officers of the Issuer. Each stock option entitles the holder to acquire one Common Share for a period of three years at an exercise price of \$0.02 per share.

On September 28, 2018, the Issuer entered into the Amalgamation Agreement with Dixie Brands Acquisition and USA Inc., pursuant to which the Issuer agreed to acquire all of the issued and outstanding USA Shares in exchange for SVS of the Issuer. On November 27, 2018, Dixie Brands Acquisition and USA Inc. merged to form Dixie USA. Pursuant to the 2018 Amalgamation, the Issuer acquired all of the USA Shares by way of a "three-cornered" amalgamation whereby:

- (a) each USA Share issued and outstanding immediately prior to the Amalgamation Effective Date was transferred by each holder thereof to the Issuer in exchange for approximately 10.535 fully paid and non-assessable SVS for each USA Share;
- (b) each Dixie Brands Acquisition share issued and outstanding immediately prior to the Amalgamation Effective Date was exchanged for one Dixie USA share as a result of the 2018 Amalgamation;
- (c) each USA Share held by the Issuer was cancelled as a result of the 2018 Amalgamation and the Issuer received, for each USA Share, 0.01 shares of common stock of Dixie USA;
- (d) holders of warrants of USA Inc. exchanged their warrants for warrants of the Issuer with the same economic value and expiration date;
- (e) holders of options of USA Inc. exchanged their options for options of the Issuer with the same economic value and expiration date; and
- (f) each option of management of USA Inc. was exchanged for one NPV Share and thereafter cancelled.

The 2018 Amalgamation resulted in USA Inc. merging with Dixie Brands Acquisition and becoming Dixie USA, and becoming a wholly-owned subsidiary of the Issuer. On November 27, 2018, the Issuer changed its name to Dixie Brands Inc. As a closing condition of the 2018 Amalgamation, in order to optimize the share structure of the Issuer, the Issuer consolidated its shares on the basis of one new share for every four old shares prior to closing and amended its articles to provide for the NPV Shares.

The specific valuation ascribed to USA Inc. in the Amalgamation Agreement and with respect to any USA Shares acquired by the Issuer was determined by arm's length negotiation between USA Inc. and certain shareholders of the Issuer.

On January 30, 2019, the Issuer announced that it had entered into a binding letter of intent with Khiron Life Sciences Corp. ("**Khiron**"), a company incorporated under the laws of the BCBCA. Khiron is licensed for cultivation,

production, domestic distribution and international export of THC and CBD medical cannabis, to establish a 50/50 joint venture to introduce a full line of cannabis-infused products to the Latin American market.

On March 14, 2019, the Issuer and Khiron entered into a joint venture agreement pursuant to which each of the Issuer and Khiron became 50% owners of Dixie Khiron JV Corp., an entity incorporated under the laws of the OBCA, and which was intended to manufacture and distribute cannabis-infused products in Latin America. The Issuer licensed its intellectual property, including the trademarks of its brand portfolio, and its proprietary recipes, processes and production methods to Dixie Khiron JV Corp. Pursuant to the joint venture agreement, Khiron was to be responsible for the day to day operations of Dixie Khiron JV Corp., including the supply of cannabis ingredients and the production of the branded products. The Issuer was to manufacture and distribute Khiron's Kuida® brand products in the United States. In connection with the joint venture agreement, the Issuer issued an aggregate of 781,250 SVS at a deemed price of \$0.73 per SVS as compensation to a certain finder. On March 20, 2020, the Issuer and Khiron mutually agreed to terminate the joint venture agreement in light of the contemplated change of control in connection with the Issuer's pending transaction with BR Brands and the Issuer no longer has a business relation with Khiron.

On May 31, 2019, the Issuer issued 150,000 SVS upon an exercise of options of the Issuer at a price of \$0.62 per SVS. On July 26, 2019, the Issuer issued an aggregate of 283,202 SVS at a deemed price of \$0.88 per SVS.

On March 9, 2020, the Issuer announced that it entered into a binding term sheet with BR Brands, pursuant to which BR Brands will combine operations with the Issuer. On April 21, 2020, the Issuer entered into the Contribution Agreement with BR Brands and completed the Transaction on October 31, 2020. See "*Significant Acquisitions and Dispositions*".

On April 22, 2020, the Issuer announced that it had granted 14,198,926 restricted SVS to certain non-executive employees and 597,222 restricted SVS to certain directors, in each case at a price of \$0.36 per share, pursuant to the terms of Issuer's long-term incentive plan. The restricted SVS issued to nonexecutive employees will vest on January 1, 2021 and the remaining restricted SVS vest immediately upon grant and are otherwise subject to the terms of the Issuer's long-term incentive plan.

On July 21, 2020, the Issuer appointed Alejandro "Alex" de Gortari as its Chief Financial Officer and granted him 750,000 restricted SVS at \$0.135 under the Plan.

Mary's

Mary's was formed under the *Colorado LLC Act* on April 30, 2017 in Denver, Colorado, and is consumer branded products business that manufactures medicinal and nutritional THC and CBD products under four brands: (1) "Mary's Medicinals", (2) "Mary's Nutritionals", (3) "Mary's Methods", and (4) "Mary's Tails".

Mary's Medicinals, best known as the developer of the first transdermal cannabis patch and gel pen, researches, develops, and manufactures cannabinoid infused products and sells them to licensed medical and adult-use retail dispensaries across eight U.S. states: California, Colorado, Florida, Illinois, Maryland, Nevada and Michigan, Oklahoma.

Mary's Nutritionals, launched in April 2015, researches, develops, and manufactures products infused with organically cultivated activated hemp extract and other plant-based extracts.

Mary's Methods, launched on November 30, 2018, is a line of full-spectrum hemp-infused skincare products designed to bring Mary's into the cannabis-infused beauty market.

Mary's Tails, launched on August 20, 2019, is a new brand and product offering for the pet market (canines and felines) and currently sells innovative hemp-derived cannabinoid-infused products nationwide in PetSmart Inc. retail stores, and online direct to consumer. The Mary's Nutritionals, Mary's Methods, and Mary's Tails hemp-infused product lines are distributed direct-to-consumer online as well as through retail partners across California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma and internationally.

On May 1, 2019, BR Brands acquired 100% of the equity in Mary's in a series of transactions. In these transactions, BR Brands and Mary's, as applicable, acquire equity interests of the founders and early investors in Mary's in exchange for \$25,280,656 in cash and \$9,493,619 of aggregate promissory notes, and the remainder of Mary's equity was exchanged for ownership interests in BR Brands as a rollover of equity value into BR Brands.

On October 31, 2020, the Issuer acquired 4,500 shares (which constitutes 100% of the issued and outstanding shares) of Mary's from BR Brands pursuant to the Transaction. See "*Significant Acquisitions and Dispositions*".

USA Inc.

On June 2, 2017, USA Inc. raised an aggregate principal amount of \$4,620,000.00 in promissory notes. The debt was repaid or converted into equity prior to the 2018 Amalgamation. Investors were also provided five-year warrants in connection with the financing which entitle them to purchase 276,367 USA Shares for \$0.92 until April 1, 2023.

On July 25, 2016, Dixie Brands Finance Nevada, LLC ("**DBFN**") raised \$1,325,000.00 in convertible debt. There is no longer any obligation for the payment of interest with respect to the DBFN raise.

On April 17, 2018, USA Inc. closed an offering of 1,090,245 USA Preferred Stock at \$3.67 per share for gross proceeds of \$4.0 million (the "**Series B Financing**").

On October 1, 2018, USA Inc. closed an offering (the "**Series C Financing**") by way of private placement of 2,687,512 USA Inc.'s units of securities where each unit consist of one USA Share and one USA Warrant (the "**Series C Warrants**", together with the USA Shares and USA Warrants, the "**USA Units**") for aggregate gross proceeds of \$25,000,000. The purchase price of each USA Unit was \$9.30. Each Series C Warrant entitles the holder thereof to acquire one USA Share for \$13.95, exercisable for one year. As part of the Series C Financing, \$1,925,000 of debt was exchanged for USA Shares (the "**Debt Conversion**") at the same deemed value of USA Inc. as the Series C Financing. The USA Units issued pursuant to and at the time of the Series C Financing was treated for purposes of the 2018 Amalgamation in the same way as the other securities of USA Inc. existing on the date of the 2018 Amalgamation.

The Series C Financing constituted a Qualified Financing pursuant to the terms of the USA Preferred Stock, consequently all USA Preferred Stock was converted into USA Shares on October 1, 2018 on closing of the Series C Financing at a rate of 2.89 USA Shares issued for each USA Preferred Stock and all USA Preferred Stock were cancelled.

Edgewater (d/b/a Défoncé)

In September 2018, BR Brands entered into a transaction with 33G to provide it with growth capital in the form of a senior secured convertible promissory note. 33G, along with several related entities, was founded in 2016 by an entrepreneur to create high-end cannabis-infused confectionary goods under the brand "Défoncé".

In March 2019, 33G's other senior secured creditor filed a lawsuit against the company alleging that 33G had failed to repay its debt and had breached many of the creditor's investor rights. BR Brands attempted to assist 33G in resolving this lawsuit and its chronic liquidity issue on multiple occasions, exploring potential strategic alternatives, however BR Brands was unable to come to terms with 33G's founder and sole shareholder. By early 2020, 33G's financial state had materially deteriorated, and its financial position worsened, having significant additional accrued material vendor liabilities. As a result, in March 2020, BR Brands, along with 33G's other secured creditors, completed a restructuring, which involved a foreclosure on 33G's and its Affiliates' assets. The foreclosure resulted in the transfer of their assets and intellectual property to Edgewater, a newly formed Delaware corporation.

On October 31, 2020, the Issuer acquired 87% of Edgewater from BR Brands pursuant to the Transaction and Edgewater continues to produce and market Défoncé products. See "*Significant Acquisitions and Dispositions*".

Lost County (d/b/a Rebel Coast)

Lost County, which primarily operates under the “Rebel Coast” brand, was incorporated under the *Delaware General Corporation Law* on October 26, 2017 with the initial objective of offering high-quality, alcohol-free THC-infused wine. In 2019, Lost County’s Affiliate, RCW, Inc. (“**RCW**”) obtained a cannabis manufacturing license (License #: CDPH-10002341), and Lost County is currently constructing a 12,000 sq. ft. production facility expected to be completed and operational by the end of the fourth quarter of 2020. Lost County recently developed several new beverage stock keeping units (“**SKUs**”) that will be launching in third or fourth quarter of 2020. In addition to producing its own products, RCW also plans to enter into contract manufacturing arrangements to produce Dixie and Défoncé branded products out of the new facility in Desert Hot Springs.

Between September 2018 and January 2020, RCFI and BR Brands made a series of investments in Lost County in the form of preferred equity investments and convertible promissory notes with warrants for an aggregate investment amount equal to \$2,911,341, and as a result of such investments (including the conversion or exercise of all notes and warrants), BR Brands held 69.3% of the equity interests in Lost County (which ownership percentage would be reduced to 58.1% if all outstanding Lost County warrants and all unissued equity pool awards are granted to third parties).

On October 31, 2020, the Issuer acquired 69.3% of the currently issued and outstanding equity interests in Lost County (which ownership percentage would be reduced to 58.1% if all outstanding warrants and all unissued equity pool awards are granted) from BR Brands pursuant to the Transaction. See “*Significant Acquisitions and Dispositions*”.

Beezle

Between July 2018 and February 2019, RCFI, and BR Brands invested into Beezle, an entity incorporated under the *Delaware General Corporation Law* on March 27, 2018, via a senior secured convertible promissory note (the “**Beezle Convertible Note**”), across several tranches totaling approximately \$6,385,000 of principal and accrued interest. The Beezle Convertible Note is secured by all the assets of Beezle and guaranteed by several entities under common ownership. It has provisions for optional conversion at the lender’s discretion, and for mandatory conversion upon funding of additional capital if certain funding conditions are satisfied. The Beezle Convertible Note is due July 9, 2021.

On October 31, 2020, the Issuer acquired the Beezle Convertible Note from BR Brands pursuant to the Transaction. See “*Significant Acquisitions and Dispositions*”.

3.2 Significant Acquisitions and Dispositions

Other than as described below, no significant acquisitions or dispositions have been completed by the Issuer during the current financial year.

Acquisition of the Assets of BR Brands

On March 9, 2020, the Issuer announced that it entered into a binding term sheet with BR Brands, pursuant to which BR Brands will combine operations with the Issuer. On April 21, 2020, the Issuer entered into the Contribution Agreement with BR Brands and completed the Transaction on October 31, 2020.

Pursuant to the Transaction, the Issuer purchased from BR Brands certain equity and debt interests of BR Brands in each of BRB Mary’s Holding Corp., Edgewater Foods, Inc., Lost County, Inc., BZL Worldwide, Inc. and Eaze Technologies Inc. (the “**Contributed Interests**”) as set out below:

<u>Entity</u>	<u>Number/Type of Security Contributed</u>
BRB Mary’s Holding Corp.	4,500 common shares, or 100% of BRB Mary’s Holding Corp.

BZL Worldwide, Inc.	Secured convertible debt in an aggregate principal amount equal to \$5,700,000 pursuant to the Senior Secured Convertible Note dated as of May 14, 2019.
Edgewater Foods, Inc.	2,128,3074 common shares, or 87.23% of Edgewater Foods, Inc.
Lost County, Inc.	15,034 shares of common stock and 64,511 shares of Series A Preferred Stock (which shares comprise 69.3% of the issued and outstanding shares of Lost County, Inc., exclusive of unexercised warrants and options).
Eaze Technologies, Inc.	925,480 shares of Series C Preferred Stock.

In addition, the Issuer acquired certain assets (the “**Contributed Assets**”) and liabilities (“**Contributed Liabilities**”) of BR Brands. The Contributed Interests, Contributed Assets, and Contributed Liabilities were exchanged for 852,642,265 Common Shares (the “**Transaction**”).

Prior to closing the Transaction, the Issuer settled certain debts owed by the Issuer or its subsidiaries to BR Brands or BR Brands’ Affiliates as set out below:

- the Issuer issued to RCFI 34,094,525 Common Shares to settle the debt owed under the Secured BRB Bridge Note; and
- in full satisfaction of all amounts owed by Dixie USA pursuant to the Therabis 2019 Purchase Agreement, the Issuer issued to RSG6, LLC 34,094,525 Common Share.

Following the completion of the Transaction, Rose Management (through its Affiliates) controls over approximately 86.62% of the issued and outstanding Common Shares and became a “control person” as defined under applicable securities laws. See “*Principal Shareholders*”.

As a closing condition of the Transaction, all NPV Shares were redeemed and cancelled and the Issuer continued into the province of British Columbia on October 31, 2020 (the “**Continuance**”).

The Transaction is not a Related Party Transaction or Business Combination as defined in MI 61-101. As a result, the Transaction is not subject to MI 61-101.

The Transaction constituted a “fundamental change” under the policies of the CSE and was subject to shareholder approval and conditional approval from the CSE. On July 14, 2020, the Issuer obtained shareholder approval for the Transaction at the annual general and special meeting of shareholders. On October 8, 2020, the Issuer received conditional approval from the CSE for the Transaction.

The Common Shares issued pursuant to the terms of the Transaction are subject to applicable resale restrictions as required by applicable securities laws.

3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which the Issuer’s management reasonably expects could have a material effect on its business, financial condition or results of operations are (i) the changing legal and regulatory regime of Canada and the United States which regulates the production and sale of cannabis and cannabis-related products; (ii) the ability of companies who may receive funds from the sale of cannabis and cannabis-related products to adequately track and legally transfer such funds; and (iii) the ability of companies to raise adequate capital to carry out their business objectives.

There are significant risks associated with the Issuer’s business, as applicable, as described in Part 18 – “*Risk Factors*”. Please see also “*Cautionary Statements Regarding U.S. Cannabis Operations*” and “*Forward Looking Statements*” above.

4. REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a general discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Issuer may have direct, indirect or ancillary involvement through its subsidiaries and investments.

At this time, the Issuer has direct exposure to the cannabis and hemp oil industry in the United States. In accordance with Staff Notice 51-352, the Issuer will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

In accordance with Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	See “ <i>General Development and Business of the Issuer</i> ” (page 12)
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	See <i>Cover Page</i> (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” (page 20) See “ <i>Risk Factors – Risks Related to the Operating Partners and the Cannabis Industry in the U.S.</i> ” (page 93)
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	See “ <i>Risk Factors – Risks Related to the Operating Partners and the Cannabis Industry in the U.S. - The Issuer and the Operating Partners Operating Partners in the cannabis industry may have difficulty obtaining and maintaining various business services from third party providers</i> ” (page 99)

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
		See “ <i>Risk Factors – Risks Related to the Operating Partners and the Cannabis Industry in the U.S. - The enforcement priorities of the U.S. federal government are unpredictable and subject to change</i> ” (page 99)
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	See “ <i>Risk Factors – Risks Related to the Operating Partners and the Cannabis Industry in the U.S. - U.S. federal enforcement priorities may have a chilling effect on investment and interest in the cannabis industry</i> ” (page 92) See “ <i>Risk Factors – Risks Related to the Operations of the Issuer – The Issuer may need to raise additional capital in the immediate future</i> ” (page 103) See “ <i>Risk Factors – Risks Related to the Operations of the Issuer - Global financial conditions may not be conducive to the operations and profitability of the Issuer</i> ” (page 90)
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	At the time of this Listing Statement, all operations of the Issuer are in the United States.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	The Issuer retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of operations with all applicable regulations. See “ <i>Cover Page – Disclosure in bolded box</i> ” See “ <i>Risk Factors – Risks Related to the Operating Partners and the Cannabis Industry in the U.S.</i> ” (page 93)
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” (page 20) See “ <i>Regulatory Overview – U.S. Compliance Procedures</i> ” (page 44)

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
	Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer’s license, business activities or operations.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” (page 20) See “ <i>Regulatory Overview – U.S. Compliance Procedures</i> ” (page 44)
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer’s investee(s) operate.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” (page 20)
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s license, business activities or operations.	See “ <i>Regulatory Overview – U.S. Cannabis Regulations</i> ” (page 20)
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A

4.1 U.S. Cannabis Regulation

Federal Regulation

Although a number of states of the United States have legalized medical cannabis, adult-use cannabis, or both, it remains illegal under United States federal law. Cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The FDA has not approved cannabis as a safe and effective drug for any indication (although in June 2018, the FDA approved a cannabis-derived cannabidiol drug for treatment of two rare forms of childhood epilepsy). The Issuer believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of cannabis or the public

perception thereof, and numerous studies show cannabis is unlikely to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while studies show cannabis is less harmful than alcohol,¹ alcohol is not classified under the CSA.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has of least until recently trended toward non-enforcement. The DOJ issued a memorandum known as the "**Cole Memorandum**" in August 2013² and February 2014³ to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or adult-use cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated cannabis businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and adult-use cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that cannabis activity is a serious crime," it does not otherwise indicate that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. The Issuer's outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance

¹ See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-headneck-cancer-idUSTRE57O5DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AggressiveBehavior.pdf>; and Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviours*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

² U.S. Dept. of Justice. (2013). Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement. Washington, DC: US Government Printing Office. Retrieved from <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>.

³ James M. Cole, Deputy Attorney General, U.S. Department of Justice, Memorandum for All United States Attorneys: Guidance Regarding Marijuana Related Financial Crimes (February 14, 2014).

on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law. Furthermore, recent news concerning Mr. Barr's personal opposition to cannabis may result in further resources being allocated to full-review merger investigations of transactions involving cannabis companies. Such reviews could cause substantial delays on the completion date of any mergers and could lead to deals collapsing due to regulatory delays.

Additionally, due to the CSA categorization of cannabis as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from cannabis sales as deposits. Banks and other financial institutions could risk prosecution and conviction of money laundering offenses for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could also be found in violation of federal law. While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and adult-use cannabis by U.S. states, in February 2014, Deputy Attorney General Cole issued guidance directing prosecutors to consider the Cole Memorandum enforcement priorities with respect to federal money laundering, unlicensed money transmitter, and Bank Secrecy Act ("BSA") offenses predicated on cannabis-related violations of the CSA. Despite these laws, in February 2014, the Financial Crimes Enforcement Network ("FCEN") of the Treasury Department issued a memorandum (the "FCEN Memorandum")⁴ clarifying how financial institutions can provide services to cannabis-related businesses consistent with their BSA obligations, and aligning the information provided by financial institutions in BSA reports with federal and state law enforcement priorities. The customer due diligence steps include, but are not limited to:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its cannabis-related business;
3. requesting from state licensing and enforcement authorities available information about the business and related parties;
4. developing an understanding of the normal and expected activity for the business, including the types of Products to be sold and the type of customers to be served (e.g., medical versus adult-use customers);
5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. ongoing monitoring for suspicious activity; and
7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the risk aversion of financial institutions, cannabis businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to be exposed to potential violations of federal law without guaranteed immunity from prosecution, many refuse to provide any kind of services to cannabis businesses. Despite the attempt by FCEN to expand access to banking for cannabis-related businesses,

⁴ Department of the Treasury Financial Crimes Enforcement Network. (2014). Guidance re: BSA Expectations Regarding Marijuana-Related Businesses (FIN-2014- G001). Retrieved from <https://www.fincen.gov/resources/statutes-regulations/guidance/bsa-expectations-regarding-marijuana-related-businesses>.

practically the guidance has not improved access to banking services by cannabis businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each cannabis business they take on as a customer. Recently, some banks that have been servicing cannabis businesses have been closing accounts operated by cannabis businesses and are now refusing to open accounts for new cannabis businesses for the reasons enumerated above.

The few credit unions who have agreed to work with cannabis businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government can change enforcement priorities at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the needs of their other customers.

The U.S. Secretary of the Treasury, Stephen Mnuchin, has publicly stated that he did not participate in the Attorney General's decision to rescind the Cole Memorandum and does not have a desire to rescind the FCEN Memorandum for financial institutions without a replacement.⁵ Multiple legislators believe that Sessions' rescission of the Cole Memorandum invites an opportunity for Congress to pass more definitive protections for cannabis businesses in states with legal cannabis programs during this Congress.⁶

Both Congress and cannabis-related businesses recognize that guidance is not law and thus have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) since 2014. This amendment prevents the DOJ from using appropriated funds to impede the implementation of medical cannabis laws enacted at the state level. In 2017, Senator Patrick Leahy (Vermont) introduced a similar amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level (the “**Leahy Amendment**”). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018, but was effectively extended to December 21, 2018 when Congress passed the *Continuing Appropriations Act, 2019* in September 2018, which expired on September 30, 2019. On December 20, 2019, the Leahy Amendment was continued with the passage of the fiscal year 2020 budget and is effective until September 30, 2020. However, it should be noted that there is no assurance that such amendments will be passed into law.

On June 7, 2018, the Strengthening the Tenth Amendment Through Entrusting States Act (the “**STATES Act**”) was introduced in the Senate by Republican Senator Cory Gardner of Colorado and Democratic Senator Elizabeth Warren of Massachusetts. A companion bill was introduced in the House by Democratic representative Jared Polis of Colorado. The bill provides in relevant part that the provisions of the CSA, as applied to cannabis, “shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marihuana.” Even though cannabis will remain within Schedule I under the STATES Act, it makes the CSA unenforceable to the extent it is in conflict with state law. In essence, the bill extends the limitations afforded by the protection within the federal budget – which prevents the DOJ and the DEA from using funds to enforce federal law against state-legal medical cannabis commercial activity – to both medical and adult-use cannabis activity in all states where it has been legalized. By allowing continued prohibition to be a choice by the individual states, the STATES Act does not fully legalize cannabis on a national level. In that respect, the bill emphasizes states' rights under the Tenth Amendment, which provides that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” Under the STATES Act, companies operating legal cannabis operations would no longer be considered “trafficking” under the CSA, and this would likely assist financial institutions in transacting with individuals and

⁵ Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks. Retrieved from <https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53>; see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7). Retrieved from <http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/>.

⁶ Jackson, Chereese. (2018 January 30). State-by-State Analysis of Sessions Move to Rescind Cole Memo. Retrieved from <http://guardianlv.com/2018/01/state-stateanalysis-sessions-move-rescind-cole-memo/>; see also Velasquez, Josefa. (2018 January 23). NY Lawmaker Asks US Attorneys to Keep Hands Off State's Med Marijuana Programs. Retrieved from <https://www.law.com/newyorklawjournal/sites/newyorklawjournal/2018/01/22/ny-lawmaker-asks-us-attorneys-to-keep-handsoff-states-med-marijuana-programs/?sreturn=20180205182803>; see also “This is Outrageous”: Politicians react to news that A.G. Sessions is rescinding Cole Memo. (January 4 2018). Retrieved from <https://www.thecannabist.co/2018/01/04/sessions-marijuana-cole-memo-politicians/95890/>.

businesses in the cannabis industry without the threat of money laundering prosecution, civil forfeiture, and other criminal violations that could lead to a charter revocation. The STATES Act is currently draft legislation and there is no guarantee that it will become law in its current form.

Since 2014, Congress has made immense strides in cannabis policy. The bipartisan Congressional Cannabis Caucus launched in 2017 is “dedicated to developing policy reforms that bridge the gap between federal laws banning cannabis and the laws in an ever-growing number of states that have legalized it for medical or adult-use purposes.”⁷ Additionally, each year more Representatives and Senators sign on and co-sponsor cannabis legalization bills including the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end U.S. federal cannabis prohibition, Congressman Blumenauer and Senator Wyden introduced the three-bill package, Path to Marijuana Reform which would amend Section 280E of the U.S. Tax Code (as defined below), eliminate civil asset forfeiture and federal criminal penalties for businesses complying with state law, reduce barriers to banking, and would de-schedule, tax and regulate cannabis in 2017.⁸ Notwithstanding the foregoing, there is no guarantee that the current presidential administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws against state-legal cannabis businesses. This administration could decide to enforce U.S. federal laws vigorously. Senator Cory Booker has also introduced the Marijuana Justice Act, which would deschedule cannabis, and in 2018 Congresswoman Barbara Lee introduced the House companion.

An additional challenge to cannabis-related businesses is Section 280E of the *Internal Revenue Code of 1986*, as amended (the “**U.S. Tax Code**”), which the Internal Revenue Service has applied to businesses operating in the state-legal medical and adult-use cannabis industries. Section 280E generally prohibits businesses from deducting or claiming tax credits with respect to amounts paid or incurred in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by U.S. federal law or the law of any state in which such trade or business is conducted. Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses that are licensed and operating in accordance with applicable state laws. The application of Section 280E generally causes cannabis businesses to pay higher effective U.S. federal tax rates than similar businesses in other industries. The impact of Section 280E on the effective tax rate of a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry would likely be more profitable absent this provision. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, and recent legislative proposals, if enacted into law, could eliminate or diminish the application of Section 280E to cannabis businesses, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses and the enactment of any such law is uncertain.

On December 20, 2018, Congress passed the *Agriculture Improvement Act of 2018* (the “**2018 Farm Bill**”), which became law in the United States and included the legalization of hemp, which changed how hemp and hemp-derived products like CBD are regulated in the U.S.

Currently, there are 33 states plus the District of Columbia, Puerto Rico and Guam that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Other states are considering similar legislation.

Local, state, and U.S. federal medical cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require the Issuer to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Issuer’s business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Issuer’s business. No prediction can be made as to the nature of any future laws, regulations, interpretations or

⁷ Huddleston, Tom Jr. (2017 February 17). Pro-Pot Lawmakers Launch a Congressional Cannabis Caucus. Retrieved from <http://fortune.com/2017/02/16/congress-cannabis-caucus/>.

⁸ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

applications, nor can it be determined what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Issuer's business.

Laws and regulations affecting the medical cannabis industry are constantly changing, which could detrimentally affect the proposed operations of the Issuer. The risk of U.S. federal enforcement and other risks associated with the Issuer's business are described "Risk Factors" below.

State Regulation

As of the date hereof, the Issuer operates in the cannabis and hemp oil industry in the states of California, Nevada, Colorado, Maryland, Michigan, Oklahoma, Florida and Illinois. Upon acquiring U.S. operations in a particular state, the Issuer will, as soon as reasonably practicable, evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. The following summarizes the laws and regulations of each material state the Issuer operates in.

California

California Regulatory Landscape

In 1996, California was the first state to legalize medical cannabis through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). This legalized the use, possession and cultivation of medical cannabis by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which cannabis provides relief. In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical cannabis patients.

In September 2015, the California legislature passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). The MCRSA established a licensing and regulatory framework for medical cannabis businesses in California. The system created multiple license types for dispensaries, infused Products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the Adult Use of Marijuana Act ("AUMA") creating an adult-use cannabis program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate cannabis at the state level are the Bureau of Cannabis Control ("BCC"), the California Department of Food and Agriculture, the California Department of Public Health, and the California Department of Tax and Fee Administration.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with cannabis licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to cannabis operators, or can choose to outright ban cannabis. MAUCRSA went into effect on January 1, 2018.

Licenses

The following are the types of licenses available for cannabis businesses in California:

- Retailer (BCC)
- Retailer Non-Storefront (BCC)

- Distributor (BCC)
- Distributor Transport Only (BCC)
- Microbusiness (BCC)
- Testing Laboratory (BCC)
- Cannabis Event Organizer (BCC)
- Commercial Manufacturing (MSCB)
- Cultivation (CDFA)

California state and local licenses are renewed annually. Each year, license holders are required to submit a renewal application per guidelines published by the BCC.

In California, the state licensing authorities include:

- Bureau of Cannabis Control California: The Bureau of Cannabis Control is the lead agency in regulating commercial cannabis licenses for medical and adult-use cannabis in California. The Bureau is responsible for licensing retailers, distributors, testing labs, microbusinesses, and temporary cannabis events.
- California Department of Public Health: The Manufactured Cannabis Safety Branch, a division of the California Department of Public Health (CDPH), is responsible for regulating and licensing the manufacturers of cannabis-infused edibles for both medical and nonmedical use.
- California Department of Food & Agriculture: CalCannabis Cultivation Licensing, a division of the California Department of Food and Agriculture (CDFA), is responsible for licensing cultivators of medicinal and adult-use cannabis and implementing a track-and-trace system to record the movement of cannabis through the distribution chain.

License and Regulations

The Adult-Use Retailer licenses permit the sale of cannabis and cannabis Products to any individual age 21 years of age or older. Under the terms of such licenses, license holders are permitted to sell adult-use cannabis and cannabis Products to any qualified customer, provided that the customer presents a valid government-issued photo identification.

The Medicinal Retailer licenses permit the sale of medicinal cannabis and cannabis Products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal cannabis recommendations.

The Adult-Use and Medicinal Cultivation licenses permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production of a limited number of non-manufactured cannabis Products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis Products between licensed entities.

In the state of California, only cannabis that is grown in the state can be sold in the state. The state also allows license holders to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis Products to, another licensed entity within the state.

Reporting Requirements

The state of California has selected Franwell Inc.'s METRC solution (“**METRC**”) as the state’s track-and-trace (“**T&T**”) system used to track commercial cannabis activity and movement across the distribution chain (“**seed-to-sale**”). The METRC system allows for other third-party system integration via an application programming interface. Certain processes remain manual, with proper control and oversight, in anticipation of METRC and greater integration of processes.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the license holders are required to do the following:

- maintain a fully operational security alarm system;
- contract for security guard services;
- maintain a video surveillance system that records continuously 24 hours a day;
- ensure that the facility’s outdoor premises have sufficient lighting;
- not dispense from its premises outside of permissible hours of operation;
- store cannabis and cannabis Product only in areas per the premises diagram submitted to the state of California during the licensing process;
- store all cannabis and cannabis Product in a secured, locked room or a vault;
- report to local enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- to ensure the safe transport of cannabis and cannabis Products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis Products. Only vehicles registered with the BBC, that met BBC distribution requirements, are to be used to transport cannabis and cannabis Products.

Nevada

Nevada Regulatory Landscape

Medical cannabis use was legalized in Nevada in 2001 through a ballot initiative in 2000. In 2013, Nevada legislature passed SB 374, providing for state licensing of medical cannabis establishments. On November 8, 2016, voters in Nevada passed the NRS 453D by ballot initiative allowing for the sale of adult-use cannabis for adult-use starting July 1, 2017. The first dispensaries to sell adult-use cannabis began sales in July 2017. The Nevada Department of Taxation (“**Nevada DOT**”) is the regulatory agency overseeing the medical and adult-use cannabis programs. Similar to California, cities and counties in Nevada are allowed to determine the number of local cannabis licenses they will issue.

Licenses

Under applicable laws, the licenses permit license holders to cultivate, manufacture, process, package, sell, or purchase cannabis pursuant to the terms of the licenses, which are issued by the Nevada DOT under the provisions of Nevada Revised Statutes section 453A. These are the types of licenses available for cannabis businesses in Nevada:

- Cultivation Facility: licensed to cultivate, process, and package cannabis; to have cannabis tested by a testing facility; and to sell cannabis to retail cannabis stores, to cannabis product manufacturing facilities, and to other cultivation facilities, but not to consumers.
- Distributor: licensed to transport cannabis from a cannabis establishment to another cannabis establishment. For example, from a cultivation facility to a retail store.
- Product Manufacturing Facility: licensed to purchase cannabis; manufacture, process, and package cannabis and cannabis Products; and sell cannabis and cannabis Products to other product manufacturing facilities and to retail cannabis stores, but not to consumers. Cannabis Products include things like edibles, ointments, and tinctures.
- Testing Facility: licensed to test cannabis and cannabis Products, including for potency and contaminants.
- Retail Store: licensed to purchase cannabis from cultivation facilities, cannabis and cannabis Products from Product manufacturing facilities, and cannabis from other retail stores; can sell cannabis and cannabis Products to consumers.

All cannabis establishments must register with Nevada DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical cannabis establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by Nevada DOT of a medical cannabis establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. It is important to note provisional licenses do not permit the operation of any commercial or medical cannabis activity. Only after a provisional licensee has gone through necessary state and local inspections, if applicable, and has received a final registration certificate from Nevada DOT may an entity engage in cannabis business operation.

License and Regulations

In the state of Nevada, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the license holders to make wholesale purchase of cannabis from another licensed entity within the state.

The retail dispensary licenses and registration certificate permit the license holders to purchase cannabis from cultivation facilities, cannabis and cannabis Products from product manufacturing facilities and cannabis from other retail stores, and allows the sale of cannabis and cannabis Products to consumers.

The medical cultivation licenses permit the license holders to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries, facilities for the production of edible medical cannabis Products and/or medical cannabis-infused Products, or other medical cannabis cultivation facilities.

The medical Product manufacturing license permits the license holders to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible cannabis Products or cannabis infused Products to other medical cannabis production facilities or medical cannabis dispensaries.

Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual license holders whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The individual license holders work directly with METRC and the METRC system captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the license holders are required to do the following:

- maintain an enclosed, locked facility;
- have a single secure entrance;
- train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling Products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;
- install security equipment to deter and prevent unauthorized entrances, which includes:
 - devices that detect unauthorized intrusion which may include a signal system;
 - exterior lighting to facilitate surveillance;
 - electronic monitoring including, without limitation:
 - at least one call-up monitor that is 19 inches or more;
 - a video printer capable of immediately producing a clear still photo from any video camera image;
 - video cameras with a recording resolution of at least 704 x 480 which provide coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;
 - a video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical cannabis;
 - a video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;
 - a method for storing video recordings from the video cameras for at least 30 calendar days;
 - a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;
 - sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and

- security alarm to alert local law enforcement of unauthorized breach of security;
- implement security procedures that:
 - restrict access of the establishment to only those Persons/employees authorized to be there;
 - deter and prevent theft;
 - provide identification (badge) for those Persons/employees authorized to be in the establishment;
 - prevent loitering;
 - require and explain electronic monitoring; and
 - require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

Colorado

Colorado Regulatory Landscape

In 2000 Colorado voters enacted Amendment 20 to the state constitution, which afforded certain protections from criminal prosecution for limited “medical use” of cannabis as that term is defined in the amendment. Beginning in 2008, commercial medical cannabis outlets began to appear in Colorado. In response, in 2010, the Colorado General Assembly enacted a comprehensive regulatory system governing medical cannabis establishments in the state.

In 2012, Colorado voters enacted Amendment 64 to the state constitution, which states the following acts are not unlawful and shall not be an offense under Colorado law or the law of any locality within Colorado or be the basis for seizure or forfeiture of assets under Colorado law for persons 21 years of age or older:

- possessing, using, displaying, purchasing, or transporting cannabis accessories or one ounce or less of cannabis;
- possessing, growing, processing, or transporting no more than six cannabis plants, with three or fewer being mature, flowering plants, and possession of the cannabis produced by the plants on the premises where the plants were grown, provided that the growing takes place in an enclosed, locked space, is not conducted openly or publicly, and is not made available for sale;
- transfer of one ounce or less of cannabis without remuneration to a person who is twenty-one years of age or older;
- consumption of cannabis, provided that nothing in this section shall permit consumption that is conducted openly and publicly or in a manner that endangers others; and
- assisting another person who is twenty-one years of age or older in any of the acts described above.

Amendment 64 also directs the state General Assembly and the Colorado Department of Revenue to establish a comprehensive system of regulation and enforcement governing licensed cannabis businesses in the state. The Colorado Marijuana Enforcement Division (“**MED**”) is the licensing and regulatory agency overseeing all retail and medical cannabis businesses in Colorado.

Licensed cannabis businesses in Colorado must have state and local approval for their license applications. Colorado state licenses are renewed annually. Each year, license holders are required to submit a renewal application per guidelines published by the MED. While renewals are annual, there is no ultimate expiry after which no renewals are

permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, the licensed entities would expect to receive the applicable renewed license in the ordinary course of business.

Licenses

Under applicable laws, the licenses permit the license holders to cultivate, manufacture, process, package, sell, or purchase cannabis pursuant to the terms of the licenses, which are issued by the MED under the provisions of Colorado Revised Statutes (“C.R.S.”) sections 12-43.3-101 et seq. and 12- 43.4-101 et seq.

Presently, the types of licenses available in Colorado include:

- Retail Marijuana Store: license type necessary to operate a business that sells Retail Marijuana to an individual twenty-one years of age or older as described in section 12-43.4-402 C.R.S.
- Retail Marijuana Cultivation: license type necessary in order to operate a facility to grow and harvest Retail Marijuana plants as described in section 12-43.4-403 C.R.S.
- Retail Marijuana Product Manufacturer: license type necessary in order to operate a facility that manufactures retail cannabis-infused Products such as edibles, concentrates or tinctures as described in section 12-43.4-404 C.R.S.
- Retail Marijuana Testing Facility: license type necessary in order to operate a facility that conducts potency and contaminants testing for other MED Licensed Retail Marijuana businesses as described in section 12-43.4-405 C.R.S.
- Retail Marijuana Transporter: license type necessary in order to provide transportation and temporary storage services to Retail Marijuana Businesses as described in section 12-43.4-406 C.R.S.
- Retail Marijuana Operator: license type necessary to provide professional operational services to one or more Retail Marijuana Businesses as described in section 12-43.4-407 C.R.S.
- Medical Marijuana Center: license type necessary to operate a business that sells Medical Marijuana to Colorado Medical Marijuana Registry Patients and Transporting Caregivers. Owners of this type of facility must also own and operate at least one Medical Marijuana Cultivation and produce a minimum of 70% of all on-hand inventory as described in section 12-43.3-402 C.R.S.
- Medical Marijuana Optional Premises Cultivation: license type necessary operate a cultivation business to grow and harvest Medical Marijuana. There are no Independent Medical Marijuana Optional Premises Cultivation Licenses - these facilities must be affiliated with either a Medical Marijuana Center or Infused Product Manufacturer facility as described in section 12-43.3-403 C.R.S.
- Medical Marijuana Infused Product Manufacturer: license type necessary to operate a business that produces Medical Marijuana Infused Products such as edibles, concentrates or tinctures. These license holders are only authorized to wholesale their Products to MED licensed Medical Marijuana Centers as described in section 12-43.3-404 C.R.S.
- Medical Marijuana Testing Facility: license type necessary operate a facility that conducts potency and contaminants testing and research for MED Medical Marijuana business license holders as described in section 12-43.3-405 C.R.S.
- Medical Marijuana Transporter: license necessary in order to provide transportation and temporary storage services to MED Licensed Medical Marijuana Businesses as described in section 12-43.3-406 C.R.S.

- Medical Marijuana Operator: license type necessary in order to provide professional operational services to one or more MED Licensed Medical Marijuana Businesses as described in section 12- 43.3-407 C.R.S.
- Medical Marijuana Research and Development Facility or Cultivation: license necessary in order to grow, cultivate possess and transfer cannabis for use in research only as described in section 12-43.3-408 C.R.S.

All cannabis establishments must register with the MED. If applications contain all required information and after vetting by officers, establishments are issued a license. In a local governmental jurisdiction that issues business licenses, the issuance by the Colorado MED of a cannabis license is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Licenses are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing.

License and Regulations

In the state of Colorado, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the license holders to make wholesale purchase of cannabis from another licensed entity within the state.

On May 29, 2019, Governor Jared Polis signed HB19-1090 into law. HB19-1090 repeals regulations that prohibit publicly traded companies from holding ownership interests in Colorado cannabis businesses. HB19-1090 went into effect on November 1, 2019.

Reporting Requirements

The state of Colorado uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual license holders, whether directly or through third-party integration systems, are required to push data to the state to meet all reporting requirements. METRC captures the required data points for cultivation, manufacturing and retail as required in Colorado's Medical Marijuana Code, and Colorado's Retail Marijuana Code.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the license holders are required to do the following:

- have a single secure entrance;
- maintain a fully operational security alarm system;
- maintain a video surveillance system that records continuously 24 hours a day. Camera coverage is required for all places where weighing, packaging, processing, and transport preparation occur, all point-of-sale areas, all points of ingress and egress, and all areas where cannabis is displayed for sale;
- the recording system must record in digital format, and all video surveillance records and recordings must be stored in a secure area;
- all surveillance recordings must be kept for a minimum of 40 days and be in a format that can be easily accessed for viewing;
- video surveillance records and recordings must be made available upon request to regulators and law enforcement;
- at all points of ingress and egress, the company must use commercial-grade, non-residential door locks; and

- not dispense from its premises outside of permissible hours of operation.

Maryland

Maryland Regulatory Landscape

In 2012, a state law was enacted in Maryland to establish a state-regulated medical cannabis program. Legislation was signed in May 2013 and the program became operational on December 1, 2017. The Maryland Medical Cannabis Commission (“**MMCC**”) regulates the state program and awarded operational licenses through a competitive application process. 102 dispensary licenses were awarded out of a pool of over 800 applicants while an original 15 processing and 15 cultivation licenses were awarded out of a pool of over 150 applicants.

The program was written to allow access to medical cannabis for patients with any condition that is considered “severe” for which other medical treatments have proven ineffective, including chronic pain, nausea, seizures, glaucoma and PTSD. All major product forms are allowed for sale and consumption with the exception of some edibles.

Licenses

Presently, the types of licenses available in Maryland include:

- Medical Cannabis Grower – license to cultivate, manufacture, package and distribute medical cannabis to other licensed cannabis entities;
- Medical Cannabis Processor – license to transform medical cannabis into another product or extract and to package and label medical cannabis;
- Medical Dispensary – license to allow an entity to acquire, possess, repackage, process, transport, sell, distribute or dispense products containing medical cannabis; and
- Testing Laboratory – license to allow facilities to perform tests of medical cannabis and products containing medical cannabis.

All cannabis establishments must register with the MMCC. If applications contain all required information and after vetting by officers, establishments are issued a medical cannabis establishment license. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing.

License and Regulations

In the state of Maryland, only cannabis that is grown/produced in the state by a licensed establishment may be sold in the state. The state also allows the license holders to make wholesale purchase of cannabis from another licensed entity within the state.

The retail dispensary licenses and registration certificate permit the license holders to purchase cannabis from cultivation facilities, cannabis and cannabis Products from product manufacturing facilities and cannabis from other retail stores, and allows the sale of cannabis and cannabis Products to consumers.

The medical cultivation licenses permit the license holders to acquire, possess, cultivate, transfer, have tested, transport, supply or sell cannabis and related supplies to medical cannabis dispensaries, facilities for the production of edible medical cannabis Products and/or medical cannabis-infused Products, or other medical cannabis cultivation facilities.

The medical product manufacturing license permits the license holders to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible cannabis Products or cannabis infused Products to other medical cannabis production facilities or medical cannabis dispensaries.

Reporting Requirements

The state of Maryland uses METRC as the state's computerized T&T system used to track commercial cannabis activity and seed-to-sale. Individual license holders whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The chosen METRC system captures the required data points for cultivation, manufacturing and retail as required by the MMCC.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, the license holders are required to do the following:

- maintain an enclosed, locked facility;
- train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling Products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;
- maintain a motion activated video surveillance recording system at all premises that:
 - records all activity in images of high quality and high resolution capable of clearly revealing facial detail;
 - operates 24-hours a day, 365 days a year without interruption; and
 - provides a date and time stamp for every recorded frame;
- post appropriate notices advising visitors of the video surveillance;
- place and operate surveillance cameras to capture activity at each exit from the premises;
- capture activity via surveillance camera at each entrance to an area where medical cannabis is processed, tested, packaged, and stored;
- keep a recording of all images captured by each surveillance camera at the licensed premise and an off-site location;
- ensure recordings of security video surveillance are access-limited, secured by a security alarm system that is independent of the main premises security alarm system, kept in an easily accessible format, and retained for 30 calendar days;
- ensure lighting fixtures of the licensee are designed and installed to ensure proper surveillance;
- maintain a security alarm system that covers all perimeter entry points and windows at all premises. This system shall be continuously monitored, capable of detecting smoke and fire, and capable of detecting power loss;
- the security alarm system shall include panic alarm devices mounted at convenient, readily-accessible locations throughout the licensed premises;

- a second, independent alarm system shall be used to protect the location where records are stored both on- and off-site, and any room that holds medical cannabis;
- the security alarm system shall remain operational until the premises of the licensee no longer have any medical cannabis on the premises;
- all security alarm systems shall be equipped with auxiliary power sufficient to maintain operation for at least 48 hours;
- maintain physical security. An area of cultivation shall be securely surrounded by fencing and gates constructed to prevent unauthorized entry;
- maintain fencing and gates ensuring they are equipped with a security alarm system that covers the entire perimeter, is continuously monitored, and is capable of detecting power loss;
- ensure the premises are protected by a video surveillance recording system that provides surveillance of the entire perimeter of the area of cultivation and surveillance over all portions of the security fence and all gates;
- ensure the video surveillance system is supported by adequate security lighting which may be modified as necessary to include motion control sensors to protect light-dark cycles for proper cultivation;
- ensure that the licensed dispensary contains a secure room to store the medical cannabis inventory. The secure room:
 - shall be constructed of concrete or similar building material that prevents unauthorized entry;
 - may not be placed adjacent to an exterior wall of the premises; and
 - shall have only one entrance door that meets commercial security standards, is equipped with a cipher or chip-activated keyed lock or equivalent, and is not visible from public areas of the premises.

Michigan

Michigan Regulatory Landscape

In November 2008, Michigan residents approved the Michigan Medical Marihuana Act (the “**MMMA**”) to provide a legal framework for a safe and effective medical cannabis program. In September 2016, the Michigan Senate passed the Medical Marihuana Facilities Licensing Act (the “**MMFLA**”) and the Marihuana Tracking Act (the “**MTA**”) and together with the MMMA and the MMFLA, the “**Michigan Cannabis Regulations**”) to provide a comprehensive licensing and tracking scheme, respectively, for the medical cannabis program. Additionally, the Michigan Department of Licensing and Regulatory Affairs and its licensing board (“**LARA**”) has supplemented the Michigan Cannabis Regulations with “Emergency Rules” to further clarify the regulatory landscape surrounding the medical cannabis program. LARA is the main regulatory authority for the licensing of cannabis businesses.

Under the MMFLA, LARA administers five types of “state operating licenses” for medical cannabis businesses:

- “grower” license – “Grower” licenses come in three different classes. Class A growers are allowed to grow up to 500 plants, while Class B growers are authorized to grow up to 1,000 plants, and Class C growers are able to grow up to 1,500 plants. A “grower” license allows licensed companies to sell cannabis Products to a provisioning center or a processor. A grower is licensed to cultivate, dry, trim, cure and package cannabis to be sold to a processing or provisioning center. A grower, however, cannot be a registered primary caregiver. Class C growers are required to have \$500,000 in assets per license that they hold.

- “processor” license – A processor is licensed to possess, process, package, and store cannabis. Processors purchase the cannabis from growers, then extract resin from it, and create cannabis-infused Products. Processors are also licensed to sell, transfer, and purchase cannabis from other state licensed entities.
- “secure transporter” license – A secure transporter is authorized to transport cannabis between different facilities. Only these licensed entities can transport cannabis in the regulated system. A transporter cannot transport cannabis to a patient or caregiver.
- “provisioning center” license – A provisioning center is a state operating license that authorizes the purchase or transfer of cannabis only from a grower or processor. The license also authorizes the center to transfer cannabis to and from a safety compliance facility for testing.
- “safety compliance facility” license – A safety compliance facility test medical cannabis to ensure that it does not contain potentially harmful levels of contaminants, such as mold, pesticides, or heavy metals. They also test to see if each product has the correct amount of THC that is being marketed to the customer.

There are no stated limits on the number of licenses that can be made available on a state level; however, LARA has discretion over the approval of applications and municipalities can pass additional restrictions.

On November 6, 2018, Michigan voters approved Proposal 1, to make cannabis legal under state and local law for adults 21 years of age or older and to control the commercial production and distribution of cannabis under a system that licenses, regulates, and taxes the businesses involved. The act will be known as the Michigan Regulation and Taxation of Marihuana Act.

License

State operating licenses for cannabis businesses have a one year term and are annually renewable if certain conditions are met: (a) the renewal application is submitted prior to the date the license expires, or within sixty (60) days of expiration if all other conditions are met and a late fee is paid, (b) the licensee pays the regulatory assessment fee set by LARA and (c) the licensee continues to meet the requirements to be a licensee under the Michigan Cannabis Regulations. Each renewal application is reviewed by LARA, but there is no guarantee of a timely renewal. There is no ultimate expiry after which no renewals are permitted.

License and Regulations

Products may be purchased in a retail setting from a provisioning center by registered qualified patients or registered primary caregivers connected to a registered qualifying patient (each, a “**Michigan Qualified Purchaser**”); in each case, Michigan Qualified Purchasers must present a valid registry identification card issued by LARA (a “**Michigan Registry ID**”). For a Michigan Qualified Purchaser to receive Products, provision centers must deploy an inventory control and tracking system that is capable of interfacing with the statewide monitoring system to determine (a) whether a Michigan Qualified Purchaser holds a Michigan Registry ID and (b) whether the sale or transfer will exceed the then-current daily and monthly purchasing limit for the holder of the Michigan Registry ID.

In order to receive a Michigan Registry ID, an applicant must provide: a completed application dated within one year of submission, a written certification from a physician with a bona-fide physician-patient relationship to the underlying patient, the application or renewal fee, contact information for the patient, caregiver (if applicable) and physician, as well as proof of Michigan residency.

For registered qualifying patients, the daily purchasing limit is 2.5 ounces, and for registered primary caregivers, the daily purchasing limit is 2.5 ounces per underlying registered qualifying patient that the registered primary caregiver is connected with through the registration process. Finally, the licensee shall verify in the statewide monitoring system that the sale or transfer does not exceed the monthly purchasing limit of ten (10) ounces of cannabis product per month to a qualifying patient, either directly or through the qualifying patient’s registered primary caregiver.

Allowable forms of medical cannabis include smokable dried flower, dried flower for vaporizing and cannabis infused products, which are defined under the MMMA to include topical formulations, tinctures, beverages, edible substances or similar Products containing usable cannabis that is intended for human consumption in a matter other than smoke inhalation. Under the Michigan Cannabis Regulations, cannabis-infused Products shall not be considered food. Qualifying conditions for the medical cannabis program in Michigan are the following:

- Cancer, glaucoma, positive status for human immunodeficiency virus, acquired immune deficiency syndrome, hepatitis C, amyotrophic lateral sclerosis, Crohn's disease, agitation of Alzheimer's disease, nail patella or the treatment of these conditions;
- A chronic or debilitating disease or medical condition or its treatment that produces 1 or more of the following: cachexia or wasting syndrome; severe and chronic pain; severe nausea; seizures, including but not limited to those characteristic of epilepsy; or severe and persistent muscle spasms, including but not limited to those characteristic of multiple sclerosis;
- Post-Traumatic Stress Disorder (PTSD); and/or
- Any other medical condition or its treatment approved by the department under the Michigan Cannabis Regulations. In the state of Michigan, only cannabis that is grown and manufactured in the state can be sold in the state.

Reporting Requirements

Reporting Requirements Pursuant to the requirements of the MTA, Michigan selected Franwell's METRC software as the state's third-party solution for integrated cannabis industry verification. Using METRC, regulators are able to track third party inventory, permissible sales and seed-to-sale information. Additionally, provisioning centers can use the METRC API to connect their own inventory management and/or point-of-sale systems to verify the identity as well as permissible sales for Michigan Qualified Purchasers.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis Products, a provisioning center is required to:

- Maintain and submit a security operations plan that includes the following at a minimum:
 - Escorts for all non-employee personnel in limited access areas.
 - Secure locks for all interior rooms, windows and points of entry and exits with commercial grade, nonresidential door locks.
 - An alarm system. License holders will make all information related to the alarm system including monitoring and alarm activity available to LARA.
 - A video surveillance system that, at a minimum, consists of digital or network video recorders, cameras, video monitors, digital archiving devices and a color printer capable of delivering still photos.
 - 24-hour surveillance footage with fixed, mounted cameras, tamper/theft proof secured storage mediums and a notification system for interruption or failure of surveillance footage or storage of surveillance footage. All surveillance footage must be of sufficient resolution to identify individuals, have accurate time/date stamps and be stored for a minimum of 14 days unless state regulators notify that such recordings may be destroyed. Surveillance footage must cover:

- All activity within 20 feet of all points of entry and exit to a facility.
- Any areas where cannabis Products are weighed, packed, stored loaded, and unloaded for transportation, prepared or moved within the cannabis facility.
- Limited-access areas and security rooms. Transfers between rooms must be recorded.
- Areas storing a surveillance system storage device with at least one camera recording the access points to the secured surveillance recording area.
- All entrances and exists to the building must be recorded from both indoor and outdoor vantage points. The areas of entrance and exit between cannabis facilities at the same location if applicable, including any transfers between cannabis facilities.
- Point of sale areas where Michigan cannabis Products are sold and displayed for sale.
- State access to view and obtain copies of any surveillance footage through LARA or related investigators, agents, auditors and/or state police. A facility shall also provide copies of recordings to LARA upon request.
- Logs of the following:
 - The identities of the employee or employees responsible for monitoring the video surveillance system.
 - The identity of the employee who removed the recording from the video surveillance system storage device and the time and date removed.
 - The identity of the employee who destroyed any recording.
- Maintain cannabis storage plan for provisioning centers that includes the following at a minimum:
 - A secured limited access area for inventories of Products.
 - Clearly labeled containers (a) marked, labeled or tagged, (b) enclosed on all sides and (c) latched or locked to keep all contents secured within. All such containers must be identified and tracked in accordance with the MTA.
 - A locked area for chemical and solvents separate from Products.
 - Separation of cannabis-infused products from toxic or flammable materials.
 - A sales or transfer counter or barrier separated from stock rooms to ensure registered qualifying patients or registered primary caregivers do not have direct access to Products.

Oklahoma

Oklahoma Regulatory Landscape

In April 2015, the governor of Oklahoma signed House Bill 2154 into law allowing the sale of CBD oil with less than 0.3% THC. On June 26, 2018, Oklahoma voters approved State Question 788 (“**SQ 788**”), which legalized medical

cannabis. Oklahoma established the Oklahoma Medical Marijuana Authority (“OMMA”) to oversee the state’s medical cannabis program. The OMMA is responsible for licensing, regulating, and administering the program as authorized by state law. Operating under the Oklahoma State Department of Health, the primary goal of the OMMA is to ensure safe and responsible practices for the people of Oklahoma. On August 6, 2018, the governor of Oklahoma signed the revised emergency rules for the medical cannabis program. As of May 1, 2020, there were approximately 282,511 registered patients allowing them to purchase cannabis products from a dispensary.

While many medical cannabis state laws include a list of qualifying conditions, Oklahoma does not. According to SQ 788, doctors shall recommend patient licenses using the same judgment they would for prescriptions.

License

The OMMA manages licensing for medicinal cannabis patients and their caregivers, as well as grower, processor and dispensary operators. Applicants must be resident of Oklahoma with at least 75% ownership held by an Oklahoma resident. All owners must present an Oklahoma Secretary of State Certificate of Good Standing and demonstrate exemplary background checks. Licenses are valid for one year from the date issued unless revoked by the OMMA and may be renewed prior to expiration. Non-violent felony convictions in the previous two years or other felony conviction in previous five years are grounds for disqualification. Upon receipt of a license, the grower, processor or dispensary must immediately register with the Oklahoma Bureau of Narcotic and Dangerous Drugs Control and prior to any medical cannabis or medical cannabis products are present at the business.

Reporting Requirements

The state requires all commercial license holders to submit monthly reporting to the Oklahoma Department of Health. Reports are considered untimely if not received by the state by the 15th of each month for activity from the preceding month. The report must include the amount purchased from a licensed process and/or grower, the amount sold to a licensee and the type of licensee, total sales to patients and caregivers as well as taxes collected from sales. If necessary, detailed explanations of inventory discrepancies must be included. Inaccurate reporting may result in fines and failure to report timely or to correct deficiencies within 30 days of department notification may lead to license revocation.

Storage and Security

A cannabis transportation license is issued to qualifying applicants for a commercial license at the time of approval. The transportation license allows the holder to transport cannabis from an Oklahoma licensed dispensary, grower, processor to an Oklahoma licensed dispensary, grower, processor or researcher. All medical cannabis must be transported in a locked container shielded from public view and clearly labeled as “Medical Marijuana or Derivative.”

Oklahoma uses the BioTrack THC as the central T&T system to oversee inventory of licensed cannabis operations across the state. All cultivation and manufacturing facilities and retail dispensaries are required to utilize an inventory management system to record certain information depending on the license type. For a grower, such information includes the amount of cannabis harvested, sold to a process or dispensary, or dried and on hand. For a processor, details on the amount of cannabis purchased from a grower, or sold to a researcher and the amount of cannabis waste must be accounted for in inventory. The licensee must also document with detailed explanations any discrepancies for cannabis that cannot be account for or is considered overage. The licensee is required to document the ‘chain of custody’ of all cannabis and cannabis-related products with frequent on-going inventory reviews in order to detect any diversion, theft or loss in a timely manner. The system must be able to accurately trace the timeline from the time a cannabis plant is propagated to the time it is sold to a patient or caregiver. Traceability is a requirement in the event of a serious adverse event or recall to correctly source the cannabis product.

Florida

Florida Regulatory Landscape

On June 16, 2014, the Florida state governor signed Senate Bill 1030, also known as the Compassionate Medical Cannabis Act of 2014 (“**CMCA**”). The CMCA legalized low THC for medical patients suffering from cancer or “a physical medical condition that chronically produces symptoms of seizures”, such as epilepsy, “or severe and persistent muscle spasms”. The CMCA requires physician approval and determination that no other satisfactory alternative treatment options exist for that patient. The CMCA also authorizes medical centers to conduct research on low THC cannabis.

On November 8, 2016, Amendment 2 was added to Florida’s state constitution. Amendment 2 protects qualifying patients, caregivers, physicians, and medical cannabis dispensaries and their staff from criminal prosecution or civil sanctions under Florida law. Amendment 2 also expanded the definition of debilitating diseases to include 12 conditions including HIV/AIDS, Crohn’s disease and post-traumatic stress disorder. Amendment 2 became effective on January 3, 2017. Amendment 2 provides a regulatory framework that requires licensed producers, which are statutorily defined as Medical Marijuana Treatment Centers (each, a “**MMTC**”), to cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

On June 9, 2017, the Florida House of Representatives and the Florida Senate passed respective legislation to implement the expanded program by replacing large portions of the existing CMCA, which officially became law on June 23, 2017.

Licenses

Licenses are issued by the Florida Department of Health (“**FDH**”) and is overseen by the Office of Medical Marijuana Use (“**OMMU**”). Applicants are required to provide comprehensive business plans with demonstrated knowledge and experience on execution, detailed facility plans, forecasted performance and robust financial resources. Technical ability on plant and medical cannabis cultivation, infrastructure, processing, dispensing and safety are also assessed.

License holders are permitted to maintain one license. However, the one license allows the licensee to open one cultivation/ processing site and an unlimited number of dispensaries. Each licensee is required to cultivate, process and dispense medical cannabis. The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients. As of May 15, 2020, there were 339,493 patients with an approved medical ID card, 22 approved medical cannabis treatment centers and 246 approved retail dispensing locations. Licensed medical cannabis treatment centers are authorized to cultivate, process and dispense medical cannabis.

Dispensaries may be located in any location throughout the State of Florida as long as the local government has not issued a prohibition against MMTC dispensaries in their respective municipality. Provided there is not a ban, the license holder may locate a dispensary in a site zoned for a pharmacy so long as the location is greater than 500 feet from a public or private elementary, middle, or secondary school.

License and Regulations

Licenses issued by the FDH may be renewed biennially so long as the licensee continues to meet the requirements of the Florida Statute 381.986 and pays a renewal fee. License holders can only own one license within the State of Florida. MMTCs can operate an unlimited number of dispensaries. Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the OMMU, (vii)

they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the OMMU, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the OMMU, the applicant must post a performance bond of up to \$5 million, which may be reduced to \$2 million once the licensee has served 1,000 patients.

Reporting Requirements

Florida regulators require MMTCs to establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the OMMU to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when cannabis seeds are planted, when cannabis plants are harvested and destroyed and when cannabis is transported, sold, stolen, diverted, or lost. Each medical cannabis treatment center shall use the seed-to-sale tracking system established by the department or integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the department. Additionally, the OMMU also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to the provision of required data or proof of key events to said system in order to retain its license. Florida requires all MMTCs to abide by representations made in their original application to the State of Florida. Any changes or expansions must be requested via an amendment or variance process.

Inventory Storage

OMMU regulators require that the MMTC license holder establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the department to data from all MMTCs and cannabis testing laboratories. At a minimum, the T&T system will track when cannabis seeds are planted, harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. The OMMU has not chosen a unified system. Therefore, the licensee can choose their own T&T system.

Security

With respect to security requirements for cultivation, processing and dispensing facilities, a MMTC must maintain a fully operational alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with the following features: (a) cameras positioned for the clear identification of persons and activities in controlled areas including growing, processing, storage, disposal and point-of-sale rooms, (b) cameras fixed on entrances and exits to the premises, and (c) ability to record images clearly and accurately together with the time and date. Facilities may not display Products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. However, it may perform all other operations and deliver cannabis to qualified patients 24 hours a day.

Cannabis must be stored in a secured, locked room or a vault. A MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis occurs. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system. Further, a copy of the transportation manifest must be provided to the MMTC when receiving a delivery. Each MMTC must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must always have their employee identification on them. Lastly, at least two people must be in a vehicle transporting cannabis, and at least one person must remain in the vehicle while the cannabis is physically delivered.

Illinois

Illinois Regulatory Landscape

The Compassionate Use of Medical Cannabis Pilot Program Act (the “**IL Medical Act**”) was signed into law in August 2013 and took effect on January 1, 2014 and is extended through July 1, 2020. The IL Medical Act provides medical cannabis access to registered patients who suffer from a list certain medical conditions including epilepsy, cancer, HIV/AIDS, Crohn’s disease and post- traumatic stress disorder. The program is expected to remain in a pilot stage through July 2020⁹, at which point the IL Medical Act will be re-evaluated for future implementation.

On June 25, 2019, Illinois Gov. J.B. Pritzker signed into law the Cannabis Regulation & Tax Act (the “**IL Adult-Use Act**”) and, together with the IL Medical Act, the “**IL Acts**”), which permits persons 21 years of age or older to possess, use, and purchase limited amounts of cannabis for personal use. The IL Adult-Use Act went into effect on January 1, 2020.

Licenses

Oversight and implementation under the Acts are divided among three Illinois state departments: the Department of Public Health (the “**IL DPH**”), the Department of Agriculture (the “**IL DA**”), and the Department of Financial and Professional Regulation (the “**IL DFPR**”). The IL DPH oversees the following IL Medical Act mandates: (a) establish and maintain a confidential registry of caregivers and qualifying patients authorized to engage in the medical use of cannabis, (b) distribute educational materials about the health risks associated with the abuse of cannabis and prescription medications, (c) adopt rules to administer the patient and caregiver registration program, and (d) adopt rules establishing food handling requirements for cannabis-infused products that are prepared for human consumption.

It is the responsibility of the IL DA to enforce the provisions of the IL Acts relating to the registration and oversight of cultivation centers and the responsibility of the IL DFPR to enforce the provisions of the IL Acts relating to the registration and oversight of dispensing organizations. The IL DPH, IL DA and IL DFPR may enter into inter-governmental agreements, as necessary, to carry out the provisions of the IL Acts.

Under the IL Adult-Use Act, medical cannabis operators have the ability to apply for “early approval” for adult-use licenses. Medical dispensaries are permitted to apply for one adult-use license at its medical dispensary site and one additional early approval license at a secondary site.

Under the IL Medical Act, dispensary, grower, and processing licenses are valid for one year. After the initial term, license holders are required to submit renewal applications. Pursuant to the IL Act, registration renewal applications must be received 45 days prior to expiration and may be denied if the licensee has a history of non-compliance and penalties.

Under the IL Adult-Use Act, an early approval adult-use dispensing license is valid until March 31, 2021. Renewal applications and required fees must be submitted to the IL DFPR 60 days prior to expiration.

Dispensing Limitations

Dispensing organizations may not dispense more than 2.5 ounces of usable cannabis to qualifying patients, provisional patients, or designated caregivers during a period of 14 days, unless pre-approved by the IL DFPR.

Dispensing limitations for adult-use purchasers are as follows:

- Illinois Residents: 30 grams of flower, 500 mg THC in cannabis infused products, and/or 5 grams of cannabis concentrate.

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- Non-Illinois Residents: 15 grams of flower, 250 mg THC in cannabis infused products, and/or 2.5 grams of cannabis concentrate.

Reporting Requirements

Illinois uses the BioTrack THC T&T system to manage the flow of reported data between each licensee and the state. Information processed through the T&T system must be maintained in a secure location at the dispensing organization for five years.

License holders are mandated by the IL Acts to maintain records electronically and make them available for inspection by the IL DFPR upon request. Records that must be maintained and made available, as described in the IL Acts, include: (a) operating procedures, (b) inventory records, policies, and procedures, (c) security records, and (d) staffing plans. All dispensing organization records, including business records such as monetary transactions and bank statements, must be kept for a minimum of three years. Records of destruction and disposal of all cannabis not sold, including notification to the IL DFPR and Illinois State Police, must be retained at the dispensary organization for a period of not less than five years.

Inventory/Storage

The IL Acts have similar requirements regarding inventory tracking and storage. An organization's agent-in-charge has primary oversight of the dispensing organization's cannabis inventory control system. Under the IL Acts, a dispensary's inventory control system must be real-time, web-based, and accessible by the IL DFPR 24 hours a day, seven days a week.

The inventory control system of a dispensing organization must record all cannabis sales, waste, and acquisitions. Specifically, the inventory system must track and reconcile through the T&T system each day's cannabis beginning inventory, acquisitions, sales, disposal and ending inventory. Tracked information must include (a) product descriptions including the quantity, strain, variety and batch number of each product received, (b) the name and registry identification number of the permitted cultivation center providing the cannabis, (c) the name and registry identification number of the permitted cultivation center agent delivering the cannabis, (d) the name and registry identification number of the dispensing organization agent receiving the cannabis, and (e) the date of acquisition. Dispensary managers are tasked with conducting and documenting monthly audits of the dispensing organization's daily inventory according to generally accepted accounting principles.

The inventory control system of a cultivator and processing organization must conduct a weekly inventory of cannabis stock, which includes at a minimum, the date of the inventory, a summary of the inventory findings, the name, signature and title of the individuals who conducted the inventory and the agent-in-charge who oversaw the inventory, and the product name and quantity of cannabis plants or cannabis-infused products at the facility. The record of all cannabis sold must include the date of sale, the name of the dispensary facility to which the cannabis was sold and the batch number, product name and quantity of cannabis sold.

Storage of cannabis and cannabis product inventory is also regulated by the IL Acts. Inventory must be stored on the dispensary's licensed premises in a restricted access area. Appropriate storage temperatures, containers, and lighting are required to ensure the quality and purity of cannabis inventory is not adversely affected.

Security

Under the IL Acts, dispensaries must implement security measures to deter and prevent entry into and theft from restricted access areas containing either cannabis or currency. Mandated security measures include security systems, panic alarms, and locked doors or barriers between the facility's entrance and limited access areas. Admission to the limited access areas must be restricted to only purchasers, registered qualifying patients, designated caregivers, principal officers, and agents conducting business with the dispensing organization. Visitors and persons conducting business with the licensee in limited access areas must always wear identification badges and be escorted by a

licensee's agent authorized to enter the restricted access area, and such persons must be pre-approved by the IL DFPR. A visitor's log must be kept on-site and be maintained for five years.

The IL Acts provide that 24-hour video surveillance of both a licensee's interior and exterior are required to be taken and kept for at least 90 days. Unless prohibited by law, video of all interior dispensary areas, including all points of entry and exit, safes, sales areas, and storage areas must be kept. Unobstructed video of the exterior perimeter, including the storefront, grow facility and the parking lot, must also be kept. Video surveillance cameras are required to be angled to allow for facial recognition and the capture of clear and certain identification of any person entering or exiting the dispensary area. Additionally, all video must be taken in lighting sufficient for clear viewing during all times of night or day. The IL Acts also require all security equipment to be inspected and tested within regular 30-day intervals.

Ability to Access Public and Private Capital

The Issuer expects in the future to raise equity and/or financing in the Canadian public markets. If the Issuer's ability to raise equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Issuer expects that it may have to raise equity and/or debt financing privately or complete private capital financings. However, commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to businesses engaged in cannabis-related activities. There can be no assurance that additional financing, if raised privately, will be available to the Issuer when needed or on terms which are acceptable. The Issuer's inability to raise financing to fund capital expenditures or acquisitions could limit its growth. See "*Risk Factors – The Issuer may need to raise additional capital in the immediate future*".

U.S. Compliance Procedures

The Issuer will take commercially reasonable steps to ensure that each of its subsidiaries and license holders that has "Direct", "Indirect", "Ancillary" or other forms of involvement in the U.S. cannabis industry (collectively, the "**State Operators**" and each, a "**State Operator**") holds all licenses, permits and/or requisite authorizations, as applicable, to enable the State Operator to comply with the applicable licensing requirements and regulatory framework enacted by the applicable U.S. state for any of such State Operator's business. Further, the Issuer will take commercially reasonable steps to learn of and to promptly disclose (unless otherwise required by law) any notices of violation with respect to any non-licensed entity's cannabis-related activities by its respective regulatory authority.

The Issuer intends to make commercially reasonable efforts to ensure that all its activities, including those of its State Operators, are compliant with applicable U.S. state and local law. To do so, the Issuer will access legal counsel, where necessary, and will work closely with U.S. counsel to develop and improve its internal compliance program, and will defer to their legal opinions and risk mitigation guidance regarding each state regulatory framework. The internal compliance program, including the use of a compliance platform, will require continued monitoring by managers and executives of the Issuer and the State Operators to ensure all operations conform with legally compliant SOPs. The Issuer will also require the employees and management of its State Operators to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

While the Issuer intends to take commercially reasonable steps to ensure, even though it does not have control over certain State Operators, that the business activities of its State Operators are compliant with applicable state and local law, certain activities remain illegal under United States federal law. See "*Risk Factors – Risks Specifically Related to the United States Regulatory System*".

4.2 Canadian Law

Legislation legalizing the adult-use use of cannabis in Canada was implemented on October 17, 2018 under the Cannabis Act. The Cannabis Act is intended to support the federal government's platform advocating for the legalization of adult-use cannabis in order to regulate the illegal market and restrict access by under-aged individuals. The Cannabis Act regulates the production, distribution and sale of cannabis for adult-use.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis. Provincial legislation has implemented measures authorizing the sale of cannabis that has been produced by a person authorized under the Cannabis Act to produce cannabis for commercial purposes. The licensing, permitting and authorization regime has been implemented by regulations made under the Cannabis Act.

The Cannabis Act enables the ability to provide legal access to cannabis and to control and regulate its production, distribution and sale.

Federal Developments

On October 17, 2018, the Cannabis Act came into force, legalizing the sale of cannabis for adult-use. Prior to the Cannabis Act coming into force, only the sale of medical cannabis was legal and was regulated by the ACMPR made under the CDSA. The Cannabis Act replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that is in force immediately before the day on which the Cannabis Act comes into force (being October 17, 2018) is deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires. Given that the Cannabis Act is very new, the impact of such regulatory changes on the Corporation's business is unknown.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal (i.e., adult-use/recreational) use, to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Act, among other things, sets out regulations relating to the following matters:

1. Licences, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging, Labelling and Advertising;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Industrial Hemp Products

Industrial hemp in Canada is regulated under the Industrial Hemp Regulations (“**IHR**”), pursuant to subsection 139(1) of the Cannabis Act. The IHR sets out the regulatory framework for controlling and authorizing activities involving industrial hemp. The IHR defines Industrial Hemp as “a cannabis plant – or any part of the plant – in which the concentration of THC is 0.3% or less in the flowering heads and leaves”. A license issued by Health Canada under the IHR is required in order to conduct various activities involving Industrial Hemp (those who obtain the license are not subject to the Cannabis Regulations). An IHR issued license allows the holder to conduct certain activities authorized by that specific category of license, including, selling, importing and exporting seed or grain and cultivating industrial hemp. These licenses also authorize certain ancillary activities, such as harvesting and transferring industrial

hemp, and making certain derivative industrial hemp products, such as hulled hemp seed, hemp protein and hemp seed oil.¹⁰

Not every activity that involves industrial hemp falls within the scope of the IHR. For example, the extraction of CBD or another phytocannabinoid from the flowering heads, leaves and branches of the plant (whether categorized as hemp or otherwise) falls under the jurisdiction of the Cannabis Regulations and requires a cannabis processing license issued under the Cannabis Act.¹¹ In addition, since October 2019, edible cannabis products, such as CBD infused products, became legal in Canada (see below “*Cannabis Products*”).

Licences, Permits and Authorizations

The Cannabis Act establishes six different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity: (i) cultivation licenses; (ii) processing licenses; (iii) analytical testing licenses; (iv) sales for medical purposes licenses; (v) research licenses; and (vi) cannabis drug licenses. The Cannabis Act also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro processing). Different licenses and each subclass therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each subclass. The Cannabis Act provide that all licences issued under the Cannabis Act will be valid for a period of no more than five years.

The Cannabis Act provides that all licences issued under the Cannabis Act are valid for a period of no more than five years and that no licensed activity (except for destruction, antimicrobial treatment and distribution) be conducted in a dwelling-house.

Security Clearances

Select personnel (including individuals occupying a “key position,” directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licences issued under the Cannabis Act are obliged to hold a valid security clearance issued by the Minister of Health. The Cannabis Act enables the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences.

Cannabis Tracking System

Under the Cannabis Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Act provides the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister of Health. The Minister has introduced the Cannabis tracking, and licence holders are required to use this system to submit monthly reports to the Minister, among other things.

Cannabis Products

The Cannabis Act, which initially came into force on October 17, 2018, permits the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as “pre-rolled” and capsule products. On October 17, 2019, the production and sale of edible cannabis, cannabis extracts and cannabis topicals became legal in Canada under the Cannabis Act. The THC content and serving size of cannabis products is limited by the Cannabis Act. The Cannabis Act acknowledges that a range of product forms should be enabled to help the legal industry displace the illegal market.

¹⁰ Canada, Health Canada, Industrial Hemp Licensing Application Guide, (Guide) (Canada: Health Canada, 16 October 2018), online <<https://www.canada.ca/content/dam/hc-sc/documents/services/publications/drugs-health-products/industrial-hemp-licensing-application-guide/pub-eng.pdf>>.

¹¹ *Ibid.*

Packaging, Labelling and Advertising

The Cannabis Act sets out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator; (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

Cannabis for Medical Purposes

With the Cannabis Act in force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act. The medical cannabis regulatory framework under the Cannabis Act remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the regulations under the Cannabis Act, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as cannabis plants or seeds, must be obtained from licensed producers. It is possible that (ii) and (iii) could reduce the addressable market for the medicinal cannabis products. However, management of the Issuer believes that many patients may be deterred from opting to proceed with options (ii) or (iii) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidence-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. *Cannabis sativa* with less than 10 parts per million of THC can be used in natural health products ("NHPs"), foods, vet products, cosmetics etc. as long as they are from the permissible parts of the plant and from a variety registered under the industrial hemp regulations. There is no current pathway for cannabis (more than 10ppm THC) or its derivatives (THC/CBD) to be in NHPs with health claims, cosmetics with cosmetic claims, OTCs, pet health products or foods. Phytocannabinoids are on the PDL and can undergo DIN registration for human and veterinary drug products.

4.3 International

Medical and adult-use cannabis opportunities also appear to be developing in other G20 countries as these jurisdictions move towards establishing new or improved medical and adult-use cannabis legislative and regulatory frameworks and systems. The Issuer intends to investigate and monitor potential opportunities in international jurisdictions where medical and/or adult-use cannabis is legally allowed by all levels of government presently, or where the government is actively moving towards such a legal framework.

5. NARRATIVE DESCRIPTION OF THE BUSINESS

5.1 Overview of Business

General

The Issuer is a leading United States multi-state cannabis CPG company that reaches over 113 million Americans across California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma, with a portfolio of cannabis brands. It develops and markets branded cannabis products, targeted towards different customer segments, through different form factors, including adult-use topicals, confections, edibles, beverages and concentrates. The Issuer currently does not directly manufacture any products containing THC, but partners with state licensed entities that perform such work pursuant to licensing arrangements. See “*Partnerships*” below. The Issuer delivers comprehensive solutions to licensed cannabis processors including, (1) processing and transportation equipment or equipment leasing, (2) operating and marketing support, (3) licensing of intellectual property, and (4) supplying non-cannabis raw materials (e.g., packaging, labels, product components, etc.). The Issuer also develops, manufactures and sells branded hemp-infused products.

Principal Products

Mary’s

Mary’s Medicinals, best known as the developer of the first transdermal cannabis patch and gel pen, researches, develops, and enters into strategic agreements with manufacturers of cannabinoid infused products which are sold to licensed medical and adult-use retail dispensaries across California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma. Mary’s branded products include transdermal patches, tinctures, capsules, lotions, creams, other topicals, and vapes.



Dixie Brands

The Issuer currently controls the intellectual property for many premium THC-infused Product lines, including: Dixie Elixirs Beverages, Dixie Mints, Dixie Dew Drops (sublingual tinctures), Dixie Chocolates, Dixie Topicals, and Dixie Synergy 1:1 CBD and THC Products.

Originating from a single flagship Product, the Dixie Elixir (a THC-infused soda), the Issuer has developed a portfolio of 100 different cannabis-infused Products across over 30 product categories, including confections, tinctures, and topicals. The Issuer believes that Dixie is one of the most highly regarded brand portfolios in the industry.

The Issuer's portfolio also contains two product lines that focus on CBD. *Aceso* is designed to provide general wellness for humans. *Therabis* is a pet supplement formulated by an experienced veterinarian and designed to provide general wellness for pets.

Edgewater (d/b/a Défoncé)

Défoncé creates high-end artisanal cannabis-infused chocolates and other confections. Its flagship product is a chocolate bar containing 100 mg of THC available in a variety of flavors including milk, dark, mint, and matcha. Défoncé also creates a micro-dosed chocolate bites product in 2.5 mg per serving doses (40-piece 100 mg THC in total), available in almond, hazelnut, blueberry, and espresso bean varieties. In the future, Défoncé plans to introduce new THC-infused confectionery products such as individual serving size chocolate squares, chocolate peanut butter cups, chocolate truffles, and gummies.



Lost County (d/b/a Rebel Coast)

Lost County, d/b/a Rebel Coast, creates high quality cannabinoid-infused beverages. Rebel Coast's initial product was an alcohol-free THC-infused wine, made by removing the alcohol content from Sauvignon Blanc. In 2019, Rebel Coast launched a new product called "Pink Passion," a cannabis-infused alcohol-free rosé beverage. Rebel Coast recently developed and launched several new beverage SKUs to expand its beverage offerings beyond wine inspired products, including THC-infused seltzers and a single serve form factor for its alcohol-free wine beverages.



Partnerships

California

In January 2020, the Issuer and Mary’s Tech CA, Inc. (“**Tech CA**”), a California licensed manufacturer and distributor of medicinal and adult-use cannabis infused products, entered into a licensing agreement which allows Tech CA to use Mary’s technology, formulations, and proprietary processes (collectively, the “**Mary’s IPs**”) and to use “Mary’s Medicinals” and related marks (collectively, the “**Mary’s Trademarks**”) for the production, manufacture, distribution, and sale of Mary’s Medicinals branded products in the state of California. As part of the licensing agreement, the Issuer is required to provide periodic consulting to Tech CA on the production, manufacture, and sale of products, as well as education related to Mary’s IPs associated with the products. In exchange for the use of Mary’s IPs and Mary’s Trademarks, Tech CA is obligated to pay to the Issuer a monthly fee.

The Issuer entered into a manufacturing agreement on August 1, 2018 with Cypress Manufacturing Company (“**Cypress**”), a California corporation. Cypress was granted an exclusive license to prepare, package, distribute and sell Dixie Products in California. Cypress agreed to purchase ingredients and packaging from the Issuer or authorized third party suppliers. The Issuer receives a monthly fee based on the net sales of Dixie Products sold through the period. Cypress also agreed to advertise, market and promote Dixie Products to create, stimulate and sustain demand in California. The manufacturing agreement has an initial term of three (3) years and shall automatically renew for one (1) year successive terms unless either party provides prior written notice of non-renewal at least 90 days before the expiration of the then-current term.

The Issuer’s Products were initially manufactured and distributed to medical dispensaries in California in 2015 and are now being distributed to over 1,400 legal adult-use dispensaries in that state.

Below is the list of licenses held by Tech CA and Cypress:

Type of License	Holder	License No.	Effective Period
Annual Manufacturing License, Adult and Medicinal Cannabis Products	Mary’s Tech CA, Inc.	#CDPH-10003205	May 16, 2020 to May 16, 2021
Adult-Use and Medicinal-Distributor License Provisional	Mary’s Tech CA, Inc.	C11-0000297-LIC	June 10, 2020 to June 9, 2021
Annual Manufacturing License, Adult and Medicinal Cannabis Products	Cypress Manufacturing Company	#CDPH-10002196 for A-Type 7: Volatile Solvent Extraction	March 26, 2020to March 26, 2021
Adult-Use and Medicinal-Distributor License Provisional	Cypress Manufacturing Company	#C11-0000816-LIC	July 16, 2019 to July 15, 2021

Nevada

The Issuer through Silver State Wellness LLC (“SSW”), a state regulated producer of THC Products in Nevada, only operates in Nevada cities or counties with clearly defined cannabis programs. Currently, SSW has locations in Las Vegas, Nevada. The Issuer and SSW have entered into a joint venture to manufacture and distribute Dixie branded Products in Nevada. The joint venture is conducted through DB Products Nevada LLC (“DBPN”), a 70% Nevada subsidiary of the Issuer which was formed on May 5, 2016. Through the joint venture, the Issuer has exclusively licensed the preparation, packaging, distribution and sale of Dixie Products in Nevada to SSW through the joint venture. The Issuer will receive 73.5% of the gross revenue DBPN derives from Dixie Products in Nevada while SSW will receive 25% of the gross revenue. SSW is required to pay an initial branding fee to DBPN and has agreed to purchase packaging and ingredients from DBPN, which are subject to monthly packaging, labeling and ingredient fees based on the number of Products ordered.

SSW has retained DBPN to provide business and consulting services for which DBPN receives a fee.

The joint venture and ancillary agreements have an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of SSW. DBPN through SSW launched distribution of Dixie branded Products at the end of 2016 to the medical market. Adult-use sales began in July of 2017 in Nevada.

Below is the list of licenses held by SSW:

Type of License	Licensee	License No.	Effective Period
Medical Marijuana Cultivation	Silver State Wellness LLC	ID: 1018742581-002, (correspondence: 2000013540492)	July 1, 2020 to June 30, 2021
Marijuana Production Manufacturing	Silver State Wellness LLC	ID:1018742581-001, (correspondence: 2000013540495)	July 1, 2020 to June 30, 2021
Marijuana Cultivation	Silver State Wellness LLC	ID: 1018742581-002, (correspondence: 2000013540493)	July 1, 2020 to June 30, 2021

Colorado

On March 1, 2017, the Issuer entered into an intellectual property license agreement (the “MM Tech IP Agreement”) with Mary’s Medicinals, LLC (“Medicinals”). Under the MM Tech IP Agreement, the Issuer is entitled to a flat rate per month in exchange for a grant of a non-exclusive, non-assignable, non-sublicensable license to use Mary’s IPs specific to the Mary’s Medicinals branded products produced and sold in Colorado. The grant of the license to Medicinals for use of its Mary’s IPs is a perpetual license.

The MM Tech IP Agreement also entitles the Issuer to collect an additional flat rate per month for a non-exclusive, non-assignable, non-sublicensable license to use Mary’s Trademarks on all products manufactured and sold by Medicinals in the state of Colorado. The grant of the license to Medicinals for use of the Mary’s Trademarks is a perpetual license.

The Issuer and Left Bank, LLC (“Left Bank”), a company licensed to prepare and distribute THC Products in Colorado, entered into a manufacturer’s license agreement on May 14, 2014 pursuant to which the Issuer granted Left Bank an exclusive right to use and license Dixie trademarks and preparation methods as well as prepare, package, distribute and sell Dixie Products in Colorado. Left Bank has an exclusive right to supply, designate and authorize third party suppliers for ingredients. Pursuant to the agreement, Left Bank provided the Issuer an initial branding fee and agreed to purchase ingredients and packaging materials from the Issuer or authorized third party suppliers. Left Bank additionally pays the Issuer a monthly packaging fee and labelling fees. The manufacturer’s license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals. Left Bank must provide a written notice twelve (12) months prior to the expiration of the agreement to exercise this option.

Below is the list of licenses held by Medicinals and Left Bank:

Type of License	Licensee	License No.	Effective Period
Medical Marijuana Infused Product Manufacturer (MED)	Mary's Medicinals, LLC	#404-00234	April 14, 2020 to April 14, 2021
Retail Marijuana Products Manufacturing (MED)	Mary's Medicinals, LLC	#404R-00054	April 14, 2020 to April 14, 2021
Medical Marijuana Infused Product Manufacturer (MED)	Left Bank, LLC	#404-00036	September 4, 2019 to September 4, 2020
Retail Marijuana Products Manufacturing (MED)	Left Bank, LLC	#404R-00010	December 31, 2019 to January 1, 2021
Medical Marijuana Infused Product Manufacturing (Denver)	Left Bank, LLC	#2013-BFN-1068489 for 404-00036	October 12, 2019 to October 15, 2020
Retail Marijuana Infused Products (Denver)	Left Bank, LLC	#2013-BFN-1069235 for 404R-00010	December 5, 2019 to January 1, 2021

Maryland

On August 28, 2017, the Issuer entered into a royalty-based licensing agreement (the “**GTI-C Agreement**”) with GTI-Chesapeake (“**GTI-C**”), a licensed manufacturer of medical marijuana products in the state of Maryland. Under the terms of the GTI-C Agreement, GTI-C receives an exclusive non-assignable, non-sublicensable license to use Mary’s IPs and Mary’s Trademarks for the production of Mary’s Medicinals-branded products in Maryland.

GTI-C purchased all equipment necessary for the production of the Mary’s Medicinals-branded products, and is responsible for all costs associated with the production, manufacture, and sale of the products in Illinois. GTI-C purchases all non-cannabis raw materials required for the production and manufacture of the Mary’s Medicinals-branded products.

The initial agreement contemplated a two year term, with one year automatic renewals. The parties are currently in a renewal term which expires on August 27, 2021.

The Issuer and Curio Manufacturing LLC (“**Curio**”), a company licensed to prepare and distribute THC Products in Maryland, entered into a manufacturer’s license agreement on November 2, 2016 pursuant to which the Issuer granted an exclusive non-transferable license to Curio to prepare, package, distribute and sell Dixie Products in Maryland. Pursuant to the agreement, Curio provided the Issuer an initial branding fee and agreed to purchase ingredients and packaging materials from the Issuer or third party suppliers authorized by the Issuer. Curio additionally pays the Issuer a monthly preparation fee and supply fees which are based on the number of Dixie Products sold through the period. The manufacturer’s license agreement has an initial term of five (5) years with two (2) consecutive five (5) year renewals at the option of Curio. Curio began distribution of the Dixie branded Products in the end of 2017.

Below is the list of licenses held by GTI-C and Curio:

Type of License	Licensee	License No.	Effective Period
Medical Cannabis Processor	GTI-Chesapeake	#P-17-00005	August 28, 2020 to August 27, 2023
Medical Cannabis Grower	Curio Manufacturing LLC	# G-17-00004	August 14, 2017 to August 14, 2023
Medical Cannabis Processor	Curio Manufacturing LLC	# P-17-00003	August 14, 2017 to August 14, 2023
Medical Dispensary	Curio Manufacturing LLC	# D-18-00012	February 22, 2018 to February 22, 2024

Michigan

In July 2018, the Issuer entered into a technology and trademark licensing agreement (“**TTLA**”) and a raw materials agreement (“**RMA**”) with Choice Labs, LLC (“**Choice Labs**”), a licensed manufacturer and distributor of medical and adult-use cannabis products. The TTLA and the RMA provide Choice Labs an exclusive non-assignable, non-sublicensable license to use Mary’s IPs and Mary’s Trademarks for the production of Mary’s Medicinals branded products in the state of Michigan. As part of the TTLA, Choice Labs is obligated to hire employees and allocate space in its facility exclusive to the production of Mary’s Medicinals branded products.

The RMA requires Choice Labs to exclusively purchase all non-cannabis raw materials from the Issuer necessary for the production and sale of all Mary’s Medicinals branded products in Michigan.

The terms of the TTLA and the RMA, in the aggregate, result in the Issuer receiving payment from Choice Labs in an amount approximately equivalent to 80% of the gross sales of Mary’s Medicinals branded products in Michigan, less any direct expenses incurred by Choice Labs related to the actual production and sale of the products in the state.

The initial term of the TTLA and RMA is set to expire on October 31, 2021.

In February of 2019, the Issuer and Choice Labs entered into a packaging and supply agreement (the “**Packaging Agreement**”). The Packaging Agreement provides Choice Labs a non-exclusive, revocable license to use intellectual property rights and rights of publicity related to Dixie branded products in the state of Michigan. Similar to the TTLA, the Packaging Agreement requires Choice Labs to exclusively purchase all non-cannabis raw materials from Issuer necessary for the production and sale of all the Issuer’s branded products in Michigan.

The terms of the Packaging Agreement result in Issuer receiving payment from Choice Labs in an amount approximately equivalent to 80% of the gross sales of Issuer’s branded products in Michigan, less any direct expenses incurred by Choice Labs related to the actual production and sale of the products in the state.

The initial term of the Packaging Agreement is set to expire on February 1, 2029.

Below is the list of licenses held by Choice Labs:

Type of License	Licensee	License No.	Effective Period
Adult-Use Marihuana Processor	Choice Labs, LLC	# AU-P-000104	Expires December 23, 2020
Facility License Processor	Choice Labs, LLC	# PR-000005	Expires August 9, 2020

Oklahoma

The Issuer entered into a TTLA and a RMA, respectively, with Ryco Solutions, LLC (“**Ryco**”), a licensed medical marijuana operator in the state of Oklahoma. The two (2) year agreements were made effective on September 13, 2019.

The TTLA and the RMA provide Ryco an exclusive non-assignable, non-sublicensable license to use Mary’s IPs and Mary’s Trademarks necessary for the production of Mary’s Medicinals-branded products in the state of Oklahoma. As part of the TTLA, Ryco is obligated to hire employees and allocate space in its facility exclusive to the production of Mary’s Medicinals-branded products.

The RMA requires Ryco to exclusively purchase all non-cannabis raw materials from the Issuer necessary for the production and sale of all Mary’s Medicinals-branded products in Oklahoma.

The terms of the TTLA and the RMA, in the aggregate, result in the Issuer receiving payment from Ryco in an amount approximately equivalent to 90% of the gross sales of Mary’s Medicinals-branded products in Oklahoma, less any direct expenses incurred by Ryco related to the actual production and sale of the products in the state.

On November 18, 2019, the Issuer entered into a manufacturing, distribution and licensing agreement with CSC IV, LLC, as amended on February 6, 2020, which grants CSC IV, LLC the right to use the Issuer’s intellectual property, propriety formula and preparation methods as well as associated trademarks for the sale of medical-use cannabis in Oklahoma. Under the terms of the agreement, CSC IV, LLC is required to pay to the Issuer 30% of the gross revenues from sales of the licensed products. The Issuer supplies non-cannabis materials required for the production and manufacturing of the licensed branded products under the terms of the agreement.

Below is the list of licenses held by Ryco and CSC IV, LLC or its affiliates:

Type of License	Licensee	License No.	Effective Period
Medical Cannabis Processor	Ryco Solutions, LLC	# PAAA-NKAA-9S8N	September 13, 2019 to September 12, 2021
Medical Cannabis Processor	CSC IV, LLC	# PAAA-VYDL-C3LS	Expires March 15, 2021
Medical Cannabis Processor	CSC IV, LLC	# PAAA-NKAA-9S8N	Expires December 1, 2020

Florida

On October 12, 2017, the Issuer entered into a TTLA and a RMA, respectively, with DFMMJ Investments, LLC d/b/a Liberty Health Sciences, a licensed medical marijuana operator in the state of Florida. Under the terms of the three (3) year agreements, Liberty Health Sciences receives an exclusive non-assignable, non-sublicensable license to use Mary’s IPs and Mary’s Trademarks for the production of Mary’s Medicinals-branded products in the state of Florida. Liberty Health Sciences is also required to allocate space in their production facility dedicated to the production of Mary’s Medicinals-branded products, as well as hire staff dedicated exclusively production of the same.

The Issuer provides all equipment necessary for the production of the Products, to which the Issuer retains all title, and the Issuer provides training and consultation on the production and sale of the Products. Under the RMA, the Issuer exclusively sells to Liberty Health Sciences all non-cannabis raw materials required for the production of Mary’s Medicinals-branded products at a mark-up.

Below is the list of licenses held by Liberty Health Sciences:

Type of License	Licensee	License No.	Effective Period
Medical Marijuana Treatment Center License	Liberty Health Sciences	MMTC-2015-0002	October 12, 2017 to October 11, 2020

Illinois

The Issuer entered into a standard royalty-based licensing agreement with GTI-Rock Island (“GTI-RI”), a licensed manufacturer of medical and adult-use marijuana products in the state of Illinois, on June 24, 2016. Under the terms of the Agreement, GTI-R receives an exclusive non-assignable, non-sublicensable license to use Mary’s IPs and Mary’s Trademarks for the production of Mary’s Medicinals-branded products in Illinois.

GTI-RI purchased all equipment necessary for the production of the Mary’s Medicinals-branded products, and are responsible for all costs associated with the production, manufacture, and sale of the products in Illinois. GTI-RI purchases all non-cannabis raw materials required for the production and manufacture of the Mary’s Medicinals-branded products.

The initial agreement contemplated a two year term, with one year automatic renewals. The parties are currently in a renewal term which expires June 23, 2021.

Below is the list of licenses held by GTI-RI:

Type of License	Licensee	License No.	Effective Period
Medicinal Cultivation/Processing Operation Permit	GTI-Rock Island	#1503060649	June 24, 2020 to June 23, 2021

Other

In addition to such partnerships described above, the Issuer, Mary’s, Edgewater and Lost County have explored options for directly acquiring cannabis manufacturing and/or distribution licenses (or companies that hold such licenses) in various states. In particular, Mary’s is contemplating the potential direct acquisition of Medicinals and Tech CA, and Lost County is contemplating the potential direct acquisition of RCW. Such acquisition would subject the Issuer to the local state regulations concerning cannabis, such as the disclosure of the investors of the Issuer to the local regulators, and would also subject the Issuer to the same risks as the Operating Partners. See “Risk Factors”.

The Issuer also maintains a strategic partnership and investment in Eaze, which is an on-demand consumer delivery platform currently operating in California. Eaze offers its consumers proprietary branded products and traditional cannabis brands through an online application with direct-to-consumer delivery.

Production and Services

The Issuer has formulations and Standard Operating Procedures (SOPs) to ensure consistent commercial production of its partners. This includes the development and sourcing of packaging and raw materials. Additionally, the Issuer’s affiliate support team provides training and consulting services to ensure compliance under the Issuer’s standard operating procedures.

Components

As an integral component of the Dixie IP, the Issuer has researched, developed, and implemented a suite of child resistant packaging. These solutions have acted as a key component to the Issuer’s expansion into new markets and helps its affiliate partners navigate the regulatory landscape with speed and confidence as it relates to packaging and safety. The procurement and logistics arm of the Issuer ensures timely and consistent delivery of packaging and non-THC raw materials to affiliates in states where the Issuer’s Products are manufactured and sold. This model allows for purchasing power with the Issuer’s vendors and results in a seamless brand identity and product continuity as the Issuer expands. Due to state regulation, THC-containing material must be grown, sourced and manufactured from the individual state where the finished goods are being produced.

Intellectual Property

The Issuer has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. For example, MM Tech holds several patents for transdermal cannabinoid formulations (one in the United States and one in Canada) and has patent applications on file in numerous international jurisdictions including the European patent office, Australia and Israel and Therabis and Aceso each hold unique patent claims to support their product lines. The Therabis chewable patent claims a chewable supplement for pets that consists of one or more layers and contains one or more cannabinoids and nutritional supplements such as vitamins and Green Lipped Mussel. The Aceso patent claims a powder containing one or more cannabinoids, vitamins, and plant or herbal extracts that, when combined with, water form a stable effervescent emulsion. MM Tech, Edgewater and Lost County also have obtained trademarks in several jurisdictions, including Canada, and at the state level in the United States. The Issuer also owns significant amounts of unregistered intellectual property, including trade secrets related to product formulations, recipes and proprietary production processes. As long as cannabis remains illegal under United States federal law as a Schedule I controlled substance pursuant to the United States Controlled Substances Act, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of the Issuer may not be available. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than federally-registered marks. See “*Risk Factors*”.

Business Cycle / Seasonality

The business activities of the Issuer are not driven by any particular calendar seasonality.

Environmental Protections

The operation of the Issuer’s business has no extraordinary environmental protection requirements. As a result, the Issuer does not anticipate that any environmental regulations or controls will materially affect its business.

Specialized Skill and Knowledge

The Issuer uses innovative Product development processes and technology to aid in specific cannabinoid isolation for use in trendsetting infused Products in various formats. These techniques have paved the way for the evolution of infused Products by way of new cannabinoid-specific ratios that more accurately target the unique ailments of the patient or consumer. The Issuer has written, vetted, and implemented nearly 250 proprietary SOP documents to assist its affiliate network in infusing and producing premium, safe and constant cannabis-based Products in compliance with each state’s individual regulations while delivering on Issuer’s brands’ promise. In addition, the Issuer’s SOP database includes procedures for compliant and efficient oversight of an infused-Product manufacturing facility. These facility-based procedures include extraction methods, maintenance, security, and other good manufacturing procedures.

As further evidence of the Issuer’s leadership position on cannabinoid IP, the Issuer’s wholly-owned subsidiary AcesoHemp was granted a patent for scientific breakthrough in cannabinoid delivery from the United States Patent and Trademark Office under patent number US20170266127A1, which was granted on December 5, 2019 and has an adjusted expiration date of June 4, 2037. The patent, entitled ‘Cannabinoid Emulsion Product and Process for Making the Same’, encompasses a broad set of popular formats and formulations providing for the delivery of cannabinoids, along with nutrients, supplements and vitamins in effervescent powder and/or aqueous liquid forms. The Issuer’s expertise in cannabinoid product development goes beyond human application with its wholly owned subsidiary Therabis crafting a line of ‘Veterinarian Formula’ versions of its existing canine and feline product range, available only via licensed Veterinarians.

Competitive Conditions and Position

Competitive Conditions

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers and brands as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that the Issuer can continue to expand its cannabis-related holdings by providing tailored, state law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Issuer faces competition from other companies in the sector who are accessing the equity capital markets.

The Issuer competes in both medical and adult-use markets across California, Colorado, Florida, Illinois, Maryland, Nevada, Michigan and Oklahoma. Medical markets like Michigan and Illinois offer barriers to entry in the form of limited licenses, high regulatory hurdles for compliance, and skillsets required to operate efficiently in a rapidly evolving marketplace. Mature adult-use markets like California and Colorado have fewer barriers to entry and more closely reflect free market dynamics typically seen in mature retail and manufacturing industries. The growth of these markets poses a risk of increased competition.

The Issuer still faces competition from other companies that may have a higher capitalization, access to public equity markets, more experienced management or may be more mature as a business. The vast majority of both manufacturing and brand competitors in its markets consist of localized businesses (i.e. doing business in only a single state market).

There are a few multi-state operators that the Issuer competes directly with in multiple of the Issuer's operating markets. Aside from this direct competition, out-of-state operators that are capitalized well enough to enter those markets through acquisitive growth are also considered part of the competitive landscape.

Competitive Position

The Issuer is a leading North American cannabis company with extensive experience and knowledge of many state cannabis markets. The Issuer's largest brands, Mary's and Dixie, have been in business for approximately seven and ten years, respectively, and have a customer following. With this history of operating success, the Issuer has significant insight into consumer values, preferences, and purchasing habits resulting in a meaningful understanding of the retail market, and has extensive operational history demonstrating its results.

The Issuer has presence in Colorado, California, Michigan, Oklahoma, Florida, Maryland, Illinois and Nevada. The operating platform includes a trove of intellectual property, research, patents / patents pending and development skillsets that have resulted in the production of over 200 SKUs spanning different consumer groups and across several product categories in the medical and adult-use markets, including: transdermal patches, gel pens, tinctures, lotions, capsules, tinctures, gummies / candies, concentrates / vape cartridges and an array of beverages.

Economic Dependence

The Issuer is materially dependent on the licensing agreements it has with its Operating Partners. If one or more of these companies ceases production, then the Issuer would need to find another licensed manufacturer within that state to continue operations and hit target revenue goals. Currently, the Issuer holds licensing agreements with Mary's Tech (California), Cypress (California), Silverstate Wellness (Nevada), Medicinals (Colorado), Left Bank, LLC (Colorado), GTI-C (Maryland), Curio Wellness (Maryland), Choice Labs (Michigan), Ryco (Oklahoma), Liberty Health Sciences (Florida) and GTI-RI (Illinois).

Employees

Presently, the Issuer and its subsidiaries employ a total of 91 people.

Foreign Operations

The Issuer will have operations in the U.S. through its subsidiaries. There are various risks associated with operations in the U.S. as detailed in “*Risk Factors*”.

Business Objectives

Issuer has three objectives that it intends to focus on for the next twelve months: (i) integrating the assets acquired from the Transaction with the Issuer’s existing infrastructure; (ii) optimizing existing markets; and (iii) building a platform to support future product launches.

Integration:

The Issuer plans to integrate and optimize the assets it has acquired from the Transaction. The initial focus of the Issuer is to combine operations and sales organizations in each of the states where there is overlap. This will immediately allow the Issuer to recognize synergies regarding production labour, sales and marketing execution, equipment, rent, and overhead costs.

Optimizing Existing Markets:

The Issuer built the business plan based on the current capital market conditions, planning conservatively that there will be limited outside capital available. In this type of environment, it is crucial to optimize each of the eleven markets that the Issuer has a presence. The Issuer has created a hierarchical list based on a matrix that considers total addressable market, revenue generation potential, market saturation of products and brands, return on invested capital, and the foothold that its brands currently enjoy. Resource allocation will be based on the speed and efficiency of the integration process with the goal of reducing overhead expenses and increasing productivity.

Product Procurement & Launches:

The Issuer has an extensive product portfolio. The Issuer bases its product procurement and launch decisions off sales data. Each market is different, and products sell better in some market than others. Given this fact, the Issuer ensures that the best sellers are being produced and eliminating the lower ranking products. The Issuer has a strong innovation pipeline and it will launch new products when optimal. The SunBrew product line is a joint venture between the Issuer and Herbal Enterprises pursuant to a definitive agreement dated November 15, 2019. This product line is targeted to launch in the third quarter of 2021.

Business Objective	Action	By When	Estimated Costs
Integration	Combine manufacturing operations in Colorado, and Michigan. Combine departmental management teams and sales teams.	June 1, 2021	\$650,000
Optimizing Existing Markets	Increasing marketing & promotional efforts, increase size of the sales team and refine & improve manufacturing processes.	August 1, 2021	\$250,000
Product Procurement & Launches	Launch SunBrew brand	October 1, 2021	\$200,000

Milestones:

For integration, the Issuer anticipates that a full 12 months will be required to complete the operations and sales integration. Integration for finance, accounting, procurement and management will likely take more than 12 months to complete due to combining backend ERP systems and various platforms used by the Issuer and its subsidiaries.

The Issuer anticipates expanding sales of its product portfolio into every state it currently has an operating presence. It would need to develop sales channels in each state. The Issuer's focus for the next few months is to launch its SunBrew products, which it anticipates to occur in the third quarter of 2020.

Available Funds:

As of August 31, 2020, the Issuer had a working capital of approximately \$837,963 and BR Brands had positive working capital of \$1,121,841. The following table represents the available funds of the Issuer and the principal purpose of those funds over a 12-month period:

Expected Funds Available to the Issuer ⁽¹⁾	\$25,480,942
Sales & Marketing	\$6,846,707
Legal & Professional	\$3,966,073
General and Administrative Expenses ⁽²⁾	\$13,552,847
Total Excess Funds Available to the Issuer for Working Capital Purposes	\$1,115,315

Notes:

- (1) The Issuer expects to begin generating positive cash from its business in the next 12-month period.
- (2) Comprises of salaries (\$4,558,135), management fees (\$2,000,000), rent (\$292,217), travel (\$120,855), insurance (\$381,668), transaction expenses (\$300,000), dues and subscriptions (\$44,846), bank service charges (\$32,012), bad debt expenses (\$411,532), computer and software (\$123,611), office supplies (\$13,965) and miscellaneous expenses (\$295,178) of the Issuer; salaries (\$1,381,450), worker compensation (\$21,837), bank service charges (\$123,423), computer and software (\$162,352), professional fees (\$630,207), dues and subscriptions (\$5,835), insurance (\$405,859), license and fees (\$6,758), office supplies (\$68,461), bank service charges (\$159,362), miscellaneous expenses (\$315,856) of Mary's; salaries (\$590,356), insurance (\$36,000), rent (\$324,000), travel (\$30,000), utilities and equipment maintenance (\$39,600), vendor samples (\$35,913) and miscellaneous expenses (\$10,800) of Rebel Coast; salaries (\$380,000), Mountain View Project fees (\$25,000), rent (\$125,759), expense reimbursements (\$20,000) and miscellaneous expenses (\$80,000) of Edgewater.

Use of Funds

The funds available to the Issuer are expected to fund ongoing working capital to meet the Issuer's business objectives of: (i) integrating the assets acquired from the Transaction with the Issuer's existing infrastructure; (ii) optimizing existing markets; and (iii) building a platform to support future product launches.

The Issuer may require additional funds in order to satisfy its expenditure requirements to meet existing and any new business objectives, and expects to either issue additional securities or incur debt to do so. There can be no assurance that additional funding that may be required by the Issuer will be available on satisfactory terms, or at all. The amounts shown in the table below are estimates only and are based on the information available to the Issuer as of the date of this Listing Statement.

5.2 Asset Backed Securities

The Issuer does not have any asset backed securities.

5.3 Companies with Mineral Projects

The Issuer does not have any mineral projects.

5.4 Companies with Oil and Gas Operations

The Issuer does not have any oil and gas operations.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

6.1 Annual Information

The following table is a summary of selected financial information for the Issuer for the fiscal years ended December 31, 2019 and 2018 and as at June 30, 2020 after giving effect to the Transaction. This information has been prepared in accordance with IFRS and is expressed in U.S. dollars. See also the Issuer Financial Statements available on the Issuer's profile at www.sedar.ca, BRB Mary's Financial Statements attached hereto as Schedule "A" and the Pro Forma Financial Statements attached hereto as Schedule "D".

	Year Ended December 31, 2019 (audited) (US\$)	Year Ended December 31, 2018 (audited) (US\$)	Pro Forma as of June 30, 2020 (unaudited) (US\$)
Revenue	\$4,532,261	\$3,017,902	\$20,001,073
Net Loss	(\$20,140,089)	(\$20,293,058)	(\$8,371,027)
Basic and diluted loss per share	(\$0.16)	(\$0.36)	(\$0.01)
Total Assets	\$9,728,734	\$24,899,172	\$69,165,827
Total non-current liabilities	Nil	\$238,100	\$14,212,756
Total current liabilities	\$13,860,788	\$8,725,423	\$32,596,646

6.2 Quarterly Information

The following table is a summary of selected financial information for the eight most recently completed fiscal quarters of the Issuer. This information has been prepared in accordance with IFRS and is expressed in U.S. dollars.

	2nd Quarter (US\$)	1st Quarter (US\$)	4th Quarter (US\$)	3rd Quarter (US\$)
Three Months Ended	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total Revenue	3,080,154	4,094,234	2,762,263	3,121,211
Total Expenses	3,427,466	3,373,762	2,360,691	5,645,028
Net Loss	(2,459,720)	1,629,788	1,272,904	(4,300,985)
Loss per share-basic and diluted	(0.03)	(0.02)	(0.01)	(0.04)
	2nd Quarter (US\$)	1st Quarter (US\$)	4th Quarter (US\$)	3rd Quarter (US\$)
Three Months Ended	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Total Revenue	2,995,310	2,218,175	1,600,923	2,435,398
Total Expenses	7,464,355	7,742,527	11,375,265	1,577,689
Net Loss	(6,424,291)	(6,682,160)	10,278,876	(539,521)
Loss per share-basic and diluted	(0.06)	(0.05)	(0.28)	(0.05)

Copies of the respective unaudited interim financial statements for the periods listed above for the Issuer are available on the Issuer's SEDAR profile at www.sedar.com.

6.3 Dividends

The future payment of dividends will be dependent upon the financial requirement of the Issuer to fund further growth, the financial condition of the Issuer and other factors which the Board may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

6.4 Foreign GAPP

Not applicable.

7. MANAGEMENT'S DISCUSSION AND ANALYSIS

7.1 Management's Discussion and Analysis

The Issuer's annual MD&A for the year ended December 31, 2019 and interim MD&A for the six-month period ended June 30, 2020 are attached to this Listing Statement as Schedule "C".

BRB Mary's MD&A for the year ended December 31, 2019 and interim MD&A for the six-month period ended June 30, 2020 are attached to this Listing Statement as Schedule "B".

8. MARKET FOR SECURITIES

The Common Shares will be listed and posted for trading on the CSE, subject to compliance with the CSE's listing requirements. The Common Shares would be listed under the stock symbol "DIXI.U". The SVS began trading on the CSE on November 29, 2018 and were halted on March 9, 2020, upon announcement of the letter of intent with BR Brands. See "*Description of Securities – Stock Exchange Price*" below.

The Issuer is a reporting issuer in British Columbia and Ontario.

9. CONSOLIDATED CAPITALIZATION

The following table sets forth the share and loan capital of the Issuer as at December 31, 2019, June 30, 2020 and the date of this Listing Statement (after giving effect to the Change of Business). The table should be read in conjunction with the Issuer Financial Statements and the accompanying notes thereto, attached as Schedule "A", and the Pro Forma Financial Statements of the Issuer and accompanying notes thereto, attached as Schedule "D", to this Listing Statement.

Designation of Security	Amount Authorized or to be Authorized	Amount Outstanding as of December 31, 2019	Amount Outstanding as of June 30, 2020	Amount Outstanding as of the date of this Listing Statement
SVS	unlimited	126,492,725	126,492,725	Nil
NPV Shares	500,000	500,000	500,000	Nil
Common Shares	unlimited	Nil	Nil	1,063,064,635
Warrants	N/A	26,423,187	26,423,187	676,505
Options	N/A	18,912,265	18,523,376	6,184,048
Convertible Debenture	N/A	Nil	Nil	Nil
Unsecured loan	N/A	2,600,000	2,750,000	2,496,158

Note:

- (1) The principal sum of the secured convertible promissory note was convertible in accordance with the terms of such note into SVS and was automatically converted into Common Shares of the Issuer upon completion of the Transaction.

10. OPTIONS TO PURCHASE SECURITIES

Omnibus Equity Incentive Plan

The principal features of the Issuer’s omnibus equity incentive plan (the “**Plan**”), which has been approved by the Board, are summarized below. The following information is intended as a brief description of the Plan and is qualified in its entirety by the full text of the Plan, a copy of which is attached as Schedule “C” to the Issuer’s Management Information Circular dated June 8, 2020 filed under the Issuer’s SEDAR profile and is available at www.sedar.com. The Plan was approved by the shareholders of the Issuer at the Issuer’s annual general and special meeting on July 14, 2020.

Purpose

The purpose of the Plan is to assist the Issuer and its Affiliates in attracting and retaining individuals to serve as directors, employees, consultants or advisors of the Issuer who are expected to contribute to the Issuer’s success and to achieve long-term objectives that will inure to the benefit of all stockholders of the Issuer through the additional incentives inherent in the Awards (as defined below).

The Plan permits the grant of (i) nonqualified stock options (“**NQSOs**”) and incentive stock options (“**ISOs**”) (collectively, “**Options**”), (ii) restricted stock awards, (iii) other stock units (“**OSUs**”), (iv) stock appreciation rights (“**SARs**”), and (v) performance compensation awards, which are referred to herein collectively as “**Awards**,” as more fully described below.

Eligibility

Any of the Issuer’s employees, officers, directors and consultants (who are natural persons) (the “**Participants**”) are eligible to participate in the Plan if selected by the Committee (as hereinafter defined). The “**Committee**” will consist of the Board, or a committee designated by the Board, which Committee will be constituted in compliance with applicable laws. The basis of participation of an individual under the Plan, and the type and amount of any Award that an individual will be entitled to receive under the Plan, will be determined by the Committee based on its judgment as to the best interests of the Issuer and its shareholders, and therefore cannot be determined in advance.

The maximum number of Common Shares that may be issued under the Plan shall be determined by the Board from time to time, but in no case shall exceed, in the aggregate, 20% of the number of Common Shares then outstanding.

Any shares subject to an Award under the Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Plan.

In the event of any dividend, recapitalization, forward or reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of Common Shares or other securities of the Issuer, issuance of warrants or other rights to acquire Common Shares or other securities of the Issuer, or other similar corporate transaction or event, which affects the Common Shares, or unusual or nonrecurring events affecting the Issuer, or the financial statements of the Issuer, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Committee may make such adjustment as is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, to (i) the number and kind of shares which may thereafter be issued in connection with Awards, (ii) the number and kind of shares issuable in respect of outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and (iv) any share limit set forth in the Plan.

Awards

(a) Options

The Committee is authorized to grant Options to purchase Common Shares that are either ISOs, meaning they are intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986 (the “Code”), or NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the Plan will be subject to the terms and conditions established by the Committee. Under the terms of the Plan, unless the Committee determines otherwise in the case of an Option substituted for another Option in connection with a corporate transaction, the exercise price of the Options will not be less than the fair market value (as determined under the Plan) of the shares at the time of grant. Options granted under the Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Committee and specified in the applicable Award agreement. The maximum term of an Option granted under the Plan will be ten years from the date of grant (or five years in the case of an ISO granted to a 10% shareholder). Payment in respect of the exercise of an Option may be made, among other methods, in cash or by check, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as the Committee may determine to be appropriate.

(b) Restricted Stock

A restricted stock Award is a grant of Common Shares, which are subject to forfeiture restrictions during a restriction period. The Committee will determine the price, if any, to be paid by the Participant for each Common Shares subject to a restricted stock Award. The terms of any restricted stock Award granted under the Plan will be set forth in a written Award agreement which may contain such provisions as determined by the Committee, which is not inconsistent with the Plan. Except as otherwise provided in the Award agreement, beginning on the date of grant of the restricted stock Award and subject to execution of the Award agreement, the Participant will become a shareholder of the Issuer with respect to all Common Shares subject to the Award agreement and shall have all of the rights of a shareholder, including the right to vote such Common Shares and the right to receive distributions made with respect to such Common Shares; provided, however, that any Common Shares or any other property (other than cash) distributed as a dividend or otherwise with respect to any restricted stock Award, as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such restricted shares. If a Participant holds unvested restricted stock awards on the date his or her continuous status as an employee, director or consultant terminates for any reason, the unvested restricted stock Awards will expire and the Common Shares covered by the unvested restricted stock Awards will revert to the Plan, unless otherwise set forth in the Award agreement, in an employment agreement between the Issuer or an Affiliate and the Participant (if any) or as determined by the Committee. The Committee may determine in its sole discretion that such unvested restricted stock Awards will become vested at such times and on such terms as the Committee may determine in its sole discretion.

(c) OSUs

Other Awards of shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Common Shares or other property (OSUs) may be granted to Participants, either alone or in addition to other Awards granted under the Plan, and such OSU Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. OSU Awards shall be paid in Common Shares or cash. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom and the time or times at which such OSU Awards shall be made, the number of Common Shares or the amount of cash or other property to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of OSU Awards need not be the same with respect to each recipient. Subject to requirements of applicable law, the Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Issuer or any Affiliate as a condition precedent to the issuance of Common Shares (including securities convertible into Common Shares). The terms of any OSU Awards granted under the Plan will be set forth in a written Award agreement which will contain provisions determined by the Committee and not inconsistent with the Plan. If a Participant holds unvested OSU Awards on the date his or her continuous status as an employee, director or consultant terminates for any reason, the unvested OSU Awards will expire and the Common Shares covered by the unvested OSU Awards will revert to the Plan, unless otherwise set forth in the Award agreement, in an employment agreement between the Issuer or an Affiliate and the Participant (if any), or as determined by the Committee. The Committee may determine in its sole discretion that such unvested OSU Awards will become vested at such times and on such terms as the Committee may determine in its sole discretion.

(d) Stock Appreciation Rights

An SAR entitles the recipient to receive, upon exercise of the SAR, subject to certain exceptions, the increase in the fair market value of a specified number of Common Shares from the date of the grant of the SAR and the date of exercise payable in Common Shares. Any grant may specify a vesting period or periods before the SAR may become exercisable and permissible dates or periods on or during which the SAR shall be exercisable. No SAR may be exercised more than ten years from the grant date. Upon a Participant's termination of service, death or disability, the same general conditions applicable to Options as described above would be applicable to the SAR.

General

The Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the Plan shall be non-transferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a shareholder with respect to Common Shares covered by Options, SARs, restricted stock Awards, or OSUs, unless and until such Awards are settled in Common Shares.

No Option (or, if applicable, SARs) shall be exercisable, no Common Shares shall be issued, no certificates for Common Shares shall be delivered and no payment shall be made under the Plan except in compliance with all applicable laws.

The Board may amend, alter, suspend, discontinue or terminate the Plan and the Committee may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Issuer's shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including, without limitation, as necessary to comply with any rules or requirements of applicable securities exchange), and (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission.

In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property), stock split, reverse stock split, spin-off, rights offering or any other event that constitutes an "equity restructuring" within the meaning of the Financial Accounting Standards Board Accounting Standard Codification (ASC) Section 718, Compensation—Stock Compensation (FASB ASC 718), or similar transaction or other change in corporate structure affecting the Common Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee, in its sole discretion, deems equitable or appropriate to prevent dilution or enlargement of rights immediately resulting from such event or transaction,

including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other Awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided, however, that the number of Common Shares subject to any Award must always be a whole number.

Tax Withholding

The Issuer may take such action as it deems appropriate to ensure that all applicable federal, provincial, state, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

11. DESCRIPTION OF SECURITIES

11.1 General

Prior to the completion of the Transaction and the continuation under the BCBCA, the Issuer was authorized to issue an unlimited number of SVS without part value and 500,000 NPV Shares without par value. Following the completion of the Transaction and continuation under the BCBCA, the Issuer is authorized to issue an unlimited number of common shares without par value.

Each Common Share ranks equally with all other common shares with respect to distribution of assets upon dissolution, liquidation or winding-up of the Issuer and payment of dividends. The holders of Common Shares will be entitled to one vote for each share on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the directors of the Issuer. The holders of Common Shares have no pre-emptive or conversion rights. The rights attaching to the Common Shares can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

As of the date of the Listing Statement, 1,063,064,635 Common Shares are issued and outstanding and 6,860,553 Common Shares are reserved for issuance pursuant to convertible securities of the Issuer.

11.2 - 11.6 Miscellaneous Securities Provisions

None of the matters set out in items 10.2 to 10.6 of CSE Form 2A are applicable to the share structure of the Issuer.

11.3 Prior Sales of the Issuer

The following table summarizes SVS issued by the Issuer within the 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Securities	Price per Security	Total Issue Price
April 22, 2020 ⁽¹⁾	SVS	14,198,926	\$0.36	\$5,111,613.36
April 22, 2020 ⁽²⁾	SVS	597,222	\$0.36	\$214,999.92
August 19, 2019	SVS	400,000	\$0.62	\$248,000
July 21, 2020 ⁽³⁾	SVS	175,000	\$0.135	\$23,625

Notes:

- (1) The Issuer granted 14,198,926 restricted SVS to certain non-executive employee at a price of \$0.36 per share. The shares will vest on January 1, 2021 and are subject to the terms of the Plan.

- (2) The Issuer granted 597,222 restricted SVS to certain directors at a price of \$0.36 per share. The shares vested immediately on grant and are subject to the terms of the Plan.
- (3) The Issuer granted 175,000 restricted SVS to the CFO at a price of \$0.135 per share. The shares will vest over three years and are subject to the terms of the Plan.

11.4 Stock Exchange Price

On November 29, 2018, the Issuer's SVS began trading on the CSE under the symbol "DIXI.U". On January 29, 2019, the Issuer's SVS began trading on the Frankfurt Stock Exchange under the trading symbol 0QV. On October 31, 2020, the Issuer completed the Transaction and continued under the BCBCA. The Issuer exchanged its SVS for Common Shares upon continuation under the BCBCA and its Common Shares will trade on the CSE and on the Frankfurt Stock Exchange under the symbols "BRCK" and 0QV, respectively.

The following table sets out the high and low trading price and volume of trading of SVS on the CSE during the periods indicated.

Period	High (US\$)	Low (US\$)	Volume
October 2020	-	-	-
September 2020	-	-	-
August 2020	-	-	-
July 2020	-	-	-
June 2020	-	-	-
May 2020	-	-	-
April 2020	-	-	-
March 2020 ⁽¹⁾	0.155	0.105	533,809
February 2020	0.205	0.10	1,800,788
January 2020	0.24	0.155	2,595,456
December 2019	0.305	0.135	2,856,465
November 2019	0.38	0.195	2,212,914
October 2019	0.445	0.30	2,242,396
September 2019	0.66	0.375	3,562,341
August 2019	0.98	0.465	8,121,454
July 2019	0.70	0.385	1,804,024
June 2019	0.76	0.62	1,290,136
May 2019	0.91	0.68	2,928,744

Note:

- (1) The SVS were halted on March 9, 2020, upon announcement of the letter of intent with BR Brands.

12. ESCROWED SECURITIES

None of the matters set out in item 12 of CSE Form 2A are applicable to the Issuer.

13. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and executive officers of the Issuer, as at the date of this Listing Statement, no Person owns, both of record and beneficially, of record only, or beneficially only, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares which have the right to vote in all circumstances, other than the following persons:

Shareholder	Number of Common Shares	Percentage of class
Rose Capital Fund I, LP and Affiliates thereof ⁽¹⁾	886,736,790	83.41%
RSG6, LLC ⁽²⁾	34,094,525	3.21%

Notes:

- (1) 852,642,265 Common Shares are registered to BR Brands, LLC of which Rose Capital Fund I, LP is a control person of BR Brands, LLC. Rose Capital Fund I, LP is controlled by its general partner Rose Capital Fund I GP, LLC, and Rose Management Group, LLC is the manager of the Rose Capital Fund I GP, LLC. 34,094,525 Common Shares are registered to Rose Capital Fund I, LP.
- (2) 34,094,525 Common Shares are registered to RSG6, LLC which is controlled by Rose Management Group, LLC.

14. DIRECTORS AND OFFICERS OF THE ISSUER

14.1 Directors and Officers

The following table sets out information regarding each of the Issuer's directors and executive officers, including the name, municipality of residence, position or office held with the Issuer and principal occupation of each proposed director and executive officer of the Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding Common Shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and proposed position with Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed⁽¹⁾
Andrew Schweibold⁽³⁾ Chairman Greenwich, CT	Co-Founder and Managing Partner, Rose Management Group LLC Co-Founder and Chairman, BR Brands LLC Director, Helix TCS Inc. Director, Eaze Technologies, Inc. Co-Founder and Partner, Delos Capital	October 31, 2020	Nil
Jonathan Rosenthal⁽³⁾ Director Bloomfield Hills, Michigan	Co-Founder and Director, BR Brands, LLC Co-Founder and Managing Partner, Rose Management Group, LLC Director, MM Technology Holdings, LLC Director, Eaze Technologies, Inc.	October 31, 2020	Nil

Name, place of the residence and proposed position with Issuer	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed ⁽¹⁾
	Director, Dixie Brands, Inc. Director, Lost County, Inc. Director, Edgewater Foods, Inc. Director, Therabis, LLC Commercial Leader, General Electric Healthcare, Inc.		
<p>Satyavrat Joshi⁽²⁾ Director Westchester, New York</p> <p>Independent</p>	Interim CEO and Director, BR Brands LLC Investment Professional, Rose Management Group, LLC Director, Helix Technologies, Inc. Director, Lost County, Inc. Director, MM Technology Holdings, LLC Director, Edgewater Foods, Inc. Partner, Incline Global Management Investment Professional, Hillhouse Capital Group	October 31, 2020	Nil
<p>Charles (Chuck) Smith⁽²⁾⁽³⁾ Director Chief Executive Officer Denver, Colorado</p>	Director, President and Chief Executive Officer, BellRock Brands Inc.	November 27, 2018	10,189,736 Common Shares
<p>Brian Graham⁽²⁾ Director Atlanta Georgia</p> <p>Independent</p>	Director, Dixie Brands, Inc. Founder, Rise Investments International President, Asheville Distilling Company Co-Manager, Hawaii Sea Spirits Board Member, Georgia Chamber Board Member and Treasurer, Professional Beauty Association President, Manufacture’s Leadership Council	November 27, 2018	2,630,575 Common Shares ⁽⁴⁾
<p>C.J. Chapman</p> <p>General Counsel and Executive Vice President Denver, Colorado</p>	General Counsel and Executive Vice President, BellRock Brands Inc.	November 27, 2018	263,375 Common Shares
<p>Alejandro “Alex” de Gortari Chief Financial Officer Denver, Colorado</p>	Chief Financial Officer, BellRock Brands Inc. General Manager and Finance Director, Molson Coors Brewing Company	July 21, 2020	750,000 restricted Common Shares

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of management of the Issuer and has been furnished by the respective individuals.
- (2) Member of audit committee.
- (3) Member of compensation committee.
- (4) Brian Graham holds his share indirectly through Rise Investments International II Series Y, LLC, and Rise Investments International II Series 7.

14.2 Corporate Cease Trade Orders or Bankruptcies

No proposed director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the Issuer being the subject of a cease trade or similar order or an order that denied the relevant Issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

14.3 Penalties or Sanctions

No proposed director or executive officer of the Issuer, or a shareholder holding a sufficient number of the Issuer's securities to affect materially the control of the Issuer, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14.4 Committees

The Issuer has an audit committee consisting of Charles (Chuck) Smith, Satyavrat Joshi and Brian Graham, each of whom is a director and financially literate in accordance with NI 52-110. Satyavrat Josh and Brian Graham are independent, as defined under NI 52-110, while, Charles (Chuck) Smith is not independent by virtue of his position as CEO of the Issuer.

The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Issuer's Audit Committee will be to assist the Issuer Board in discharging the oversight of:

- the integrity of the Issuer's consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements;
- the Issuer's compliance with legal and regulatory requirements;
- the Issuer's external auditors' qualifications and independence;
- the work and performance of the Issuer's financial management and its external auditors; and
- the Issuer's system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Issuer's Board.

The Audit Committee will have access to all books, records, facilities and personnel and may request any information about the Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by the Issuer's auditors.

The Issuer is a "venture issuer" as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

The Board may from time to time establish additional committees.

14.5 Settlement Agreements

Not applicable.

14.6 Personal Bankruptcies

No proposed director or executive officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

14.7 Conflicts of Interest

Certain of the proposed directors and officers of the Issuer are currently, or may in the future become, involved in managerial or director positions with other issuers, both reporting and non-reporting, whose operations may, from time to time, be in direct competition with those of the Issuer or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Issuer.

In such event, the directors and officers of the Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Issuer and to disclose any interests which they may have in any project or opportunity of the Issuer and abstain from voting thereon. In determining whether or not the Issuer will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

The proposed directors and officers of the Issuer also have either other employment or other business or time restrictions placed on them and accordingly, these directors and officers will only be able to devote part of their time to the affairs of the Issuer.

Conflicts, if any, will be subject to the procedures and remedies prescribed by the BCBCA, the CSE and applicable securities law, regulations and policies. See "*Risk Factors*".

14.8 Management Details

The following sets out details respecting the management of the Issuer:

Andrew Schweibold, (37), Chairman

Mr. Schweibold is the Co-Founder and Managing Partner of Rose Management Group LLC, a private equity firm (since Jan. 2016). Mr. Schweibold is also the Co-Founder and Chairman of BR Brands, LLC (since Dec. 2017). In addition, he is currently a director of Helix TCS Inc. (since June 2018) and Eaze Technologies, Inc. (since June 2019). Mr. Schweibold previously worked across various private equity and investment platforms, including but not limited to, GTCR Golder Rauner and Apollo Global Management. Prior to founding Rose Management Group LLC, Mr. Schweibold co-founded and served as a partner and investment committee member of Delos Capital, a lower middle-market private equity investment firm that Mr. Schweibold co-founded (Jan. 2013 to Oct. 2016).

Mr. Schweibold earned a Bachelor in Business Administration (BBA) in 2005 from the Stephen M. Ross School of Business at the University of Michigan, graduating with highest distinction.

Mr. Schweibold is an independent contractor of the Issuer who is retained by the Issuer under the Management Agreement, and, in his capacity as Chairman of the Issuer, he dedicates approximately 25% of his time to the affairs of the Issuer. Mr. Schweibold is not party to any non-competition agreement or confidentiality agreement with the Issuer. See *“Executive Compensation – Termination and Change of Control Benefits and Management Contracts”*.

Jonathan Rosenthal, (39), Director

Mr. Rosenthal is the Co-Founder and Managing Partner of Rose Management Group LLC (since Jan. 2016). Mr. Rosenthal is also the Co-Founder and Director of BR Brands, LLC (since Dec. 2017). In addition, he is currently a director of MM Technology Holdings, LLC (since July, 2017), Lost County, Inc. (since September 2018) and Edgewater Foods, Inc. (since March, 2020). He was previously a director of Eaze Technologies, Inc. (2018-2019), Dixie Brands, Inc. (2016-2018) and Therabis, LLC. (2017-2018). He was previously a commercial leader with General Electric Healthcare, Inc. (2003-2017).

Mr. Rosenthal earned a Bachelors Degree in General Management (BA) from the Eli Broad College of Business at Michigan State University in 2003.

Mr. Rosenthal is an independent contractor of the Issuer who is retained by the Issuer under the Management Agreement, and, in his capacity as a director of the Issuer, he dedicates approximately 75% of his time to the affairs of the Issuer. Mr. Rosenthal is not party to any non-competition agreement or confidentiality agreement with the Issuer. See *“Executive Compensation – Termination and Change of Control Benefits and Management Contracts”*.

Satyavrat Joshi, (36), Director

Mr. Joshi serves as a Partner at Rose Management Group, LLC (February 2018 to present). He is currently the Interim CEO and Director of BR Brands, LLC (since October 2019). He is also a director of Helix Technologies, Inc. (since December 2018), Lost County, Inc. (since August 2019), MM Technology Holdings, LLC (since March 2019) and Edgewater Foods Inc. (since March 2020). From November 2014 to February 2017, Mr. Joshi was a partner at Incline Global Management. He was an Investment Professional at Hillhouse Capital Group from February 2017 to January 2018.

Mr. Joshi earned a Bachelors of Science (BS) in Commerce from the McIntire School of Commerce at the University of Virginia in 2005.

Mr. Joshi is an independent contractor of the Issuer who is retained by the Issuer under the Management Agreement, and, in his capacity as a director of the Issuer, he dedicates approximately 50% of his time to the affairs of the Issuer.

Mr. Joshi is not party to any non-competition agreement or confidentiality agreement with the Issuer. See *“Executive Compensation – Termination and Change of Control Benefits and Management Contracts”*.

Charles Smith, (59), Chief Executive Officer and Director

Charles “Chuck” Smith is the President and Chief Executive Officer of the Issuer, as well as Therabis, and Aceso Wellness, two of the leading hemp supplement brands. As one of two original founders of the Issuer, Mr. Smith helped the Issuer grow from a “garage operation” to a 27,000 square foot state-of-the-art, vertically integrated manufacturing facility that was the first-of-its-kind for the cannabis industry.

In the ten years, since co-founding the Issuer, Mr. Smith has overseen the building of one of the most recognized brands in the industry. The Issuer has grown its portfolio to over 100 product offerings, opened five new states of operation in addition to Colorado, built significant and lasting distribution partnerships and developed strong platforms for execution in manufacturing, marketing and sales.

In addition, Mr. Smith has served on a variety of industry associations and policy-minded organizations. He was a Founding Board Member of the Cannabis Trade Federation, Founding Board Member of the New Federalism Fund and is currently Board President of Colorado Leads, a coalition of Colorado cannabis business leaders.

Mr. Smith has over 25 years of experience in a variety of industries. He has a strong financial background, holding the position of Chief Financial Officer for a mid-sized retail apparel chain and has built and managed sales and marketing teams for private and publicly traded technology companies. Prior to building the Issuer and the Dixie brand, Mr. Smith was President of Bella Terra Realty Holdings where he oversaw all aspects of the Bella Terra Resort Development Company.

Mr. Smith has a Bachelor’s degree in Accounting from the University of Maryland (1984) and an MBA from the Owen Graduate School at Vanderbilt University (1986).

Mr. Smith is an employee of the Issuer, and, in his capacity as CEO and director of the Issuer, he dedicates approximately 100% of his time to the affairs of the Issuer. Mr. Smith is a party to a non-competition and confidentiality agreement with the Issuer. See *“Executive Compensation – Termination and Change of Control Benefits and Management Contracts”*.

Brian Graham, (50), Director

Brian Graham served as Chief Executive Officer and member of the board of directors of NIOXIN Research Laboratories, Inc., a global leader in the manufacturing of hair care products. During his tenure from 2003 to 2010, Mr. Graham transitioned the company from a privately held regional consumer products business to a dominant global company recently acquired by Procter & Gamble. Under Mr. Graham’s leadership, the company’s revenues doubled and its EBITDA increased from US\$1M to US\$17M. Mr. Graham led the company through a rapid profitable growth phase expanding both the company’s product portfolio as well as its geographical reach.

After NIOXIN’s acquisition by Procter and Gamble, Mr. Graham became a member of the P&G Salon Professional Lead Team. He continued to lead the business and the integration efforts as NIOXIN’s CEO, exceeding acquisition economics by over \$20 million and led several key initiatives for the business. As a result, Mr. Graham received the Platinum Power of You Award from the Division President.

In 2010, Mr. Graham began investing in a variety of businesses across many industries. These include big data, technology, real estate, business services, a multi-family office (Pathstone) and Fleetwood's on Front Street (Maui) with Mick Fleetwood. In addition, Mr. Graham founded Blue Ridge Spirits and served as President of Asheville Distilling Company.

In 2014, Mr. Graham founded Rise Investments International, a company focused on providing growth equity, debt financing and management resources for closely held businesses ranging from start-ups to mid-cap enterprises. Recent transactions include Hawaii Sea Spirits, PlaySight, Tennis Media Company, and Gozio Inc.

In 1992, Mr. Graham received his Bachelor of Science degree from Georgia Southern University. He has also attended Executive Programs at the University of Michigan and in 2002 completed the Program for Management Development at Harvard University.

He is a member of Young Presidents Organization, the Harvard Business Club, the Alpha Tau Omega fraternity and serves on numerous for-profit and non-profit boards. Currently, he serves as Co-Manager of Hawaii Sea Spirits and as a Board member of the Issuer. Previous appointments include the Georgia Chamber, board member and Treasurer of the Professional Beauty Association and Past President of the 34 Manufacture's Leadership Council.

Mr. Graham is an independent contractor of the Issuer, and, in his capacity as a director of the Issuer, he dedicates approximately 15% of his time to the affairs of the Issuer. Mr. Graham is not party to a non-competition or confidentiality agreement with the Issuer.

C.J. Chapman, (41), General Counsel and Executive Vice President

Mr. Chapman is the General Counsel and Executive Vice President of the Issuer. Mr. Chapman joined Dixie USA on June 18, 2018 to oversee the Series C Financing and the 2018 Amalgamation. Over his two years, he has led the transition of Dixie USA from a privately held company to a publicly listed company on the CSE in connection with the 2018 Amalgamation. He manages the corporate governance, public reporting, compliance, human resources, and all contract negotiations, for the Issuer. He has played an integral part of the successful expansion efforts of the Issuer.

Prior to joining the Issuer, he directed a single-family office based in New York with respect to venture structures, operations, and legal issues. Mr. Chapman spent his entire private practice at Brownstein Hyatt Farber Schreck, LLP in the real estate and corporate departments. He practiced at Brownstein from 2006 through 2017 and was a partner from 2013 through 2017.

His practice focused on the acquisition, disposition, financing, leasing, and development of various commercial real estate assets, including apartment and office buildings, sports complexes, hotels, shopping centers, and vacant land. With respect to Mr. Chapman's corporate practice, he advised various companies on corporate matters, including partnership agreements, formation of entities, corporate finance, and general corporate governance. He served as outside general counsel to one of the nation's largest cattle feed manufacturers advising them on all corporate matters. In addition, he served as outside general counsel to the Oakland Alameda County Coliseum Authority, the entity that owns the Oakland Coliseum (the current stadium for the Oakland A's and the former stadium of the Oakland Raiders) and Oracle Arena (the former arena of the Golden State Warriors).

Mr. Chapman received his A.B. in politics from Princeton University and his J.D. from the University of Denver Sturm College of Law.

Mr. Chapman is an employee of the Issuer, and, in his capacity as General Counsel, Executive Vice President and Secretary of the Issuer, he dedicates approximately 100% of his time to the affairs of the Issuer. Mr. Chapman is a party to a non-competition and confidentiality agreement with the Issuer. See "*Executive Compensation – Termination and Change of Control Benefits and Management Contracts*".

Alejandro "Alex" de Gortari, (46), Chief Financial Officer

Mr. de Gortari is the Chief Financial Officer of the Issuer and joined the Issuer on July 21, 2020 to oversee the Finance and Accounting functions of the Issuer. Before joining the Issuer, he spent 16 years at Molson Coors Brewing Company working in Corporate Accounting, Corporate FP&A, and in the Molson Coors International business segment specific to Latin America moving over to the Commercial group in 2018 and serving as GM of Emerging Markets until June 2020. Prior to that, Mr. de Gortari spent 4 years working as an Accounting Manager at Western Union (2000-2004) and as an Audit Senior at Deloitte & Touche, LLP in Indianapolis (1996-2000).

Mr. de Gortari earned a Bachelors degree in Accounting from the Kelley School of Business at Indiana University in 1996.

Mr. de Gortari is an employee of the Issuer, and, in his capacity as CFO of the Issuer, he dedicates approximately 100% of his time to the affairs of the Issuer. Mr. de Gortari is a party to a non-competition and confidentiality agreement with the Issuer.

15. CAPITALIZATION OF THE ISSUER

15.1 Capitalization Chart

<u>Issued Capital</u>	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	1,063,064,635	1,069,925,188	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	934,965,001	941,149,049	87.95%	87.96%
Total Public Float (A-B)	128,099,634	128,776,139	12.05%	12.04%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	921,581,315	921,581,315	86.69%	86.14%
Total Tradeable Float (A-C)	141,483,320	148,343,873	13.31%	13.86%

Public Securityholders (Registered)⁽¹⁾

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	5	190
100 – 499 securities	1	158

500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	115	126,492,380 ⁽²⁾
TOTAL	121	127,492,728

Notes:

(1) Information provided as of August 11, 2020.

(2) 72,467,345 shares are held by CDS & CO.

Public Securityholders (Beneficial)⁽¹⁾

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	803	33,212
100 – 499 securities	2,489	548,525
500 – 999 securities	1,321	805,853
1,000 – 1,999 securities	1,757	2,058,661
2,000 – 2,999 securities	825	1,824,421
3,000 – 3,999 securities	390	1,260,094
4,000 – 4,999 securities	256	1,081,231
5,000 or more securities	1,585	1,013,896,961
TOTAL	9,426	1,021,508,958

Notes:

(1) Information provided as of August 11, 2020.

Non-Public Securityholders (Registered)

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0

3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	6	934,965,001
TOTAL	6	934,965,001

15.2 Convertible Securities

The following are details for any securities convertible or exchangeable into Common Shares:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Exercise Price	Expiry Date	Type of Security		
\$1.42	November 23, 2021	Warrants	175,587	175,587
\$1.42	June 2, 2022	Warrants	210,700	210,700
\$1.42	March 8, 2023	Warrants	290,218	290,218
\$0.66	September 20, 2028	Options	6,184,048	6,184,048

15.3 Other Securities Reserves for Issuance

There are no other securities reserved for issuance.

16. EXECUTIVE COMPENSATION

16.1 Compensation Discussion and Analysis

Introduction

The information contained under the heading “*Compensation Discussion and Analysis*” relates to the Issuer’s current compensation program, which was adopted by the Board following completion of the 2018 Amalgamation on November 27, 2018. The purpose of this Compensation Discussion and Analysis is to provide information about the Issuer’s philosophy, objectives and processes regarding compensation of the individuals who carried out the roles of the CEO and the CFO of the Issuer during the year ended December 31, 2019 and the most highly compensated executive officer of the Issuer, other than the CEO and CFO, whose total compensation was more than \$150,000 for the 12 months ended December 31, 2019 (collectively, the “**Named Executive Officers**”). The Issuer does not intend to make any material changes to the compensation of the Named Executive Officers for the year ended December 31, 2020, other than as disclosed herein.

Compensation Committee

The administration of the Issuer’s compensation practices is handled by the Compensation Committee.

Among other things, the Compensation Committee's role is to ensure that the total compensation paid to the Issuer's executive officers, including the Named Executive Officers, is fair, reasonable and competitive. In the course of reviewing and recommending to the Board the compensation of executive officers other than the Chief Executive Officer, the Compensation Committee annually reviews the performance of the executive officers with the CEO, and the CEO makes recommendations to the Compensation Committee regarding their compensation.

The Compensation Committee will evaluate the performance of the CEO and, based on its evaluation, review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the CEO based on such evaluation. The Compensation Committee will also review and make recommendations to the Board with respect to compensation, benefits and perquisites for all other senior executive officers of the Issuer, incentive-compensation plans and equity-based plans, and policies regarding management benefits and perquisites.

Neither the Board nor any committee of the Board has formally established a mechanism to consider the implications of the risks associated with the Issuer's compensation policies and practices. However, the Board and the Compensation Committee inherently consider these risks. The Compensation Committee reviews and manages the policies and practices of the Issuer and ensures that they are aligned with the interests of the shareholders. The Compensation Committee reviews, among other things, the overall compensation and the annual salary increases of the executive officers of the Issuer while keeping as a reference both the financial performance of the Issuer and the turnover risk for the Issuer. The Board also addresses risk related to compensation policies in the context of compensation mechanisms that are linked to the achievement of certain goals or targets (e.g. short term and long term objectives), both financial and otherwise. The Board is involved in the supervision of key projects and initiatives of the Issuer and the manner in which they are being carried out. Consequently, the Board is in a position where it can control significant risks that may be taken by the Issuer's management and ensures that those risks remain appropriate and that members of management do not expose the Issuer to excessive risks.

Each member of the Compensation Committee has direct experience relevant to compensation matters resulting from their respective current and past backgrounds and/or roles. The members of the Compensation Committee have experience dealing with compensation matters in large and small organizations, including public companies.

The Issuer does not have a policy in place that limits the ability for directors or Named Executive Officers to hedge the Common Shares that they own. However, none of the current directors or Named Executive Officers of the Issuer are hedging any of the Common Shares that they own.

Compensation Process

The Issuer has no formal or informal policy or target for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among the different forms of non-cash compensation. Instead, the Board determines subjectively what it believes to be the appropriate level and mix of the various compensation components based on the recommendations of the Compensation Committee.

Compensation Objectives

The Issuer's compensation philosophy for Named Executive Officers is designed to attract and retain talented and experienced individuals by paying modest base salaries plus short and long-term incentive compensation in the form of cash bonuses, stock options or other suitable long-term incentives. In making its determinations regarding the various elements of executive compensation, the Compensation Committee will have access to and will rely on published studies of compensation paid in comparable businesses.

The duties and responsibilities of the CEO are typical of those of a business entity of the Issuer's size in a similar business and include overseeing the activities of all other executives of the Issuer, representing the Issuer, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The objectives of the Issuer's executive compensation program are as follows:

- to attract, retain and motivate talented executives who create and sustain the Issuer's continued success;
- to motivate and reward executives whose knowledge, skills and performance are critical to the Issuer's success;
- to encourage executives to manage the Issuer's business to meet its long-term objectives;
- to align the interests of the Issuer's executives with the interests of the Issuer's shareholders by motivating executive officers to increase shareholder value and reward executive officers when shareholder value increases; and
- to provide total compensation to executives that is competitive with that paid by other companies of comparable size engaged in similar businesses.

The Issuer believes that its current compensation programs are structured to support the achievement of the foregoing strategic objectives.

Overall, the executive compensation program aims to design executive compensation packages that meet executive compensation packages for executives with similar talents, qualifications and responsibilities at companies with similar financial, operating and industrial characteristics. The Issuer expects to undergo rapid growth and is committed to retaining its key executives for the next several critical years, while at the same time ensuring that executive compensation is tied to specific corporate goals and objectives. The Issuer's executive compensation program has been designed to reward executives for reinforcing the Issuer's business objectives and values, for achieving the Issuer's performance objectives and for their individual performances.

Elements of Compensation

The Issuer seeks to achieve the compensation objectives described earlier through different elements of compensation, including salary and both short-term and long-term incentive plans, with the incentives having both equity and non-equity components. The Issuer believes that these various elements are important to effectively achieve the objectives of its executive compensation philosophy.

The elements of the Named Executive Officers' compensation are:

- (a) base salaries;
- (b) annual bonuses; and
- (c) stock option grants.

There is no regulatory oversight of the Issuer's compensation process for the Named Executive Officers.

Base Salary

The Issuer pays its executive officers a base salary to compensate them for services rendered during a fiscal year. Base salaries are determined for each executive officer based on an evaluation of such officer's experience, skills, knowledge, scope of responsibility and performance. Base salary levels are reviewed and considered annually, and from time to time adjustments may be made to base salary levels based upon promotions or other changes in job responsibility or merit-based increases based on assessments of individual performance.

The base salary review of any executive officer takes into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the executive officer. Base salary is not evaluated against a formal “peer group”.

Annual Bonuses

The Issuer provides senior executives (including the Named Executive Officers) with the opportunity to receive cash bonuses based on performance and on the free cash flow of the Issuer available for distribution. The cash bonuses are primarily designed to align the financial interests of the Issuer’s executives with the interests of the Issuer’s shareholders. See the “*Table of Compensation Excluding Compensation Securities*” below for details of the cash bonuses paid to the Issuer’s Named Executive Officers for the fiscal year ended December 31, 2019.

Equity Incentive Awards

The executive officers are eligible to receive Awards under the Plan. The Issuer intends for Awards to be an integral part of its overall compensation program as the Issuer believes that the long-term performance of the Issuer will be enhanced through the use of Awards that reward executive officers for increasing long-term shareholder value. The Issuer also believes that such Awards will promote an ownership perspective among its executive officers and encourage executive retention. In determining the number of Awards to be granted to executive officers, the Compensation Committee takes into account the individual’s position, scope of responsibility, ability to affect profits and shareholder value and the value of the Awards in relation to other elements of the individual executive officer’s total compensation, including base salary and cash bonuses.

Broad-Based Benefits Programs

All full-time employees, including the Issuer’s Named Executive Officers, may participate in the Issuer’s health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance. The Issuer does not intend to provide perquisites or personal benefits to its Named Executive Officers that are not otherwise available to other employees generally.

Pension Plan Benefits

The Issuer does not have a defined benefits pension plan, a defined contribution plan or a deferred compensation plan.

16.2 Compensation of Named Executive Officers and Directors

In connection with the completion of the 2018 Amalgamation, the Issuer changed its financial year end from April 30 to December 31. The information provided herein is for the fiscal year ended December 31, 2018 and includes compensation paid to the Named Executive Officers during that period by USA, Inc. prior to the 2018 Amalgamation and the Issuer following the completion of the 2018 Amalgamation.

As of December 31, 2019, the Issuer had three Named Executive Officers: Charles Smith, Greg Robbins and C.J. Chapman. The following table sets out the compensation noted below paid or payable to the Named Executive Officers for the two most recently completed financial years:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary (US\$)	Bonus (US\$)	Committee or Meeting Fees (US\$)	Value Perquisites (US\$)	All Other Compensation (US\$)	Total Compensation (US\$)
Charles Smith, Chief Executive Officer and Director	2019	293,300	Nil	Nil	Nil	Nil	293,300
	2018	256,730	200,000	Nil	Nil	Nil	456,730 ⁽¹⁾
C.J. Chapman, General Counsel and Secretary	2019	228,725	Nil	Nil	Nil	Nil	228,725
	2018	104,635	60,000	Nil	Nil	Nil	164,635
Greg Robbins Chief Financial Officer ⁽³⁾	2019	102,725	Nil	Nil	Nil	Nil	102,725
	2018	N/A	N/A	N/A	N/A	N/A	N/A
Brian Graham, Director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Melvin Yellin, Director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Devin Binford, Director ⁽⁴⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Vincent Keber, III, Director	2019	134,615	Nil	Nil	Nil	Nil	134,615
	2018	250,000	100,000	Nil	Nil	Nil	350,000 ⁽²⁾
Michael Lickver, Director ⁽⁵⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Hugo Alves, Director ⁽⁶⁾	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) The compensation paid to Mr. Smith was attributable to his services as CEO. He did not receive compensation for his services as a director.
- (2) The compensation paid to Mr. Keber was attributable to his services as a consultant to the Issuer. He did not receive compensation for his services as a director. Mr. Keber ceased to be a director and officer of the Issuer on January 23, 2020.
- (3) Mr. Robbins resigned as CFO on March 9, 2020.
- (4) Mr. Binford ceased to be a director of the Issuer on January 23, 2020.
- (5) Mr. Lickver ceased to be a director of the Issuer on July 29, 2019.
- (6) Mr. Alves ceased to be a director of the Issuer on July 29, 2019.

Stock Options and Other Compensation Securities

The following table summarizes all compensation securities granted or issued to each Named Executive Officer and director during the financial year ended December 31, 2019 for services provided or to be provided, directly or indirectly, to the Issuer or its subsidiaries:

<u>Compensation Securities</u>						
<u>Name and Position</u>	<u>Type of Security Compensation</u>	<u>Number of Compensation Securities, Number of Underlying Securities and Percentage of Class</u>	<u>Date of Issue or Grant</u>	<u>Issue, conversion or exercise price</u>	<u>Closing Price of security or underlying security at year end</u>	<u>Expiry Date</u>
Charles Smith, Chief Executive Officer and Director	Nil	Nil	Nil	Nil	Nil	Nil
C.J. Chapman, General Counsel and Secretary	Nil	Nil	Nil	Nil	Nil	Nil
Greg Robbins, Chief Financial Officer	Options	500,000 25,873,239 1.9%	21-Jun-19	0.73	0.17	21-Jun-29
Brian Graham, Director	SVS	Nil	Nil	Nil	Nil	Nil
Melvin Yellin, Director	SVS	Nil	Nil	Nil	Nil	Nil
Devin Binford, Director ⁽¹⁾	Nil	Nil	Nil	Nil	Nil	Nil
Vincent Keber, III, Director ⁽²⁾	Nil	Nil	Nil	Nil	Nil	Nil
Michael Lickver, Director ⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil
Hugo Alves, Director ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Binford ceased to be an officer of the Issuer on January 23, 2020.
- (2) Mr. Keber ceased to be an officer of the Issuer on January 23, 2020.
- (3) Mr. Lickver ceased to be a director of the Issuer on July 29, 2019.
- (4) Mr. Alves ceased to be a director of the Issuer on July 29, 2019.

Exercise of Compensation Securities by Named Executive Officers and Directors of the Issuer

No compensation securities were exercised by any of the Named Executive Officers or directors of the Issuer during the financial year ended December 31, 2019.

Termination and Change of Control Benefits and Management Contracts

There are no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer or director at, following or in connection with a change of control of the Issuer, or the severance, termination or constructive dismissal of or a change in a Named Executive Officer's or director's responsibilities, except as described below.

The Issuer entered into an employment agreement with Charles Smith pursuant to which Mr. Smith is entitled to payment upon termination without cause in an amount equal to two years' salary. Additionally, upon termination without cause, Mr. Smith's options would immediately vest, and the Issuer would be required to maintain Mr. Smith's access to the health group benefits plan for a period of two years.

The Issuer entered into an employment agreement with C.J. Chapman pursuant to which Mr. Chapman is entitled to payment upon termination without cause in an amount equal to one year's salary. Additionally, upon termination without cause, Mr. Chapman's options would immediately vest, and the Issuer would be required to maintain Mr. Chapman's access to the health group benefits plan for a period of one year.

Rose Management and BR Brands, were party to a management agreement, dated as of April 24, 2019 (the "**BRB Management Services Agreement**"), pursuant to which Rose Management provided strategic and operational services (collectively, the "**Services**") to BR Brands and its subsidiaries. Services specified in the BRB Management Services Agreement included: (a) advice in connection with the negotiation and consummation of commercial agreements and merger and acquisition transactions; (b) financial, business, managerial and operational guidance and support; (c) strategic guidance in connection with potential partnerships, joint ventures and other initiatives; and (d) financial and strategic planning and analysis, consulting services, human resources and executive recruitment services. As compensation for such Services, Rose Management was entitled to receive a per annum management fee which covered a portion of the salaries and benefits of the Rose Management personnel who provided such Services.

In connection with the completion of the Transaction, the BRB Management Services Agreement was terminated and replaced by a new management services agreement between Rose Management and the Issuer (the "**Management Services Agreement**") pursuant to which Rose Management will provide the Services to the Issuer and its subsidiaries. As compensation for such Services and in order to cover a portion of the salaries and benefits of the Rose Management personnel providing such Services, the Issuer will pay Rose Management a monthly management fee in the amount of US\$166,667, in addition to the reimbursement of reasonable out-of-pocket expenses incurred in connection with the provision of any Services. The Management Services Agreement has an initial term of 18 months, with successive 18-month renewal terms so long as the board of directors of the Issuer and the board of managers of Rose Management jointly approve each successive renewal term. Either party may terminate the Management Services Agreement as a result of a material breach (which is not cured within a 30-day notice and cure period) by the other party to the Management Services Agreement.

Change of Control Provisions

C.J. Chapman and Charles Smith have change of control provisions in their employment agreements with the Issuer, such that upon a change of control each such individual would be entitled to terminate his employment with the Issuer. Upon exercising such termination right, Mr. Smith and Mr. Chapman would be entitled to receive: (i) a severance payment equal to 24 months of base salary and 12 months of base salary, respectively; (ii) accrued and unpaid base salary, unpaid or unreimbursed expenses, any benefits provided under the Issuer's employee benefit plans due to termination, and reasonable relocation costs in accordance with the Issuer's policies; (iii) any annual bonus earned but unpaid for any completed fiscal year; (iv) the prorated annual bonus that would have been payable for the year of termination upon actual performance for such year; (v) a lump sum cash payment based on the current percentage of the current health care premium costs covered by the Issuer; and (vi) immediate vesting of all awards made under the Issuer's incentive plan.

A change of control is defined broadly in each of the employment agreements for Messrs. Smith and Chapman, and includes the occurrence of a change of control as such term (or any term of like import) is defined in any of the following documents which is in effect with respect to the Issuer at the time: any note, evidence of indebtedness or

agreement to lend funds to the Issuer, any option, incentive or employee benefit plan of the Issuer or any employment, severance termination or similar agreement with any person who is then an employee of the Issuer.

17. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

17.1 Aggregate Indebtedness

Other than as described below, no director, executive officer or senior officer of the Issuer or any associate of any of them, was indebted to the Issuer as at the financial year ended December 31, 2019 or is currently indebted to the Issuer as of the date of this Listing Statement.

Purpose	To the Issuer
Loan	US\$192,993.40 ⁽¹⁾

Notes:

- (1) As of June 30, 2020, a director owes the Issuer an aggregate total of US\$192,993.40 pursuant to two promissory notes dated January 2, 2020 (US\$140,234.40) and January 24, 2020 (US\$50,000). The loan is unsecured, matures two years from the date of issuance and bears an interest rate at 3% per annum.

17.2 Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

No directors or executive officers, or any Associates of such persons, are indebted to the Issuer and no indebtedness of such persons is the subject of a guarantee, support agreement, letter of credit or other similar arrangement provided by the Issuer.

18. RISK FACTORS

The following are certain risk factors relating to the business to be carried on by the Issuer, which prospective investors should carefully consider before deciding whether to purchase Common Shares. The risks presented below may not be all of the risks that the Issuer may face. The Issuer will face a number of challenges in the development of its business due to the nature of the present stage of the business and operations of its business. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below and elsewhere in this Listing Statement.

Risks Related to the Operations of the Issuer

The Issuer has a limited operating history

Mary's was formed in 2013 with a few years of operating history. USA Inc. (now Dixie USA) was formed on May 5, 2014, and is in early development with approximately four years of operating history. Since the Issuer has a limited operating history, its ability to successfully develop its business and to realize consistent and meaningful revenues and to achieve profitability has not been established and cannot be assured. For the Issuer to realize consistent, meaningful revenues and to achieve profitability, its Products and services must achieve broad market acceptance by consumers. There is no guarantee the Issuers' Products or services will remain attractive to potential and current users as the cannabis industry undergoes rapid change. Even if the Issuer accomplishes its objectives, it may not generate the positive cash flows or returns it anticipates. Any budgeted expense levels are based in part on the Issuer's expectations concerning future revenues. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new facilities. These include, but are not limited to, inadequate funding, competition, facility development, the inability to employ or retain talent, inadequate sales and marketing, and regulatory concerns.

The failure by the Issuer, its subsidiaries or the Operating Partners to meet any of these conditions would have a material adverse effect upon the Issuer. No assurance can be given that the Issuer, its subsidiaries or the Operating Partners can or will ever be successful in their operations and operate profitably.

The Issuer's ability to identify and engage manufacturing, distribution and licensing partners will be subject to factors beyond the Issuer's control, and there is no guarantee that the Issuer will establish such relationships.

The Issuer's growth strategy depends in large part on its ability to timely and efficiently identify and engage in manufacturing, distribution and licensing arrangements or collaboration arrangements with Operating Partners which can operate facilities on a profitable basis. Delays or failures in acquiring or developing these relationships could materially and adversely affect planned growth. The success of any planned expansion will depend upon numerous factors, many of which are beyond the Issuer's control, including, but not limited to, the following:

- the ability to identify and secure an adequate supply of available and suitable manufacturing, distribution and licensing partners;
- the availability and retention of qualified operating personnel;
- the increases in minimum wage and other operating costs;
- volatility of commodity prices;
- consumer preferences, spending patterns and demographic trends;
- securing required governmental approvals and permits;
- changes in state and federal law or enforcement priorities;
- competition in current and future markets and competitive discounting;
- availability of capital; and
- the possibility of unforeseen events affecting the cannabis industry generally.

The Issuer faces intellectual property risks including regulatory and competitive challenges.

The Issuer has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. At present, the Issuer holds various intellectual property rights. The Issuer will rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Issuer may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology rights. Third parties may otherwise gain access to the Issuer's proprietary information and adopt it in a competitive manner. Given the high reliance on intellectual property, any loss of intellectual property protection may have a material adverse effect on the Issuer's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Issuer. As a result, the Issuer's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than federally-registered marks.

The failure to enforce and maintain the Issuer's intellectual property rights could enable others to use names confusingly similar to Mary's, Dixie, Défoncé or Rebel Coast, which could adversely affect the value of the brand.

The success of the Issuer depends on its continued ability to use the Issuer's trademarks in order to increase brand awareness. In that regard, the Issuer believes that its brands are valuable assets that are critical to the Issuer's success. The unauthorized use or other misappropriation of its brands could diminish the value of the Issuer's business concept and may cause a decline in revenue.

The Issuer depends on the services of key executives, the loss of whom could materially harm the Issuer's business and its strategic direction if it were unable to replace them with executives of equal experience and capabilities.

Senior executive Charles (Chuck) Smith is important to the Issuer's success because he is instrumental in setting strategic direction, operating the business, identifying expansion opportunities and arranging any necessary financing. Losing the services of Mr. Smith could adversely affect the business of the Issuer until a suitable replacement could be found.

The Issuer's business is dependent on the availability and retention of qualified operators.

The Issuer's success depends in part upon its ability to sufficiently attract, motivate and license Operating Partners. The inability to recruit and retain these operators may delay the planned production from new facilities, which could harm the Issuer's business.

The Issuer's operations are susceptible to factors beyond its control.

Various factors beyond the Issuer's control, including adverse weather conditions, governmental regulation, production, availability, number and geographic location of facilities may affect its costs or cause a disruption in the production process, which could adversely affect the operating results of the facilities and consequently the Issuer's profitability. Similarly, these various factors may also have similar impact on the Operating Partners, which may adversely affect the Operating Partners' profitability and could adversely affect the income of the Issuer.

Changes in consumer preferences could negatively impact demand for Products.

The Issuer's continued success depends, in part, upon the popularity of cannabis, cannabis Products and/or hemp-derived Products produced by the Issuer (with respect to Mary's branded medicinal and nutritional CBD Products) and the Operating Partners. The Issuer's success will depend in part on its ability to anticipate and respond to changing consumer preferences and purchasing habits, as well as other factors affecting the medical and adult-use cannabis industry, including new market entrants, changes in laws, and demographic changes. The failure to accurately predict market behaviors and competitive factors may adversely affect business and operations of the Issuer and the Operating Partners.

Unfavorable publicity or consumer perception may impact the brand equity of the Issuer and the business and profitability of the Issuer.

The Issuer believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis Products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular Product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Issuer and the Operating Partners. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other

negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

The success of the Issuer and the Operating Partners is impacted by public opinion and perception, which are inconsistent and may change over time.

Government policy changes or public opinion may have a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Issuer could expand. Any inability to fully implement the Issuer's expansion strategy may have a material adverse effect on the Issuer's business, results of operations or prospects.

If the Operating Partners cannot obtain the necessary permits, licenses and approvals necessary to acquire, develop and produce its branded Products, the Issuer's growth and success could be negatively impacted.

The Operating Partners' business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

In addition, each of the facilities will be subject to licensing and regulation by a number of governmental authorities, which may include health, sanitation, safety, fire, building, environmental and other agencies in the state or municipality in which the facility is located. Difficulties in obtaining or failure to obtain the required licenses or approvals could delay or prevent the development of a facility in a particular area. The Operating Partners are also subject to federal and state environmental regulations. More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent the development of new Operating Partners in a particular area. Changes to such laws, regulations and guidelines due to matters beyond the control of the Operating Partners may cause material adverse effects to the Operating Partners, which consequently may affect the Issuer's income.

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

The Issuer is subject to regulatory approval.

The Issuer may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where it carry on business. There can be no assurance that the Issuer will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to obtain such approvals is likely to delay and/or inhibit the Issuer's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

The Issuer is also subject to marketing and advertising laws and regulations in each jurisdiction in which it operates or plans to distribute its products. If the Issuer violates or fails to comply with these laws, regulations or permits, the Issuer could be fined or otherwise sanctioned by regulators.

The Issuer's and the Operating Partners' results can be adversely affected by disruptions or events, such as the impact of severe weather conditions and natural disasters.

Severe weather conditions, natural disasters, terrorist activities, health epidemics or pandemics or the prospect of these events can have an adverse impact on consumer spending and confidence levels or on other factors that affect the Issuer's and the Operating Partners' results and prospects, such as commodity costs. The receipt of proceeds under any insurance the Issuer maintains with respect to certain of these risks may be delayed or the proceeds may be insufficient to offset its losses fully.

The Issuer and the Operating Partners are also subject to environmental risk and regulation, which can affect their business operations and profitability.

The Issuer's and Operating Partners' operations are subject to environmental regulation in the various jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increase fines and penalties for non-compliance, implement stricter environmental assessments of proposed projects and heighten the degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Issuer's or the Operating Partners' operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Issuer or the Operating Partners' operations. To the extent such approvals are required and not obtained, the Issuer's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations. To the extent the Operating Partners do not obtain such approvals, the Operating Partners may be curtailed or prohibited from their proposed production of cannabis or from proceeding with the development of their operations as currently proposed. This would in turn affect the business, revenue and profitability of the Issuer.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Issuer and the Operating Partners may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Issuer and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Product Liability may be incurred in association with its Products.

As the Issuer and the Operating Partners are involved in the manufacturing and distribution of Products designed to be ingested by humans, they face an inherent risk of exposure to Product liability claims, regulatory action and

litigation if their Products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or Product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. Given the Issuer's position as manufacturers, distributors and retailers of CBD Products, and its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Issuer may be subject to various Product liability claims, including, among others, that the cannabis Product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A Product liability claim or regulatory action against the Issuer and/or its brands could result in increased costs, could adversely affect the Issuer's reputation and brand association with its clients and consumers generally. In turn, this could have a material adverse effect on the business, results of operations, financial condition or prospects of the Issuer. There can be no assurances that the Issuer will be able to maintain Product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, if at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential Product liability claims could prevent or inhibit the commercialization of the Issuer's potential Products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Issuer.

The Issuer's Products may be subjected to Product recalls that would affect its brand equity.

Manufacturers and distributors of Products are sometimes subject to the recall or return of their Products for a variety of reasons, including Product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses due to the recall itself and any legal proceedings that might arise in connection with the recall. This can cause the loss of a significant amount of sales. In addition, a Product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen Product recalls, regulatory action or lawsuits. Additionally, if one of the Issuer's brands were subject to recall, the image of that brand and the Issuer could be harmed. Additionally, Product recalls could lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Issuer has limited control over the operations and activities of the Operating Partners.

The Issuer has limited control under the license agreements over the operations and activities of the Operating Partners. Since the income of the Issuer will be highly dependent upon the activities and operations of the Operating Partners and any other agreement with the Operating Partners, any substantial alteration of the Operating Partners' business, operations, or production could adversely affect the income of the Issuer.

The Issuer is dependent on the success of the Operating Partners.

The Issuer's success will depend largely on the continued efforts of its Operating Partners. The loss of the services of these companies for any reason would have a material adverse effect on the Issuer and on the value of an investment in the Issuer. There can be no assurance that the Issuer will succeed in recruiting and retaining qualified operators in the future. Any delay or failure in locating key operators would likely have a material adverse effect on the Issuer's development. The Issuer may not be able to require all Operating Partners or their employees to enter non-competition agreements with the Issuer, and those companies or employees could leave the relevant facility to form or join a competitor.

Due to the Issuer's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desirable to operate the business, which may expose the Issuer to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, is more difficult for the Issuer to find, and more expensive, because the Issuer provides

services to and contracts with manufacturers and distributors in the cannabis industry. There are no guarantees that the Issuer will be able to find such insurances in the future, or that the cost will be affordable. If the Issuer is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Issuer to additional risk and financial liabilities.

Global financial conditions may not be conducive to the operations and profitability of the Issuer.

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Issuer's ability to obtain equity or debt financing in the future on terms favorable to the Issuer. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Issuer's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends could affect the Issuer's operating environment and its operating costs, profit margins and share price. In addition, these factors could also affect the Operating Partners' operating environment and its operating cost, which could adversely affect the income of the Issuer. Any negative events in the global economy could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

Ongoing Impact of COVID-19

Since December 31, 2019, governments worldwide have been enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The development and operation of the Issuer's business plan is dependent on labour inputs and governmental approvals, which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Issuer's business, measures taken by the Canadian and U.S. governments and voluntary measures undertaken by the Issuer with a view to the safety of its employees, may adversely impact the Issuer's business. The Operating Partners' business, operations and production could be affected materially and adversely by the coronavirus outbreak, which could adversely affect the income of the Issuer. The ultimate extent of the impact of the pandemic on the Issuer's business, financial condition and results of operations, including the impact on the Operating Partners' business, financial conditions and results of operations, will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent their further spread, among others. Thus, the current pandemic could therefore materially and adversely affect the Issuer's business, financial condition and results of operations.

The industry is subject to growth and consolidation.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and the formation of strategic relationships. The Issuer expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Issuer. The Issuer could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Issuer to lose access to distribution, content and other resources. The relationships between the Issuer and its strategic partners may deteriorate and cause an adverse effect on the business. The Issuer could lose customers if

competitors or users of competing technology consolidate with the Issuer's customers. Furthermore, the Issuer's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Issuer at a competitive disadvantage, which could cause the Issuer to lose customers, revenue, and market share. Consolidation in the industry could also force the Issuer to divert greater resources to meet new or additional competitive threats, which could harm the Issuer's operating results.

The Issuer and the Operating Partners rely on key inputs.

The Issuer's and the Operating Partners' business will be dependent on a number of key inputs and their related costs including cannabis, hemp and other raw materials and supplies related to its operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Issuer and the Operating Partners. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Issuer and the Operating Partners might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Issuer in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Issuer and the Operating Partners.

Regulation of Hemp-Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance." See FDCA, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a "monograph" for a particular drug category, as established by the FDA's OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the United States are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and

regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of these laws, or allegations of such violations, could disrupt the Issuer's business and result in a material adverse effect in the Issuer's operations, as well as adverse publicity and potential harm to the Issuer's reputation.

The Issuer's Products are subject to applicable sales and marketing restrictions.

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

The Issuer is exposed to currency fluctuations.

Certain of the Issuer's business is expected to be denominated in U.S. dollars, therefore, the Issuer may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the US dollar and the Canadian dollar may have a material adverse effect on the Issuer's business, financial condition and operating results. The Issuer may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Issuer develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

The Issuer may experience rapid growth and development in its business and may encounter growth-related risks.

Should the Issuer experience rapid growth and development in its business in a relatively short period of time the Issuer may encounter growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Issuer to deal with this growth may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Conflict of interest may arise amongst certain directors and officers of the Issuer.

Certain of the directors and officers of the Issuer are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Issuer and as officers and directors of such other companies. See "*Directors and Officers of the Issuer – Conflicts of Interest*" above.

U.S. federal enforcement priorities may have a chilling effect on investment and interest in the cannabis industry.

The changing enforcement priorities of U.S. federal law enforcement authorities and statements regarding enforcement of federal laws prohibiting the possession, use, cultivation, and transfer of cannabis may serve to deter investment in businesses associated with the cannabis industry, regardless of whether such businesses may directly cultivate, manufacture, and/or sell cannabis Products. This may cause the Issuer to have insufficient access to capital to invest and an inability to identify desirable Operating Partners and other business partners. Without access to affordable capital, the Issuer will experience increased challenges in executing on business development opportunities.

The involvement in the cannabis industry, which is currently illegal under U.S. federal laws, may heighten scrutiny over the Issuer's securities and issuances thereof by regulatory authorities.

For the reasons set forth above, the Issuer's association with existing cannabis-related operations (and proceeds thereof) in the United States, and any future operations or investments, may become the subject of heightened scrutiny

by regulators, stock exchanges and other authorities in Canada. As a result, the Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Issuer's ability to operate or invest in the United States or any other jurisdiction.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban is implemented at a time when the Issuer's Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, and investors would have no ability to effect a trade of the Common Shares through the facilities of the applicable stock exchange.

Issuer may be subject to litigation.

The Issuer may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Issuer which may affect the operations and business of the Issuer. Furthermore, because the content of most of the Issuer's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or federally in the United States, the Issuer may face additional difficulties in defending its intellectual property rights.

The Issuer may become party to litigation, including litigation involving securities and contract disputes and litigation involving the Operating Partners, from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Issuer becomes involved be determined against the Issuer such a decision could adversely affect the Issuer's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Issuer is involved in litigation and wins, litigation can redirect significant company resources.

The use of social media could cause the Issuer to suffer brand damage.

The use of social media could cause the Issuer to suffer brand damage or information leakage. Negative posts or comments about the Issuer or its properties on any social networking website could damage the Issuer's reputation. In addition, employees or others might disclose non-public sensitive information relating to the Issuer's business through external media channels. The continuing evolution of social media will present the Issuer with new challenges and risks.

Management of the Issuer have reviewed Canadian Securities Administrators Staff Notice 33-321 – *Cyber Security and Social Media* and Canadian Securities Administrators Staff Notice 51-348 – *Staff's Review of Social media Used by Reporting Issuers* and have developed internal policies and procedures governing the use of social media that aligns with the same.

Risks Related to the Operating Partners and the Cannabis Industry in the U.S.

The Operating Partners have limited experience operating cannabis manufacturing and distribution facilities.

The Operating Partners have limited experience in the industry. There is no guarantee that each of the Operating Partners will continue to effectively manage its business, pay its debts and obligations, or be profitable. Should the Operating Partners be unable to maintain profitability, this would negatively impact the business and operations of the Issuer.

The Operating Partners have limited operating history given the nascent nature of the industry.

As a high growth enterprise, the Issuer and the Operating Partners do not have a lengthy history of profitability. The Operating Partners are therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. Given these risks, there is no assurance that the Issuer will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

The Operating Partners' business plans are unproven.

The commercial acceptance of the Operating Partners' cannabis production is still uncertain. If consumers do not respond favorably to their Products, or if it takes the Operating Partners longer to manufacture, distribute and sell the licensed Products or establish a customer base than the Issuer expects, revenues could be adversely affected, and the Issuer's cash flows could suffer.

Default by the Operating Partners under non-licensing agreements with the Issuer could have a material impact on the Issuer.

The Issuer expects to enter into various transactions with certain Operating Partners in addition to licensing agreements, including loans, advisory agreements, joint venture agreements and equity investments in Operating Partners. Default by Operating Partners under these non-license agreements could substantially reduce expected fee income, and in the case of defaulted loans or equity investments in failing Operating Partners, a decrease in assets of the Issuer that could materially affect the financial results of the Issuer.

The Issuer's success depends on the Operating Partners and their ability to compete effectively in the medical and adult-use cannabis industries.

The medical and adult-use cannabis industries are highly competitive with respect to price, quality and location. The Issuer and the Operating Partners will compete with numerous established competitors possessing substantial financial, marketing, personnel and other resources. The Issuer also expects the Operating Partners to face competition from a broad range of new medical and adult-use cannabis producers and suppliers. While presently the cannabis industry is generally comprised of individuals and small to medium-sized entities, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities that currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industries. While the trend in most state laws and regulations seems to be to deter this type of takeover, the industry remains quite nascent, so the future landscape remains largely unknown.

The Issuer and the Operating Partners may face intense competition and may not be able to operate profitably in their respective markets should industry regulations become more attractive.

The market for the Products and the services that the Issuer and the Operating Partners offer will most likely increase in competitive pressure if more states permit the use of medicinal and adult-use cannabis. The increased competition may hinder their ability to successfully market their Products and services. They may not have the resources, expertise

or other competitive factors to compete successfully in the future. The Issuer expects the Issuer and the Operating Partners to face additional competition from existing competitors and new market entrants in the future. Some of such competitors will have greater resources than the Issuer and the Operating Partners have. As a result, these competitors may be able to:

- develop and expand their Product and service offerings more rapidly;
- adapt to new or emerging changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sale of their Products and adopt more aggressive pricing policies than the Issuer can.

Some of the business activities of the Operating Partners, while believed to be compliant with applicable U.S. state law, are illegal under U.S. federal law. If the Operating Partners are closed by law enforcement authorities, it will materially and adversely affect the Issuer's business.

The success of the business strategy of the Issuer depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux.

At present, the medical cannabis industry is legalized in the U.S. in 33 states, plus the District of Columbia, each of which have passed laws either decriminalizing or legalizing the use of medical cannabis. Eleven U.S. states, namely Colorado, Illinois, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine and Washington, D.C., have legalized the adult-use sale of cannabis. However, under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal (see *Regulatory Overview* for more details on the U.S. regulatory environment). The federal, and, in some cases, state law enforcement authorities have closed down cannabis dispensaries and investigated and/or closed manufacturers that provide medicinal cannabis. To the extent that an affected dispensary is a purchaser of cannabis from the Operating Partners, it will affect the Issuer's returns.

Both federal and state enforcement efforts to reduce the number of new dispensaries entering the cannabis industry would have a material effect on the Issuer's business. If one or more of the Operating Partners were forced to close, it would have a negative effect on the Issuer's business and overall profitability.

Because the business activities of the Operating Partners are illegal under federal law, the Issuer may be deemed to be aiding and abetting illegal activities through the Products and services that the Issuer provides to the Operating Partners.

The Issuer may be subject to actions by law enforcement authorities, which would materially and adversely affect the Issuer's business. Under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. As a result, it is possible that law enforcement authorities may seek to bring an action or actions against the Issuer, and/or the Operating Partners, including but not limited to a claim of aiding and abetting another's criminal activities. Such an action would have a material effect on the Issuer's business. (see *Regulatory Overview* for more details on the U.S. regulatory environment).

The Operating Partners face the risk of civil asset forfeiture as their business activities are presently illegal under U.S. federal law.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which is either used in the course of conducting such business, or is the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could potentially be subject to forfeiture. There is therefore a risk

that Operating Partners' assets may be subject to seizure under law, which would affect the business and profitability of the Issuer.

The medicinal and adult-use cannabis industry is in a formational stage and state and local laws and regulations are likely to change as the industry matures.

In areas where the medicinal and adult-use use of cannabis is legal, state and local governments may enact laws and regulations that affect the Operating Partners, their purchasers, and end-users of cannabis Products. These laws and regulations are subject the change, and are likely to change, as the cannabis industry matures.

Such shifts in the regulatory or political realm may have a drastic impact on the industry as a whole and adversely impact the Issuer's business, results of operations, financial condition or prospects. In addition, delays in the enactment of new state or federal regulations could restrict the ability of the Issuer to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Issuer is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Issuer, and thus, the effect on the return of investor capital, could be detrimental. The Issuer is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Issuer and its business, results of operations, financial condition and prospects.

The Issuer is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Issuer's business, results of operations, financial condition or prospects.

The changes in state and local laws and regulations can increase costs of operations for the Issuer and the Operating Partners.

The rulemaking process for cannabis operators at the state level (in any state) will be ongoing and will likely result in frequent changes. As a result, a compliance program is essential to manage the regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses.

The Operating Partners may also incur increased administrative expenses to monitor and comply with new laws and regulations. To the extent any cost of compliance affects the Operating Partners' revenue, it may affect the Issuer's returns and would have a material adverse effect on the Issuer's business.

In U.S. states where medicinal or adult-use cannabis is permitted, state and local laws and regulations could adversely affect the Operating Partners, including the placement of limits on the amount of Product the Operating Partners may develop, grow or sell, which would materially and adversely affect the Operating Partners' and the Issuer's business.

In some areas, state and local laws may limit the number of plants or Products that Operating Partners may develop, grow, or sell at any time; limits may be placed on the number of purchasers Operating Partners may sell to or service; and new or increased taxes may be levied against Operating Partners. In addition, the enforcement of identical rules

or regulations relating to medicinal or adult-use cannabis may vary from municipality to municipality. These state and local laws and regulations may adversely impact the Operating Partners' revenue and have a material effect on the Issuer's business.

The Issuer and the Operating Partners may be subject to unfavorable tax treatment by the Internal Revenue Service

Under Section 280E of the U.S. Tax Code, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws, and the Internal Revenue Service has applied Section 280E narrowly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. In addition, certain news reports have indicated that the Internal Revenue Service may soon increase enforcement activity with respect to Section 280E. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, and recent legislative proposals, if enacted into law, could eliminate or diminish the application of Section 280E to cannabis businesses, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses and the enactment of any such law is uncertain. Application of Section 280E to the Issuer in a way that is more significant than currently anticipated would have a material adverse impact on the Issuer.

In U.S. states where medicinal or adult-use cannabis is permitted, local zoning laws and regulations could adversely affect the Operating Partners and their purchasers, including causing some of the Operating Partners or their purchasers to close, which would materially and adversely affect the Operating Partners' and Issuer's business.

In some cities or counties, a cannabis business is prohibited from being located within a certain distance from schools or churches, or otherwise prohibited from operating in areas that are not zoned for cannabis sale or cultivation. These local laws and regulations may cause some Operating Partners and their purchasers (such as cannabis dispensaries) to close, impacting the Operating Partners' revenue and having a material effect on the Issuer's business.

Due to the illegality of the business activities of Operating Partners, they lack access to U.S. bankruptcy protections, which can reduce investment loss.

As the use of cannabis is illegal under federal law, many courts have denied bankruptcy protections for cannabis businesses, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Operating Partners were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to them, which would have a material adverse effect on the Issuer's ability to recoup its losses as a creditor.

The cannabis industry is experiencing rapid growth and consolidation that may intensify competition and cause the Operating Partners to lose key relationships.

The medicinal and adult-use cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and formation of strategic relationships. The Issuer expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could harm the Issuer in a number of ways, including:

- The Issuer and the Operating Partners could lose strategic relationships if their partners are acquired by or enter into relationships with a competitor (which could cause the Issuer and the Operating Partners to lose access to distribution, content, technology and other resources);
- The relationship between the Issuer, the Operating Partners and their strategic partners may deteriorate and cause an adverse effect on the Issuer's business; and

- The Issuer and the Operating Partners' current competitors could become stronger, or new competitors could form consolidations.

Any of these events could put the Issuer and the Operating Partners at a competitive disadvantage, which could cause them to lose customers, revenue and market share. Consolidation could also force the Issuer and the Operating Partners to expend greater resources to meet new or additional competitive threats, which could also harm their operating results.

If no additional U.S. states allow the medicinal or adult-use of cannabis, or if one or more U.S. states that currently allow it reverses its position, the Issuer may not be able to continue its growth, or the market for its Products and services may decline.

Currently, 33 U.S. states and the District of Columbia allow the use of medicinal cannabis, while Colorado, Illinois, Vermont, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine, Massachusetts and Washington, D.C. have legalized the adult-use sale of cannabis. While the Issuer believes that the number of states that allow the use of medicinal and adult-use cannabis will grow, there can be no assurance that it will, and if it does not, there can be no assurance that the 33 existing states and/or the District of Columbia will not reverse their position and disallow it. If either of these things were to occur, then the Operating Partners' business could experience declining revenue as the market for the Issuer's Products and services declines.

Given limitations of data and transparency within the industry, there is difficulty in forecasting market demand.

The Issuer and the Operating Partners must rely largely on their own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A softer demand for the Issuer's Products could materialize because of competition, technological change or other factors and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Issuer.

Lack of reliable data on the medical and adult-use cannabis industry may reduce the efficacy of business planning.

Due to recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Issuer and the Operating Partners of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Issuer's management team.

Because the Operating Partners will be in the cannabis industry, they will have a difficult time obtaining the various insurances that are desired to operate their businesses, which may expose them to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, will be more difficult for the Operating Partners to find, and more expensive, because they are engaged in the cannabis industry. There are no guarantees that they will be able to find such insurances in the future, or that a cost will be affordable to them. If they are forced to go without such insurances, it may prevent them from entering into certain business sectors, may inhibit their growth, and may expose them to additional risk and financial liabilities.

Because the Issuer and the Operating Partners will be in the cannabis industry, they will have a difficult time obtaining the various business services, such as banking and credit card services, that are desired to operate their businesses, which may expose them to additional risk and financial liabilities.

Most banks and credit card companies in the U.S. adhere to federal policies that are currently in flux and that otherwise disallow such financial service providers to service a business involved in the cannabis industry. Because of these policies, the Issuer and the Operating Partners will have increased difficulty finding financial service providers that are otherwise readily available to other businesses. The inability to open or maintain bank accounts may make it difficult for the Issuer and the Operating Partners to operate, especially if their bank accounts could be shut down at

any time. There are no guarantees that Issuer and the Operating Partners will be able to find such financial services in the future, or that the cost will be affordable to them. If they are forced to go without such services, it may prevent them from entering into certain business sectors, may inhibit their growth, and may expose them to additional risk and financial liabilities.

Given the illegality of cannabis under the U.S. federal law, there is uncertainty in the enforceability of contracts and remedies available for breach of contracts.

It is a fundamental legal principle that a contract will not be enforced if it involves a violation of law or public policy. As cannabis remains illegal at the federal level in the United States, judges in multiple U.S. states have, on a number of occasions, refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Issuer and the Operating Partners can legally enforce contracts they enter into if necessary. The Issuer cannot be assured that it will have a remedy for breach of contract, which may have a material adverse effect on its business.

The Issuer and the Operating Partners in the cannabis industry may have difficulty obtaining and maintaining various business services from third party providers.

Any adverse change in the enforcement of United States cannabis laws, regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of cannabis or otherwise, could cause third party service providers to the Issuer and/or the Operating Partners to suspend or withdraw their services, which may have a material adverse effect on the Issuer's business, revenues, operating results, financial condition or prospects.

Given that cannabis-related business is a crime under federal laws, the Issuer would have limited trademark protection.

The Issuer and the Operating Partners will not be able to register any United States federal trademarks for its cannabis Products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis Products. As a result, the Issuer and the Operating Partners likely will be unable to protect their cannabis Product trademarks beyond the geographic areas in which they conduct business. The use of their trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

The enforcement priorities of the U.S. federal government are unpredictable and subject to change.

Cannabis is illegal under U.S. federal law and is listed as a Schedule I hallucinogenic substance pursuant to the CSA. The federal prohibition on cannabis is in conflict with the laws of certain states that have created regulated cannabis industries. The federal response to this conflict is unknowable and subject to change; in particular, recent changes in the U.S. presidential administration make any federal response extremely uncertain.

In response to the inconsistent treatment of cannabis between the federal and state level, the DOJ issued the Cole Memorandum and directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or adult-use cannabis programs. See "*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*".

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions and issued the Sessions Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of U.S. Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place, as set forth in the USAM.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent

with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and as a result it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by the Leahy Amendment, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

While U.S. Attorney General William P. Barr stated that he would not upset settled expectations that have arisen as a result of the Cole Memorandum, he did not offer support for cannabis legalization. Furthermore, recent news concerning Mr. Barr's personal opposition to cannabis may result in further resources being allocated to full-review merger investigations of transactions involving cannabis companies. See "*Regulatory Overview – U.S. Cannabis Regulation – Federal Regulation*". There is still uncertainty surrounding the Trump Administration and Mr. Barr and whether future influence and enacted policies will be in opposition to the U.S. cannabis industry as whole.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Issuer to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the authorities involved, and such time or resources could be substantial.

There is no guarantee that the federal government will not proceed to strictly enforce the CSA against the Operating Partners, their affiliates, and/or those parties with whom they do business, including the Issuer.

The Issuer's and the Operating Partners' business in the United States will be subject to applicable anti-money laundering laws and regulations.

The Issuer, its U.S. operations and the Operating Partners are subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network of the U.S. Department of the Treasury issued the FCEN Memorandum. The FCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that the previous Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memorandum.

If any of the Issuer's profits or revenues from its operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Issuer to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Issuer has no current intention to declare or pay dividends on its Common Shares in

the foreseeable future, the Issuer may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The cannabis industry in the U.S. may be subject to FDA regulations.

Should the federal government legalize cannabis, it is possible that the FDA would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. The Operating Partners' inability to comply with the regulations or registration as prescribed by the FDA may have an adverse effect on the Issuer's business, operating results and financial condition.

If the Issuer and the Operating Partners fail to protect their intellectual property, the Issuer's results could be adversely affected.

The viability of the Issuer and certain Operating Partners may depend, in part, on their ability to develop and maintain the proprietary aspects of their technology to distinguish their products from competitors' products. The Issuer and the Operating Partners may rely on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect their intellectual property. Any infringement or misappropriation of the intellectual property of the Issuer or the Operating Partners could damage their value and limit their ability to compete. They may have to engage in litigation to protect the rights to their intellectual property, which could result in significant litigation costs and require a significant amount of time.

Competitors may also harm the Issuer and the Operating Partners' sales by designing products that mirror the capabilities of the Issuer and the Operating Partners' products or technology without infringing on intellectual property rights. If the Issuer and the Operating Partners do not obtain sufficient protection for their intellectual property, or if they are unable to effectively enforce their intellectual property rights, or protect their trade secrets, their competitiveness could be impaired, which could limit their growth and revenue and in turn the Issuer's results. It is also possible that the Issuer and the Operating Partners could be subject to a claim that they infringed on or violated the intellectual property rights of others.

As discussed above, as long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Issuer and the Operating Partners. While patent protection for inventions related to cannabis and cannabis products is available, there are substantial difficulties faced in the patent process by cannabis related businesses. There can be no assurances that any proprietary business processes, patents, copyrights or trademarks that may be issued to a cannabis business will offer any degree of protection.

Overall, the cannabis industry is still in flux and, as such, it remains uncertain whether the Issuer and the Operating Partners can be responsive to both regulatory and market changes.

The medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. As detailed above, the inability of the Issuer to respond to the changing regulatory landscape may cause it to be unsuccessful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Issuer may acquire cannabis manufacturing and/or distribution licenses (or companies that hold such licenses) in various U.S. states.

Any potential acquisitions, if the Issuer proceeds, will be subject to conditions, which may include, without limitation, satisfactory completion of the Issuer's due diligence, negotiation and finalization of formal legal documents, debt

financing and approval from the Issuer's board of directors. As a result, there can be no assurance that the Issuer will complete any acquisitions. Furthermore, an acquisition of any cannabis manufacturing and/or distribution licenses (or companies that hold such licenses) will subject the Issuer to the same risks the Operating Partners are subject to. In particular, Mary's is contemplating the potential direct acquisition of Medicinals and Tech CA, and Lost County is contemplating the potential direct acquisition of RCW. Such acquisitions, if completed, would subject the Issuer to the local state regulations concerning cannabis, such as the disclosure of the investors of the Issuer to the local regulators.

If the Issuer does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; and (iii) there is no assurance that such suitable opportunities will be available to the Issuer in the future or at all.

Risks relating to the Securities of the Issuer

Control of the Issuer

Rose Management (through its Affiliates) exercises control over 920,893,538 Common Shares representing approximately 86.62% of the issued and outstanding Common Shares as of the date hereof. See "*Principal Shareholders*". By virtue of its status as a principal shareholder of the Issuer, Rose Management will have the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Issuer's articles and by-laws, mergers, business combinations and the sale of substantially all of the Issuer's assets. As a result, the Issuer could be prevented from entering into transactions that could be beneficial to the Issuer or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by Rose Management of a substantial number of Common Shares could cause the market price of the Common Shares to decline.

The market value of the Common Shares could be substantially affected by various factors.

The market value of the Common Shares may depend on many factors, including:

- the market for similar securities;
- recommendations by securities research analysts;
- the liquidity of the securities;
- general economic conditions;
- addition or departure of the Issuer's executive officers and other key personnel;
- announcements of developments and other material events by the Issuer or its competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Issuer or its competitors; and
- the Issuer's financial condition, performance and prospects.

In addition, sales of a substantial number of Common Shares by existing shareholders of the Issuer, including BR Brands, in the public market could occur at any time. These sales, or the market perception that the substantial shareholders of the Issuer are intending to dispose of their Common Shares, could reduce the market price of the

securities of the Issuer. If this occurs and continues, it could impair the Issuer's ability to raise additional capital through the sale of securities.

There is no guarantee the Issuer will secure a return for its investors.

The Issuer may never be able to secure a return on its capital assets and investors may lose some or all of their investment. While market indicators appear to be positive (based on the Issuer's internal market research), there is no guarantee that the market for its Products will not change, and the Issuer may not be able to take advantage of existing or potential market opportunities.

The Issuer may, in a separate subsequent offering, issue debt or preferred securities with rights that are preferential to, and could cause a decrease in the value of, the Issuer's Common Shares.

Under certain circumstances, the Issuer may issue debt and/or shares of preferred stock without action by its shareholders. Rights or preferences of the debt or preferred securities could include, among other things:

- the establishment of principal and interest obligations or dividends which must be paid prior to declaring or paying dividends or other distributions to holders of Common Shares;
- a security interest in some or all of the Issuer's assets that could be foreclosed upon in the event of default of a loan agreement or similar instrument;
- greater or preferential liquidation rights which could negatively affect the rights of holders of the Common Shares; and
- the right to convert the debt or preferred securities at a rate or price which would have a dilutive effect on the outstanding Common Shares.

The Issuer may need to raise additional capital in the immediate future.

The Issuer believes its cash resources will be sufficient to fund planned operations and expansion for the immediate future. However, the Issuer may need additional capital in the future. If the Issuer raises additional capital through the issuance of debt securities, the interests of shareholders of the Issuer would be subordinated to the interests of debt holders and any interest payments would reduce the amount of cash available to operate and grow the business. If the Issuer raises additional capital through the sale of equity securities, the ownership of the shareholders would be diluted. Additionally, the Issuer cannot predict whether any financing, if obtained, will be adequate to meet capital needs and to support future growth.

The Issuer has no plans to pay dividends.

The Issuer has no present plans to declare or pay dividends in the foreseeable future. Any profits earned by the Issuer will likely be reinvested into the Issuer's operations. Accordingly, investors should view an investment in the Issuer as a long-term investment. If dividends are paid by the Issuer, they would be subject to tax and, potentially, withholdings.

There are costs associated with being a public company under applicable securities laws and regulations.

As a public issuer, the Issuer is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, the Issuer is subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which

requires annual management assessment of the effectiveness of the Issuer's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Issuer to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on the Issuer as well as on the Issuer's management, administrative, operational and accounting resources.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Issuer's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

There are market price volatility risks associated with publicly traded shares.

The market price of the Common Shares may be subject to wide fluctuations in response to a wide variety of factors, including but not limited to variations in the operating results of the Issuer and the Operating Partners, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Issuer and the Operating Partners, general economic conditions, legislative changes, and other events and factors outside of the Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

U.S. tax classification may carry negative tax implications for the Issuer.

The Issuer, which is and will continue to be a Canadian corporation as of the date of this Listing Statement, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by value) of the interests of the partnership.

The Issuer will be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Issuer is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company for Canadian income tax purposes. As a result, the Issuer will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

It is unlikely that the Issuer will pay any dividends on the Common Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for the purposes of the ITA will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United

States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available. Dividends received by U.S. shareholders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a Shareholder of the Issuer, subject to examination of the relevant treaty. Because the SVS will be treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules generally apply to a non-U.S. Shareholder of Common Shares.

19. PROMOTERS

No person or company is or has been within the two years immediately preceding the date of this Listing Statement a promoter of the Issuer.

20. LEGAL PROCEEDINGS

20.1 Legal Proceedings

To the knowledge of the management of the Issuer, there are no actual or contemplated material legal proceedings to which the Issuer is a party.

20.2 Regulatory Actions

The Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority. The Issuer has not entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

21. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, none of the directors or executive officers of the Issuer, principal shareholders, or any Associate or Affiliate of such persons, has or has had any material interest, direct or indirect, in any material transaction within the three years before the date of this Listing Statement or in any proposed transaction that has materially affected or may affect the Issuer.

In connection with the completion of the Transaction, the Management Services Agreement was entered into between Rose Management and the Issuer to provide the Services to the Issuer and its subsidiaries. Mr. Schweibold, Mr. Rosenthal and Mr. Joshi are retained by the Issuer under the Management Services Agreement. See "*Executive Compensation*".

22. AUDITORS, TRANSFER AGENTS AND REGISTRARS

22.1 Auditors

The current auditor of the Issuer is MNP LLP, at its office located at 111 Richmond Street West, Toronto, Ontario.

22.2 Transfer Agent and Registrar

The current registrar and transfer agent of the Issuer is National Issuer Services Inc., at its Vancouver office located at 760 – 777 Hornby Street, Vancouver, B.C. V6Z 1S4.

23. MATERIAL CONTRACTS

23.1 Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Issuer in the previous two years are the following:

1. the Contribution Agreement (see “*General Development of the Business – Fundamental Transaction*”); and
2. the Management Services Agreement (see “*Executive Compensation*”).

23.2 Special Agreements

This item is not applicable.

24. INTEREST OF EXPERTS

The auditor of the Issuer, MNP LLP, audited the financial statements of the Issuer for the year ended February 28, 2019 and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia. Based on information provided by MNP LLP, MNP LLP has not received nor will receive any direct or indirect interests in the property of the Issuer. Neither MNP LLP nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of the Issuer or its Associates and Affiliates.

25. OTHER MATERIAL FACTS

The Issuer is not aware of any other material facts relating to the Issuer that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer.

26. FINANCIAL STATEMENTS

Financial Statements

The following financial statements are attached to this Listing Statement:

- Schedule “A” - BRB Mary’s Audited Financial Statements for the Year Ended December 31, 2019 and Reviewed Financial Statements for the Six Months Ended June 30, 2020

- Schedule “B” - BRB Mary’s Management’s Discussion & Analysis for the Year Ended December 31, 2019 and for -the Six Months Ended June 30, 2020
- Schedule “C” - The Issuer’s Management’s Discussion & Analysis for the Year Ended December 31, 2019 and for the Six Months Ended June 30, 2020
- Schedule “D” - Pro-forma Financial Statements as of June 30, 2020

A copy of the Issuer Financial Statements previously filed with applicable securities commissions are available on the Issuer’s SEDAR profile at www.sedar.com.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, BellRock Brands Inc. hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to BellRock Brands Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 31st day of October, 2020.

“Charles Smith”

Charles (Chuck) Smith
Chief Executive Officer

“Alejandro ‘Alex’ de Gortari”

Alejandro “Alex” de Gortari
Chief Financial Officer

“Andrew Schweibold”

Andrew Schweibold
Chairman

“Sat Joshi”

Sat Joshi
Director

SCHEDULE "A"
BRB MARY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019
AND REVIEWED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

[Please see attached]

**MM TECHNOLOGY HOLDINGS, LLC
AND AFFILIATES**

Combined Financial Statements

December 31, 2019, December 31, 2018,
and January 1, 2018

(Expressed In United States Dollars)



Certified
Public
Accountants

MM Technology Holdings, LLC and Affiliates

Combined Financial Statements

December 31, 2019, December 31, 2018, and January 1, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Members of MM Technology Holdings, LLC and Affiliates:

The accompanying combined financial statements and other financial information in this report were prepared by management of MM Technology Holdings, LLC and Affiliates ("the Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the combined financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's combined financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of the combined financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, Macias Gini & O'Connell, LLP, and their report is presented herein.

July 20, 2020

"Kavi Bhai" (signed)
Kavi Bhai, Chief Financial Officer

"Brian Jansen" (signed)
Brian Jansen, Chief Operating Officer

"Satyavrat Joshi" (signed)
Satyavrat Joshi, Board Member



Independent Auditor's Report

To the Board of Directors and Members of
MM Technology Holdings, LLC and Affiliates

Opinion on the Combined Financial Statements

We have audited the accompanying combined statements of financial position as at December 31, 2019, December 31, 2018 and January 1, 2018 (effective date of transition to International Financial Reporting Standards, "IFRS"), and the combined statements of operations, changes in members' equity (deficit), and cash flows for the years ended December 31, 2019 and December 31, 2018, and notes to the combined financial statements, including a summary of significant accounting policies (collectively referred to as the combined financial statements).

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of the Company as of December 31, 2019, December 31, 2018 and January 1, 2018 (effective date of transition to IFRS), and the combined financial performance and its combined cash flows for each of the years ended December 31, 2019 and December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

The accompanying combined financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the combined financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty

Change in Accounting Principles

Without qualifying our opinion on the combined financial statements, we draw attention to Note 2 to the combined financial statements, which indicates that the Company has retrospectively adopted International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the combined financial statements section of our reports. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated and combined financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Macias Gini & O'Connell LLP

San Diego, California
July 20, 2020

MM Technology Holdings, LLC and Affiliates
Combined Statements of Financial Position
December 31, 2019, December 31, 2018, and January 1, 2018
(Expressed in United States Dollars)

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
ASSETS			
Current			
Cash	1,364,220	1,789,618	182,827
Trade and other receivables, net (Note 5)	1,831,743	1,370,542	839,416
Due from license partners	960,658	32,338	-
Inventory (Note 6)	2,774,822	1,540,213	718,211
Prepaid expenses and deposits	249,399	65,128	64,935
Right-of-use assets, net - current (Note 10)	328,655	-	-
Total current assets	7,509,497	4,797,839	1,805,389
Property, plant and equipment, net (Note 7)	3,176,032	2,417,785	1,867,559
Intangible assets, net (Note 8)	95,300	114,300	133,300
Right-of-use assets, net (Note 10)	1,095,289	-	-
Deferred tax asset (Note 19)	250,866	-	-
Total assets	12,126,984	7,329,924	3,806,248
LIABILITIES			
Current			
Loans from members - current (Note 12 and 13)	16,935,000	1,550,000	-
Accounts payable and accrued liabilities (Note 9)	5,302,200	2,664,559	1,210,095
Due to license partners	36,684	453,286	-
Membership redemption notes payable - current (Note 13)	500,000	-	-
Lease obligations - current (Note 10)	284,751	-	-
Total current liabilities	23,058,635	4,667,845	1,210,095
Loan from members (Note 12)	-	350,000	350,000
Membership redemption notes payable (Note 13)	6,003,384	-	-
Deferred tax liability (Note 19)	-	88,617	85,286
Lease obligations (Note 10)	1,215,391	-	-
Due to related parties	-	-	27,078
Total liabilities	30,277,410	5,106,462	1,672,459
MEMBERS' EQUITY (DEFICIT) (Note 14)	(18,150,426)	2,223,462	2,133,789
Total liabilities and members' equity (deficit)	12,126,984	7,329,924	3,806,248

Nature of operations (Note 1)

Going concern (Note 1)

Subsequent events (Note 21)

Approved and authorized for issue on behalf of the Members on July 20, 2020:

“Kavi Bhai” (signed)

Kavi Bhai, Chief Financial Officer

“Brian Jansen” (signed)

Brian Jansen, Chief Operating Officer

“Satyayrat Joshi” (signed)

Satyavrat Joshi, Board Member

The accompanying notes are an integral part of these combined financial statements.

MM Technology Holdings, LLC and Affiliates
Combined Statements of Operations
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	2019	2018
	\$	\$
Sales Revenue	16,271,039	11,303,441
Licensing Revenue	6,419,225	3,133,002
Total Revenue	22,690,264	14,436,443
Cost of goods sold	10,827,688	6,271,726
Cost of licensing revenue	5,491,782	3,140,428
Gross profit	6,370,794	5,024,289
Expenses		
Selling and distribution expenses	6,385,581	4,176,040
General and administrative expenses (Note 17)	6,405,820	2,941,823
Depreciation and amortization expense	689,327	209,314
Total expenses	13,480,728	7,327,177
Loss from operations	(7,109,934)	(2,302,888)
Other Expenses		
Transaction related bonus (Note 11)	1,000,000	-
Interest expense on lease obligations	137,403	-
Finance cost	1,320,691	55,670
Loss on investment	-	2,135
Impairment of inventory	678,332	
Other expenses	134,990	56,211
Total other expenses	3,271,416	114,016
Loss before income tax expenses	(10,381,350)	(2,416,904)
Current income tax expense (Note 19)	(730,591)	(482,186)
Deferred income tax expense (Note 19)	331,672	(5,076)
Net loss	(10,780,269)	(2,904,166)

The accompanying notes are an integral part of these combined financial statements.

MM Technology Holdings, LLC and Affiliates
Combined Statements of Changes in Members' Equity (Deficit)
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	\$
Balance as at January 1, 2018	2,133,789
Member Contributions	3,000,000
Member Distributions	(6,161)
Net loss	(2,904,166)
Balance as at December 31, 2018	2,223,462
Membership redemption (Note 12 and 13)	(9,593,619)
Net loss	(10,780,269)
Balance as at December 31, 2019	(18,150,426)

The accompanying notes are an integral part of these combined financial statements.

MM Technology Holdings, LLC and Affiliates
Combined Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net loss	(10,780,269)	(2,904,166)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	689,327	209,314
Bad debts	169,719	257,954
Impairment of inventory	678,332	-
Changes in operating assets and liabilities:		
Trade and other receivables	(630,920)	(789,080)
Inventory	(1,912,941)	(822,002)
Prepaid expenses and deposits	(184,271)	(193)
Accounts payable and accrued liabilities	2,637,641	1,454,464
Due from licensing partner	(928,320)	(32,338)
Due to licensing partner	(416,602)	453,286
Deferred tax liability	(339,483)	3,331
Cash used by operating activities	(11,017,787)	(2,169,430)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,106,700)	(740,540)
Cash used in investing activities	(1,106,700)	(740,540)
FINANCING ACTIVITIES		
Payments on due to related parties	-	(27,078)
Payments on members' note	(350,000)	-
Payments on membership redemption notes payables	(2,990,235)	-
Member distributions	-	(6,161)
Member contributions	-	3,000,000
Loan proceeds from members	15,385,000	1,550,000
Redemption of membership interest	(100,000)	-
Payment of lease obligations	(245,676)	-
Cash provided by financing activities	11,699,089	4,516,761
Net change in cash during the year	(425,398)	1,606,791
Cash, beginning of the year	1,789,618	182,827
Cash, end of year	1,364,220	1,789,618
<i>Supplemental cash flow information:</i>		
<i>Interest paid</i>	(27,809)	(31,863)
<i>Income tax paid</i>	(472,343)	-
Non cash transaction		
Redemption of membership interest with notes payable	(9,493,619)	-

The accompanying notes are an integral part of these combined financial statements.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

1. NATURE OF OPERATIONS

These combined financial statements present the business of MM Technology Holdings, LLC and affiliates (MM Technology), representing the activities, assets and liabilities of its wholly owned subsidiary Ironton Properties, LLC (Ironton); Mary's Medicinals, LLC, and its wholly owned subsidiary, Mary's Management, LLC (Management) (collectively referred to as Medicinals); Mary's Tech CA, Inc. (Mary's CA), Mary's Nutritionals, LLC (Nutritionals); Mary's Operations, LLC (Operations); and Mary's Pets, LLC (Pets) that relate to or have been assigned to MM Technology; all these entities are collectively referred to as the Company.

The Company manufactures and distributes clinical-grade cannabis products in Colorado and California, licenses their cannabis products to be manufactured in states other than Colorado and California, and manufactures and distributes other plant-based products throughout the United States. All entities are combined due to common ownership and control. These financial statements have been prepared on a "combined basis" from the financial statements of each of these legal entities (combined financial Statements). The combined financial statements present the assets, liabilities, attributable to MM Technology as at December 31, 2019, December 31, 2018 and January 1, 2018 and revenues, expenses and cash flows for the years ended December 31, 2019 and 2018. The combined financial statements reflect the substance of the activities, assets and liabilities attributable to MM Technology. Management concludes that these entities are able to be combined in their respective years through a control group. The control group is comprised of Rose Capital Fund I, LP ("RCFI"), who later formed BR Brands, LLC ("BR Brands") and its Affiliates, for 2018 and 2019. This was established when the Company began working together through various ownership combinations of various entities. Through the control group, the entities were controlled via 51% or more ownership of the outstanding interests through management representations. Further, management reviewed each operating agreement and were not aware of any clauses in those agreements that would prevent the entities from being controlled by the control group.

MM Technology as presented in these combined financial statements is not a legal entity. It represents the combination of properties/ businesses, located in Colorado and California. For all periods presented in these combined financial statements, the Company was under the management of BR Brands and is therefore considered to be under common management. Management believes that combination under the basis of common management is appropriate given the same management group from MM Technology and BR Brands serve in executive level positions for all the Affiliates combined in the accompanying financial statements. All material intercompany transactions have been eliminated in combination.

The head office and principal address of the Company is located at 4985 Ironton Street Denver, CO 80239.

These combined financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2019, the Company has an accumulated deficit of \$18,150,426 and Company had net losses in the years ended December 31, 2019 and 2018 of \$10,780,269 and \$2,904,166, respectively.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

1. NATURE OF OPERATIONS (Continued)

The continued operations of the Company are dependent on its ability to generate future cash flows, reducing unprofitable business lines, extending or changing terms of debt commitments, and reducing operating expenses through additional financing or commercialization, which have been impacted as a result of the global outbreak of coronavirus (“COVID-19”). Management intends to continue to pursue additional financing through its members, if required. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on the Company’s ability to continue as a going concern.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These combined financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these combined financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the combined statements of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

Statement of compliance

The Company adopted International Financial Reporting Standards (“IFRS”) effective January 1, 2018. The Company applied IFRS 1 First-time Adoption of IFRS, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

These combined financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These combined financial statements were approved by the Board of Directors and authorized for issue on July 20, 2020.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

2. BASIS OF PRESENTATION (Continued)

Basis of presentation and measurement

These combined financial statements have been prepared on a historical cost basis, except for cash and financial instruments classified as fair value through profit or loss that have been measured at fair value, and are presented in Unites States Dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash deposits in financial institutions and other deposits that are readily convertible into cash with an original maturity of less than three months.

Trade and other receivables

The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectible. The Company does not accrue interest receivable on past due accounts receivable.

Inventory

Inventory purchased from third parties, which include proprietary ingredients, finished goods, and packaging and supplies, are valued using the first in first out (“FIFO”) costing method at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion and related overhead costs incurred in bringing the inventory to its present location and condition.

An assessment is made of the lower of cost and net realizable value of inventory at each reporting period. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale. When circumstances that previously caused inventory to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of any write down previously recorded is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value. Raw materials are not written down unless the goods in which they are incorporated are expected to be sold for less than cost, in which case, they are written down by reference to replacement cost of the raw materials, as this is the best indicator of net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory identified are written down to net realizable value. At December 31, 2019, there was \$678,332 in write downs for inventory. At December 31, 2018 and January 1, 2018, there were no write downs to inventory.

Property, plant and equipment (“PPE”)

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Land – Not depreciated, considered to have an indefinite life
- Buildings – 39 years
- Leasehold improvements - the shorter of the useful life or life of the lease
- Furniture and fixtures 5 years
- Computer software – 3 years
- Machinery and equipment – 5 years
- Vehicles – 5 years

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the combined statements of operations.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Intangible assets

Intangible assets consist of costs incurred to acquire licenses. Intangible assets are considered finite life assets (10 years) and recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the combined statement of operations in the expense category that is consistent with the function of the intangible assets.

Taxation

As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in the combined statements of operations.

The income tax payable is based on taxable income for the year. Taxable income differs from “income before taxes” as reported in the combined statements of operations because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax expense represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the combined financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in combined statements of operations in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in combined statements of operations or otherwise directly in equity to the extent that it relates to items that are recognized in combined statements of operations or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Policy applicable from January 1, 2019 – For adoption of IFRS 16 – “Leases” also refer Note 4

The Company assesses whether a contract is or contains a lease, at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the combined statements of operations over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in the combined statements of operations. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or are not subject to a fair market value renewal are expensed as incurred and recognized in combined statements of operations.

Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Revenue Recognition

The Company's accounting policy for revenue recognition, with regards to all contracts with customers, is to follow a five-step model to determine the amount and timing of revenue to be recognized:

- Identifying the contract with a customer
- Identifying the performance obligations within the contract
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognizing revenue when/as performance obligation(s) are satisfied.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from manufacture and retail sales of cannabis products and branded cannabis packaged goods is recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

In determining the appropriate time of sale, the Company takes into consideration a) the Company's right to payment for the goods or services; b) customer's legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

The Company recognizes revenues in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return. The Company assesses returns on a case by case basis for its non-cannabis goods while cannabis goods cannot be returned.

Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the combined statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the combined statements of operations.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

- a) amortized cost;
- b) fair value through profit or loss ("FVTPL"); and
- c) fair value through other comprehensive income ("FVTOCI").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in the combined statements of operations in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in the combined statements of operations in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI. Refer to Note 19 for the classification and FV level of financial instruments.

Impairment of financial instruments – Expected credit losses (“ECL”)

For all financial assets recorded at amortized cost, the Company applies the simplified approach to providing for expected credit losses prescribed, which requires the use of the lifetime expected loss provision for all accounts receivables based on the Company’s historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking information and macro-economic factors and estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the combined statements of operations.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the combined statements of operations.

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the recoverable amount of an asset is determined to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the consolidated statements of operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Use of Estimates and Judgments

The preparation of the combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the combined financial statements:

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history.

If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets

Property and equipment and definite lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Indefinite lived Intangible assets, including goodwill, are tested for impairment annually. For the purposes of measuring recoverable values, assets are aggregated into cash generating units ("CGUs") based on an assessment of the lowest levels for which there are separately identifiable cash flows. The determination of individual CGUs is based on management's judgement regarding shared infrastructure, geographical proximity and similar exposure to market risk.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Leases

IFRS 16 requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate for the year ended December 31, 2019 was 8.66%. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Inventory

In calculating final inventory values, management compares the inventory cost to the estimated net realizable value. The Company reviews components of inventory on a periodic basis for excess, obsolete, and impaired inventory, and records a reserve for the identified items. The Company calculates an inventory reserve for estimated excess and obsolete inventory based on historical turnover and assumptions about future demand for its products and market conditions.

Deferred taxes and income tax expense

Income taxes and tax exposures recognized in the combined financial statements reflect management's best estimate based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences; a deferred tax asset is recognized for all deductible temporary differences.

The Company recognizes interest and penalties related to income taxes on the interest expense and other expense line in the accompanying consolidated statement of operations. Accrued interest and penalties is included on the accounts payable and accrued liabilities line in the combined statements of financial position.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

4. CHANGES IN ACCOUNTING STANDARDS

Changes in accounting standards adopted

Adoption of IFRS 7

The Company adopted IFRS 7 – Financial Instruments: Disclosures (“IFRS7”) on January 1, 2018. IFRS 7 was amended to require additional disclosures on transition from IAS 39 to IFRS 9. There was no material impact of this amendment on the Company’s combined financial statements.

Adoption of IFRS 9

The Company adopted IFRS 9 – Financial Instruments (“IFRS 9”) on January 1, 2018. IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. There was no material impact from adopting this standard on the Company’s combined financial statements.

Adoption of IFRS 15

The Company adopted IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) on January 1, 2018. The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company has conducted an assessment of the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company’s current revenue recognition policy under IAS 18.

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4. CHANGES IN ACCOUNTING STANDARDS (Continued)

Service revenues earned from the Company's management service agreements are recognized monthly as services are performed over a period of time and no other commitments are required to earn the fees due. This is consistent with the Company's current revenue recognition under IAS 18.

IFRS 15 became effective on or after January 1, 2018, with early application permitted. The Company adopted IFRS 15 on January 1, 2018 using the modified retrospective approach. Based on the Company's assessment, the adoption of this new standard did not have a material impact on the Company's combined financial statements.

Adoption of IFRS 16 – Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on January 1, 2019. IFRS 16 introduced a single on-balance sheet accounting model for lessees which replaced IAS 17 - Leases ("IAS 17"). Leasing activity for the Company typically involves the leases of land or buildings to operate cannabis dispensaries, processing or cultivation facilities or corporate offices.

The Company previously classified its leases as either operating or finance leases from the perspective of the lessee. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. The Company adopted IFRS 16 using the modified retrospective cumulative catch-up approach beginning on January 1, 2019. Under this approach, the Company did not restate its comparative amounts and recognized a right-of-use asset equal to the present value of the future lease payments. The Company elected to apply the practical expedient to only transition contracts which were previously identified as leases under IAS 17, and also elected to not recognize right-of-use assets and lease liabilities for leases of low-value assets.

The adoption of IFRS 16 resulted in the recognition of Right of Use ("ROU") assets of \$1,745,818 and lease liabilities of \$1,745,818 on January 1, 2019.

5. TRADE AND OTHER RECEIVABLES

IFRS 9 Financial Instruments (IFRS 9) requires a forward looking "expected credit loss" (ECL) model, which means that ECL are recognized at each reporting period even if no actual loss events have taken place. Further, in addition to past events and current conditions, reasonable and supportable forward-looking information that is available without undue cost or effort is considered in determining impairment.

Under IFRS 9, the credit loss allowances have been measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

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5. TRADE AND OTHER RECEIVABLES (Continued)

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Based on managements review of balances an ECL amounting to \$353,400 (December 31, 2019), \$179,222 (December 31, 2018) and \$44,744 (January 1, 2018) has been created. As of December 31, 2019, December 31, 2018, and January 1, 2018, accounts receivable and estimated credit losses consisted of the following:

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Trade and other receivables	2,185,143	1,549,764	884,160
Expected Credit Loss	(353,400)	(179,222)	(44,744)
Trade and other receivables, net	1,831,743	1,370,542	839,416

6. INVENTORY

The Company's inventory includes the following:

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Raw materials	1,700,378	886,131	320,180
Work in progress	-	33,277	-
Finished goods	1,074,444	620,805	398,031
Total inventory	2,774,822	1,540,213	718,211

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7. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2019, December 31, 2018, and January 1, 2018, property, plant and equipment consisted of the following:

	Land	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at January 1, 2018	212,148	1,252,340	686,466	7,080	-	47,723	2,205,757
Additions	-	474,189	185,681	5,077	-	75,593	740,540
As at December 31, 2018	212,148	1,726,529	872,147	12,157	-	123,316	2,946,297
Additions	-	306,183	381,126	15,550	324,192	79,649	1,106,700
As at December 31, 2019	212,148	2,032,712	1,253,273	27,707	324,192	202,965	4,052,997
Accumulated Depreciation							
As at January 1, 2018	-	87,558	202,859	4,344	-	43,437	338,198
Depreciation	-	32,419	148,470	1,854	-	7,571	190,314
As at December 31, 2018	-	119,977	351,329	6,198	-	51,008	528,512
Depreciation	-	52,104	246,043	3,144	39,719	7,443	348,453
As at December 31, 2019	-	172,081	597,372	9,342	39,719	58,451	876,965
Net book value							
As at January 1, 2018	212,148	1,164,782	483,607	2,736	-	4,286	1,867,559
As at December 31, 2018	212,148	1,606,552	520,818	5,959	-	72,308	2,417,785
As at December 31, 2019	212,148	1,860,631	655,901	18,365	284,473	144,514	3,176,032

8. INTANGIBLE ASSETS

As of December 31, 2019, December 31, 2018, and January 1, 2018, intangible assets consisted of the following:

	License	Total
	\$	\$
Cost		
As at January 1, 2018	190,300	190,300
Additions	-	-
As at December 31, 2018	190,300	190,300
Additions	-	-
As at December 31, 2019	190,300	190,300
Accumulated Amortization		
As at January 1, 2018	57,000	57,000
Amortization	19,000	19,000
As at December 31, 2018	76,000	76,000
Amortization	19,000	19,000
As at December 31, 2019	95,000	95,000
Net book value		
As at January 1, 2018	133,300	133,300
As at December 31, 2018	114,300	114,300
As at December 31, 2019	95,300	95,300

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2019, December 31, 2018, and January 1, 2018, accounts payable and accrued liabilities consisted of:

	December 31, 2019	December 31, 2018	January 1, 2018
	\$	\$	\$
Accounts payable	1,906,374	1,277,685	517,237
Credit card payable	173,595	67,669	54,257
Property tax payable	29,508	21,278	21,215
Accrued legal payable	32,400	-	-
Accrued payroll liabilities	254,011	219,309	135,700
Accrued interest payable	1,317,106	22,100	-
Federal and state income taxes payable	1,195,542	956,787	473,397
Excise tax payable	338,848	-	-
Accrued expenses	54,816	99,731	8,289
Total accounts payable and accrued liabilities	5,302,200	2,664,559	1,210,095

10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use assets	Lease obligations
	\$	\$
Net book value upon adoption of IFRS 16 at January 1, 2019	1,745,818	1,745,818
Additions	-	-
Depreciation and repayment	(321,874)	(245,676)
Net book value at December 31, 2019	1,423,944	1,500,142

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in these combined statements of financial position on January 1, 2019 is 8.66%.

The current obligation of lease and long-term lease obligations were \$284,751 and \$1,215,391 respectively. Also refer to Note 4 (Adoption of IFRS 16 – "Leases").

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10. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (Continued)

The following table presents the contractual undiscounted cash flows for lease obligations as at December 31, 2019:

	\$
Within one year	400,673
One to two years	395,117
Two to three years	364,365
Three to four years	320,197
Thereafter	372,980
Total undiscounted lease obligations	1,853,332
Less: discount of lease obligations	(353,190)
Total lease obligations, net	1,500,142

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the combined financial statements, related party transactions and balances are as follows:

During 2019, the Company purchased finished goods from a related party at distributor pricings to sell at wholesale prices. Total purchases during the year were \$294,938. Transactions were conducted at arm's length.

During 2019 and 2018, the Company purchased raw materials from a related party at Arm's length. Total purchases from the related party were \$1,490,801 and \$1,447,776 respectively

Per the Third Amended and Restated Operating Agreement dated July 20, 2017, the Company incurs a monthly management fee of \$16,667 commencing August 2018, payable to Rose Management Group, LLC, an affiliate of BR Brands. For the years ended December 31, 2019 and December 31, 2018, management fees were recorded within operating expenses and were approximately \$200,000 and \$83,000, respectively.

During 2019, the Company paid \$1,000,000 to various employees as a transaction related retention bonus. The retention bonus was included within the combined statement of operations for the year ended December 31, 2019.

Remuneration of members and key management personnel, of the Company, net of the 2019 retention bonus was as follows:

	2019	2018
	\$	\$
Salaries and benefits to key management personnel	626,256	917,078
Total	626,256	917,078

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12. LOAN FROM MEMBERS

During 2019, 100% of interest in the Company was purchased by BR Brands. Along with the purchase, the Company entered into various unsecured promissory notes during 2018, 2019, and 2020 with BR Brands. Interest on these notes accrues at 10% per annum through maturity, which is the earlier of May 24, 2020 or the date future capital contributions exceeds \$20,000,000. Effective May 20, 2020, the maturity date of these notes were extended to September 1, 2020. The balance on these notes was \$16,935,000 and \$1,550,000 at December 31, 2019 and 2018, respectively. Accrued interest recorded on these loans is included within accounts payable and other accrued liabilities within the combined statements of financial position and amounted to \$916,414 and \$2,123 at December 31, 2019 and 2018, respectively.

The Company and BR Brands intend to extend these notes into future periods.

During the year ended December 31, 2017, the Company received a loan from one of its members totaling \$350,000. Interest accrued at 10% and was due monthly, with the principal balance plus any accrued but unpaid interest due at maturity of January 27, 2022. This note was paid in full during the year ended December 31, 2019.

13. REDEMPTION OF MEMBERSHIP INTEREST

Effective May 10, 2019, the Company entered into a Membership Interest Redemption Agreement (MIRA1) to purchase from the member all membership interests in the Company in exchange for \$100,000 in cash and a note payable in the amount of \$6,003,384. MIRA1 matures May 9, 2024 and accrues interest at 7.5% per annum. As required by MIRA1 the Company made a principal payment of \$1,500,000 in June 2019. Effective July 31, 2019, MIRA1 was amended with no changes to the maturity date or interest rate. Per the MIRA1, as amended, the Company made additional quarterly principal payments of \$250,000 in September 2019 and December 2019. All unpaid principal and interest is due upon the first to occur of (a) the maturity date (b) the sale of the Company to an Independent Third Party or (c) the date an Initial Public Offering is made on a national securities exchange for BR Brands, LLC (BR Brands) or the Company. At December 31, 2019, outstanding principal on MIRA1 was \$4,003,384 and accrued interest related to MIRA1 was \$222,287. Accrued interest recorded on this loan is included within accounts payable and other accrued liabilities within the combined statements of financial position

Effective May 13, 2019, the Company entered into a Membership Interest Redemption Agreement (MIRA2) to purchase from the member all membership interests in the Company in exchange for a note payable in the amount of \$3,490,235. MIRA2 matures May 12, 2024 and accrues interest at 7.5%. As required by MIRA2, the Company made a principal payment of \$990,235 in July 2019. Effective April 30, 2020, quarterly interest payments of all accrued, but not paid, interest shall be paid by the Company. The Company paid \$43,151 of accrued interest to the member on April 30, 2020. All unpaid principal and interest is due upon the first to occur of (a) the maturity date (b) the sale of the Company to an Independent Third Party or (c) the date an Initial Public Offering is made on a national securities exchange for BR Brands or the Company. At December 31, 2019, outstanding principal on MIRA2 was \$2,500,000 and accrued interest related to MIRA2 was \$126,236. Accrued interest recorded on this loan is included within accounts payable and other accrued liabilities within the combined statements of financial position

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14. MEMBERS' EQUITY (DEFICIT)

In a series of transaction in 2019 and 2018, the Company adjusted its capital structure. The Company (i) redeemed membership interests in exchange for cash and notes payable (ii) created a revised membership structure to reflect new members in exchange for promissory notes (iii) allowed existing members to make an additional capital contribution to the Company.

15. MEMBER UNITS

The Company signed a Third Amended and Restated Operating Agreement dated July 20, 2017, for MM Tech, Nutritionals, Operations, and Pets, which allows for units of membership interest to be issued for compensatory purposes up to 7.2% of total ownership and allows for only one class of membership.

The Company signed a Fourth Amended and Restated Operating Agreement dated October 16, 2018, for MM Tech, Nutritionals, Operations, and Pets, which created a new class of units (Class P) for use in the equity incentive plan up to 7.2% percentage interest in the respective companies. All previously-issued units are considered "Class A" units under the new agreement. The respective equity incentive plans were also adopted on October 16, 2018 for each entity. The units issued under the plan are structured as profits interests.

The Company granted 677 units to existing members on October 16, 2018. Half of the units vest based on time and the other half vest based on reaching certain performance milestones. The time-based vesting is 1/3 on the date of grant and the other 2/3 vest monthly over a 24-month period. The performance-based units vest when there is a change in control of the group. During 2019, one of the two recipients of Class P units surrendered her Class P units back to the Company. During 2020, the other recipient of Class P units is in the process of surrendering her Class P units back to the Company. As cash settlement was never probable and reasonably estimable, there was no compensation expense or liability recorded associated with these awards.

The Company also entered into change of control bonus agreements with certain key employees on October 16, 2018, which are calculated based on the value of the Class P units as of a transaction date, with maximum amounts available as a bonus under the agreements. The Company has determined no change of control has occurred through the date of the issuance of these combined financial statements. As part of the Membership Interest Redemption Agreement all issued Class P units have been redeemed by the Company at \$0 value.

16. CAPITAL MANAGEMENT

The Company defines capital to include its members' equity (deficit). The members have not established 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's principal objectives in managing capital are: (i) to ensure there is sufficient liquidity to fund its operations and capital projects; (ii) to be flexible to take advantage of opportunities that are expected to provide satisfactory returns; (iii) to maintain a strong capital base to ensure access to debt and capital markets on an as-needed basis; (iv) to provide an adequate rate of return to its members.

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16. CAPITAL MANAGEMENT (Continued)

The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust its capital structure, the Company may issue debt or new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

17. GENERAL AND ADMINISTRATIVE

For the years ended December 31, 2019 and 2018, general and administrative expenses were comprised of:

	2019	2018
	\$	\$
Salaries and benefits	2,516,144	690,171
Professional and consulting fees	2,028,748	757,623
Travel	967,867	655,693
Office expenses	275,413	303,870
Insurance	217,822	155,883
Bad debts	169,719	257,954
Licenses and fees	44,292	30,546
Bank service charges	114,935	50,896
Dues & Subscription	29,131	11,592
Utilities	41,749	27,595
Total	6,405,820	2,941,823

18. COMMITMENTS AND CONTINGENCIES

Commitments

Nutritionals entered into an agreement with a company on June 14, 2018 to manufacture four of its products. The agreement terminates on June 14, 2021 with an automatic renewal feature. Nutritionals also entered into an agreement with a company related to this contract manufacturer on February 23, 2018 to store, pick, pack, and ship products manufactured by its sister company on behalf of Nutritionals. This agreement terminated on February 22, 2020 and was not renewed with the automatic renewal feature.

Nutritionals entered into a strategic alliance with a sports-line manufacturer on September 6, 2018 to manufacture all CBD-related items through the Company. Under the agreement, the Company pays for all materials, manufactures and fulfills orders, and receives 40% of the net sales. The agreement was terminated by the Company on May 22, 2019.

Effective August 1, 2019, the Company reached an agreement with a former executive of the Company, in which the former executive is to provide consulting services as an independent contractor to the Company for one year in exchange for a fee of \$18,750 per month. For the year ended December 31, 2019 there was approximately \$75,000 attributed to this agreement and recorded within operating expenses.

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18. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations at December 31, 2019, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's members, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

19. INCOME TAX

Management, Medicinals and Mary's CA are taxed as a C Corporation for income tax purposes and accounts for income taxes using the asset and liability approach. MM Tech, Nutritionals, Operations, Pets, and Ironton each have elected to be treated as partnerships for income tax purposes. All federal and state income tax positions taken or anticipated to be taken for those entities in the income tax returns are attributable to the members and not to the entity.

Deferred tax assets and liabilities are recognized for the future tax consequences of differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates scheduled to be in effect when temporary differences are expected to be recovered or settled. The effect of a change in enacted tax rates on the deferred tax assets and liabilities is recognized in income in the financial statement period when the new tax rates are enacted. Management assesses the realizability of its deferred tax assets annually and records a valuation allowance when it is determined more likely than not that a deferred tax asset will not be realized in full. At December 31, 2019 and 2018, Management has federal and state net operating loss carry forwards of approximately \$100,000, expiring 2035 through 2039. Deferred tax assets are created from net operating loss carryforwards and management deemed no valuation allowance was deemed necessary. The remaining net deferred tax asset is primarily a result of lease and depreciation differences. The Company has not currently under audit by any tax jurisdiction.

All federal and state income tax positions taken or anticipated to be taken for those entities in the income tax returns are attributable to the members and not to the entity. The differences between federal statutory tax rate and the Company's effective tax rate are mainly due to only Management, Medicinals, and Mary's CA being taxable entities. As the Company operates in the cannabis industry, it is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent book/tax differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

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20. FAIR VALUE AND FINANCIAL RISK FACTORS

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

There were no transfers into or out of the fair value levels for the years ended December 31, 2019 or 2018.

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20. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)

The classification of financial instruments at their carrying and fair values is as follows:

(a) Fair Value

Financial assets	Carrying values			Fair values
	FVTPL	FVTOCI	Amortized cost	Total
December 31, 2019	\$	\$	\$	\$
Cash	1,364,220	-	-	1,364,220
Trade and other receivables	-	-	1,831,743	1,831,743
	1,364,220	-	1,831,743	3,195,963
December 31, 2018	\$	\$	\$	\$
Cash	1,789,618	-	-	1,789,618
Trade and other receivables	-	-	1,370,542	1,370,542
	1,789,618	-	1,370,542	3,160,160
Financial liabilities	Carrying values			Fair values
	FVTPL	FVTOCI	Amortized cost	Total
December 31, 2019		\$	\$	\$
Accounts payable and accrued liabilities	-	-	5,302,200	5,302,200
Loan from members	-	-	23,438,384	23,438,384
	-	-	28,740,584	28,740,584
December 31, 2018		\$	\$	\$
Accounts payable and accrued liabilities	-	-	2,664,559	2,664,559
Loan from members	-	-	1,900,000	1,900,000
	-	-	4,564,559	4,564,559

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the external consultants that advise on financial risks and the appropriate financial risk governance framework for the Company.

The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Company policies and risk appetite statement.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. To address its credit risk arising from cash and cash equivalents, deposits and accounts receivable, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial.

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20. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)

As at December 31, 2019 one customer made up 10.5% of the accounts receivable balance, as at December 31, 2018 one customer made up 34% of the accounts receivable balance, and as at January 1, 2018 one customer made up 14% of the accounts receivable balance. As at December 31, 2019 and December 31, 2018 the maximum amount exposed to credit risks was \$3,195,963 and \$3,160,160, respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at December 31, 2019, all trade payables and accrued liabilities are due within a year.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents, deposit and long-term debts. Cash and cash equivalents and deposits bear interest at market rates. The Company's debts have fixed rates of interest. The Company reviews the interest rate on a regular basis as it does not use derivatives to hedge against interest rate risk.

(e) Currency Risk

The combined operating results and combined financial position of the Company are reported in United States dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At December 31, 2019, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company believes that the change in exchange rates will not have a significant impact on its combined financial results.

21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through July 20, 2020, which is the date these combined financial statements were available to be issued. All subsequent events, if any, requiring recognition as of December 31, 2019, have been incorporated into these combined financial statements.

On February 27, 2020, the Company entered into an unsecured promissory note for the amount of \$450,000 with BR Brands. The Company and BR Brands intend to extend this note into future periods and accrues interest at 10% per annum.

During July 2020, the Company signed an agreement to market and distribute another brand's products in the California for a percentage of gross sales for services rendered.

MM Technology Holdings, LLC and Affiliates
Notes to the Combined Financial Statements
For the years ended December 31, 2019 and 2018

21. SUBSEQUENT EVENTS (Continued)

On May 1, 2020, the Company signed a right to market and promote agreement for another company to support sales of Mary's branded products in Colorado.

On April 22, 2020, BR Brands LLC and Dixie Brands Inc. (Dixie), entered into a definitive agreement to complete a reverse takeover business combination (Transaction), pursuant to which Dixie will indirectly acquire from BR Brands all of the outstanding voting shares of the Company and certain other assets of BR Brands. Following completion of the Transaction, BR Brands will obtain control and majority ownership of Dixie. The Transaction is expected to close in the third quarter of 2020, subject to satisfaction of all closing conditions.

On July 14, 2020, Dixie shareholders approved the transaction.

**MM TECHNOLOGY HOLDINGS, LLC
AND AFFILIATES**

Unaudited Condensed Interim Combined
Financial Statements

For the Three and Six Months Ended
June 30, 2020 and 2019

(Expressed in United States Dollars)



Certified
Public
Accountants

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Unaudited Condensed Interim Combined Financial Statements
June 30, 2020 and 2019

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MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
 Unaudited Condensed Interim Combined Statements of Financial Position
 At June 30, 2020 and December 31, 2019
 (Expressed in United States Dollars)

	June 30,	December 31,
	2020	2019
	\$	\$
ASSETS		
Current		
Cash	1,655,234	1,364,220
Trade and other receivables, net (Note 4)	1,500,062	1,831,743
Due from license partners	1,442,676	960,658
Inventory (Note 5)	1,758,643	2,774,822
Prepaid expenses and deposits	223,297	249,399
Right-of-use assets, net - current (Note 9)	280,919	328,655
Total current assets	6,860,831	7,509,497
Property, plant and equipment, net (Note 6)	3,035,284	3,176,032
Intangible assets, net (Note 7)	85,800	95,300
Right-of-use assets, net (Note 9)	1,095,289	1,095,289
Deferred income tax asset	253,040	250,866
Total assets	11,330,244	12,126,984
LIABILITIES		
Current		
Loans from members - current (Note 11)	17,385,000	16,935,000
Accounts payable and accrued liabilities (Note 8)	5,832,036	5,302,200
Due to license partners	-	36,684
Membership redemption notes payable - current	500,000	500,000
Lease obligations - current (Note 9)	341,637	284,751
Total current liabilities	24,058,673	23,058,635
Membership redemption notes payable	6,003,384	6,003,384
Lease obligations (Note 9)	1,144,856	1,215,391
Total liabilities	31,206,913	30,277,410
MEMBERS' DEFICIT	(19,876,669)	(18,150,426)
Total liabilities and members' deficit	11,330,244	12,126,984

Nature of operations (Note 1)

Going concern (Note 1)

Subsequent events (Note 16)

Approved on behalf of the Board:

“Kavi Bhai” (signed)
Chief Financial Officer

“Brian Jansen” (signed)
Chief Operating Officer

“Satyayrat Joshi” (signed)
Board Member

The accompanying notes are an integral part of these unaudited condensed interim combined financial statements.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Unaudited Condensed Interim Combined Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended June 30, 2020 and 2019
(Expressed in United States Dollars)

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
	\$	\$	\$	\$
Sales Revenue	3,504,925	4,039,445	7,189,773	8,191,467
Licensing Revenue	2,545,462	1,002,612	5,605,108	2,143,159
Total Revenue	6,050,387	5,042,057	12,794,881	10,334,626
Cost of goods sold	1,580,306	2,734,667	3,763,337	5,688,679
Cost of licensing revenue	1,462,288	1,144,958	3,971,999	2,564,090
Gross profit	3,007,793	1,162,432	5,059,545	2,081,857
Expenses				
Selling expenses	830,137	1,338,337	2,073,642	2,545,061
General and administrative expenses (Note 13)	1,382,027	1,693,435	2,863,368	3,099,172
Depreciation and amortization expense	198,329	80,844	398,862	151,854
Total expenses	2,410,493	3,112,616	5,335,872	5,796,087
Income (loss) from operations	597,300	(1,950,184)	(276,327)	(3,714,230)
Other (Income) Expenses				
Transaction related bonus	-	1,000,000	-	1,000,000
Interest expense on lease obligations	32,531	-	66,756	-
Finance cost	574,600	243,312	1,131,042	305,031
Other (income) expenses	(27,508)	-	8,065	-
Total other (income) expenses	579,623	1,243,312	1,205,863	1,305,031
Income (loss) before income tax expenses	17,677	(3,193,496)	(1,482,190)	(5,019,261)
Current income tax expense	(54,095)	(159,646)	(244,053)	(434,117)
Net loss	(36,418)	(3,353,142)	(1,726,243)	(5,453,378)

The accompanying notes are an integral part of these unaudited condensed interim combined financial statements.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
 Unaudited Condensed Interim Combined Statements of Changes in Members' Deficit
 For The Six Months ended June 30, 2020 and 2019
 (Expressed in United States Dollars)

	\$
Balance as at January 1, 2019	2,223,462
Membership redemption	(9,593,619)
Net loss	(5,453,378)
Balance as at June 30, 2019	(12,823,535)
Balance as at January 1, 2020	(18,150,426)
Net loss	(1,726,243)
Balance as at June 30, 2020	(19,876,669)

The accompanying notes are an integral part of these unaudited condensed interim combined financial statements.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
 Unaudited Condensed Interim Combined Statements of Cash Flows
 For The Six Months Ended June 30, 2020 and 2019
 (Expressed in United States Dollars)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1,726,243)	(5,453,378)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	398,862	151,854
Bad debts	25,468	131,587
Changes in operating assets and liabilities:		
Trade and other receivables	306,213	(604,979)
Inventory	1,016,179	(1,364,824)
Prepaid expenses and deposits	26,102	(445,225)
Accounts payable and accrued liabilities	529,836	774,429
Due from licensing partner	(482,018)	(48,263)
Due to licensing partner	(36,684)	(30,873)
Deferred income tax asset	(2,174)	(13,904)
Cash provided by (used in) operating activities	55,541	(6,903,576)
INVESTING ACTIVITIES		
Purchase of intangible assets	-	(43,495)
Purchase of property, plant and equipment	(62,426)	(588,118)
Cash used in investing activities	(62,426)	(631,613)
FINANCING ACTIVITIES		
Loan proceeds from members	450,000	8,515,000
Redemption of membership interest	-	(100,000)
Payment of lease obligations	(152,101)	-
Cash provided by financing activities	297,899	6,565,000
Net change in cash during the period	291,014	(970,189)
Cash, beginning of the period	1,364,220	1,789,618
Cash, end of the period	1,655,234	819,429
<i>Supplemental cash flow information:</i>		
<i>Interest paid</i>	(5,802)	(19,691)
<i>Income tax paid</i>	(41,288)	(472,343)

Non-Cash Transaction

Redemption of membership interest with notes payable was \$9,493,619 for the six months ended June 30, 2019.

The accompanying notes are an integral part of these unaudited condensed interim combined financial statements.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

1. NATURE OF OPERATIONS

These unaudited condensed interim combined financial statements present the business of MM Technology Holdings, LLC and affiliates (MM Technology), representing the activities, assets and liabilities of its wholly owned subsidiary Ironton Properties, LLC (Ironton); Mary's Medicinals, LLC, and its wholly owned subsidiary, Mary's Management, LLC (Management) (collectively referred to as Medicinals); Mary's Tech CA, Inc. (Mary's CA), Mary's Nutritionals, LLC (Nutritionals); Mary's Operations, LLC (Operations); and Mary's Pets, LLC (Pets) that relate to or have been assigned to MM Technology; all these entities are collectively referred to as the Company.

The Company manufactures and distributes clinical-grade cannabis products in Colorado and California, licenses their cannabis products to be manufactured in states other than Colorado and California, and manufactures and distributes other plant-based products throughout the United States. All entities are combined due to common ownership and control.

The head office and principal address of the Company is located at 4985 Ironton Street Denver, CO 80239.

These unaudited condensed interim combined financial statements have been prepared on the going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2020, the Company has incurred an accumulated deficit of \$19,876,669. The continued operations of the Company are dependent on its ability to generate future cash flows through additional financing or commercialization, which have been impacted as a result of the global outbreak of coronavirus ("COVID-19"). Management intends to continue to pursue additional financing through its members if required. There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on the Company's ability to continue as a going concern.

These unaudited condensed interim combined financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and classifications used in the unaudited condensed statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These unaudited condensed interim combined financial statements for the three and six months ended June 30, 2020 (and comparative results for the three and six months ended June 30, 2019) have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and therefore do not contain all disclosures required by International Financial Reporting Standards ("IFRS"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim combined financial statements should be read in conjunction with the Company's combined financial statements for the years ended December 31, 2019 and 2018 and notes, and have been prepared using the same accounting policies described in Note 3 to the 2019 combined financial statements and notes.

These unaudited condensed interim combined financial statements were approved by the Board of Directors and authorized for issue on September 18, 2020.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

2. BASIS OF PRESENTATION (Continued)

2.2 Basis of Presentation and Measurement

These unaudited condensed interim combined financial statements have been prepared on a historical cost basis, with the exception of financial instruments which are measured at fair value. The unaudited condensed interim combined financial statements are presented in United States dollars, which is the functional currency of the Company.

2.3 Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the six months ended June 30, 2020, the pandemic did not have a material impact on the Company's operations. As at June 30, 2020, the Company also not observed any material impairments of its assets or a significant change in the fair value of assets due to the COVID-19 pandemic. The Company has taken steps to minimize the potential impact of the pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. CHANGES IN ACCOUNTING STANDARDS

3.1 Changes in Accounting Standards Adopted

Adoption of New Accounting Pronouncements Effective Jan 1, 2020:

- i) IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. These amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. During the period, the Company adopted these amendments and concluded that there was no significant impact on these condensed interim combined financial statements.
- ii) IFRS 3 – Definition of a Business. On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The definition of a business is narrower which could result in fewer business combinations being recognized. During the six months ended June 30, 2020, the Company adopted these amendments and concluded that there was no significant impact on these condensed interim combined financial statements.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

4. TRADE AND OTHER RECEIVABLES

Accounts receivable are collateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Based on management's review of balance an ECL amounting to \$399,127 (June 30, 2020) and \$353,400 (December 31, 2019) has been created. As of June 30, 2020 and December 31, 2019, accounts receivable and estimated credit losses consisted of the following:

	June 30, 2020	December 31, 2019
	\$	\$
Trade and other receivables	1,899,189	2,185,143
Expected Credit Loss	(399,127)	(353,400)
Trade and other receivables, net	1,500,062	1,831,743

5. INVENTORY

As of June 30, 2020 and December 31, 2019, the Company's inventory includes the following:

	June 30, 2020	December 31, 2019
	\$	\$
Raw materials	1,404,596	1,700,378
Work in progress	98,103	-
Finished goods	255,944	1,074,444
Total inventory	1,758,643	2,774,822

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

6. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2020 and December 31, 2019, property, plant and equipment consisted of the following:

	Land	Buildings and building improvements	Machinery and equipment	Furniture and fixtures	Vehicles	Computer software	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
As at December 31, 2019	212,148	2,032,712	1,253,273	27,707	324,192	202,965	4,052,997
Additions	-	-	52,945	9,292	-	189	62,426
Disposals	-	-	(3,586)	(7,079)	-	-	(10,665)
As at June 30, 2020	212,148	2,032,712	1,302,632	29,920	324,192	203,154	4,104,758
Accumulated Depreciation							
As at December 31, 2019	-	172,081	597,372	9,342	39,719	58,451	876,965
Depreciation	-	28,677	110,121	2,226	32,358	29,791	203,174
Depreciation on disposals	-	-	(9,196)	(1,469)	-	-	(10,665)
As at June 30, 2020	-	200,758	698,297	10,099	72,077	88,242	1,069,474
Net book value							
As at December 31, 2019	212,148	1,860,631	655,901	18,365	284,473	144,514	3,176,032
As at June 30, 2020	212,148	1,831,954	604,335	19,821	252,115	114,912	3,035,284

7. INTANGIBLE ASSETS

As of June 30, 2020 and December 31, 2019, intangible assets consisted of the following:

	License	Total
	\$	\$
Cost		
As at December 31, 2019	190,300	190,300
As at June 30, 2020	190,300	190,300
Accumulated Amortization		
As at December 31, 2019	95,000	95,000
Amortization	9,500	9,500
As at June 30, 2020	104,500	104,500
Net book value		
As at December 31, 2019	95,300	95,300
As at June 30, 2020	85,800	85,800

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2020 and December 31, 2019, accounts payable and accrued liabilities consisted of:

	June 30, 2020	December 31, 2019
	\$	\$
Accounts payable	1,060,624	1,906,374
Credit card payable	100,662	173,595
Property tax payable	-	29,508
Accrued legal payable	-	32,400
Accrued payroll liabilities	248,060	254,011
Accrued interest payable	2,395,640	1,317,106
Federal and state income taxes payable	1,436,526	1,195,542
Excise tax payable	445,716	338,848
Accrued expenses	144,808	54,816
Total accounts payable and accrued liabilities	5,832,036	5,302,200

9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use assets	Lease obligations
	\$	\$
Book value at December 31, 2019	1,423,944	1,500,142
Additions	138,452	138,452
Depreciation and repayment	(186,188)	(152,101)
Book value at June 30, 2020	1,376,208	1,486,493

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in these unaudited condensed interim combined statements of financial position on January 1, 2020 is 8.66%.

As of June 30, 2020, the current obligation of lease and long-term lease obligations were \$341,637 and \$1,144,856 respectively.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

9. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (Continued)

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2020:

	\$
Within one year	453,790
One to two years	429,019
Two to three years	396,845
Three to four years	201,983
Thereafter	311,658
Total undiscounted lease obligations	1,793,295
Less: discount of lease obligations	(306,802)
Total lease obligations, net	1,486,493

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere in the unaudited condensed interim combined financial statements, related party transactions and balances are as follows:

During 2019, the Company purchased finished goods from a related party at distributor pricings to sell at wholesale prices. There were no purchases during the six months ended June 30, 2019 and June 30, 2020. Total revenue recorded under this agreement was \$0 and \$225,695 for the six months ended June 30, 2020 and 2019, respectively. Transactions were conducted at arm's length. In June 2020, the Company executed a new distribution agreement which superseded the September 2019 agreement.

During the six months ended June 30, 2020 and June 30, 2019, the Company purchased raw materials from a related party at Arm's length. Total purchases from the related party were approximately \$134,439 and \$1,046,506, respectively. In February 2020, the Company paid a \$100,000 fee to terminate the purchasing agreement. The early termination fee was recorded within operating expenses.

Per the Third Amended and restated Operating Agreement dated July 20, 2017, the Company incurs a monthly management fee of \$16,667 commencing August 2018, payable to Rose Management Group, LLC, an affiliate of BR Brands. For the six months ended June 30, 2020 and June 30, 2019, management fees were recorded within operating expenses and were approximately \$100,000 and \$100,000, respectively.

Remuneration of members and key management personnel, of the Company was as follows:

	June 30, 2020	June 30, 2019
	\$	\$
Salaries and benefits to key management personnel	291,903	392,170
Total	291,903	392,170

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

11. LOAN FROM MEMBERS

During 2019, a majority interest in the Company was purchased by BR Brands. Along with the purchase, the Company entered into various unsecured promissory notes during 2018, 2019, and 2020 with BR Brands. Interest on these notes accrues at 10% per annum through maturity, which is the earlier of May 24, 2020 or the date future capital contributions exceeds \$20,000,000. Effective May 20, 2020, the maturity date of these notes were extended to January 31, 2021. The balance on these notes was \$17,385,000 and \$16,935,000 at June 30, 2020 and December 31, 2019, respectively. Accrued interest was \$1,778,519 and \$916,414 at June 30, 2020 and December 31, 2019, respectively. The Company and BR Brands intend to convert these notes to equity upon maturity.

12. CAPITAL MANAGEMENT

The Company defines capital to include its members' equity. The members have not established 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's principal objectives in managing capital are: (i) to ensure there is sufficient liquidity to fund its operations and capital projects; (ii) to be flexible to take advantage of opportunities that are expected to provide satisfactory returns; (iii) to maintain a strong capital base to ensure access to debt and capital markets on an as-needed basis; (iv) to provide an adequate rate of return to its members.

The Company manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust its capital structure, the Company may issue debt or new shares. Financing decisions are generally made on a specific transaction basis and depend on such things as the Company's needs, capital markets and economic conditions at the time of the transaction. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

13. GENERAL AND ADMINISTRATIVE

As of June 30, 2020 and 2019, General and administrative expenses were comprised of:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
	\$	\$	\$	\$
Salaries and benefits	689,625	545,014	1,730,071	1,067,657
Professional and consulting fees	365,432	502,504	606,057	886,474
Travel	26,636	251,725	142,146	490,737
Office expenses	85,706	94,972	157,196	196,202
Insurance	44,238	83,826	86,023	132,193
Bad debts	11,725	78,457	25,468	131,587
Licenses and fees	1,779	3,140	4,165	6,357
Bank service charges	25,880	22,189	53,901	33,727
Dues & Subscription	1,544	4,176	3,596	5,715
Utilities	11,513	61,945	25,531	72,198
Others	117,949	45,487	29,214	76,325
Total	1,382,027	1,693,435	2,863,368	3,099,172

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

14. COMMITMENTS AND CONTINGENCIES

Commitments

Effective August 1, 2019, the Company reached an agreement with a former executive of the Company, in which the former executive is to provide consulting services as an independent contractor to the Company for one year in exchange for a fee of \$18,750 per month. Total expenses incurred under this agreement were approximately \$0 and \$150,000 for the six months ended June 30, 2020 and June 30, 2019, respectively. The agreement terminated in August 2020 in accordance with the original terms.

Contingencies

The Company's operations are subject to a variety of local and state regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits and/or licenses that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulations at June 30, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2020, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's members, officers or affiliates are an adverse party or have a material interest adverse to the Company's interest.

15. FAIR VALUE AND FINANCIAL RISK FACTORS

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

15. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (Continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which there is sufficient data with unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

Financial assets	Carrying values		Fair values
	FVTPL	Amortized cost	Total
June 30, 2020	\$	\$	\$
Cash	1,655,234	-	1,655,234
Trade and other receivables	-	1,500,062	1,500,062
	1,655,234	1,500,062	3,155,296
December 31, 2019	\$	\$	\$
Cash	1,364,220	-	1,364,220
Trade and other receivables	-	1,831,743	1,831,743
	1,364,220	1,831,743	3,195,963

Financial liabilities	Carrying values		Fair values
	FVTPL	Amortized cost	Total
June 30, 2020		\$	\$
Accounts payable and accrued liabilities	-	5,832,036	5,832,036
Loans from members	-	23,888,384	23,888,384
	-	29,720,420	29,720,420
December 31, 2019		\$	\$
Accounts payable and accrued liabilities	-	5,302,200	5,302,200
Loans from members	-	23,438,384	23,438,384
	-	28,740,584	28,740,584

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
For the Three and Six Months Ended June 30, 2020 and 2019

15. FAIR VALUE AND FINANCIAL RISK FACTORS (Continued)

(a) Fair Value (Continued)

The Company is exposed to credit risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the external consultants that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with Company policies and risk appetite statement.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. To address its credit risk arising from cash, deposits and accounts receivable, the Company ensures to keep these balances with financial institutions of high repute. The Company has not recorded an ECL as all amounts are considered to be recoverable and are immaterial. The Company manages its credit exposure by performing significant upfront and ongoing credit assessment of its customers and a stringent collection policy, and the concentration of risk is not significant due to the diversified customer base. As at June 30, 2020 and December 31, 2019, the maximum amount exposed to credit risks was \$3,155,296 and \$3,195,963 respectively.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its members and third parties. As at June 30, 2020, all trade payables and accrued liabilities are due within a year.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash, deposits and membership redemption notes. Cash and deposits bear interest at market rates. The Company's debts have fixed rates of interest. The Company reviews the interest rate on a regular basis as it does not use derivatives to hedge against interest rate risk.

(e) Currency Risk

The operating results and financial position of the Company are reported in United States dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At June 30, 2020, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company believes that the change in exchange rates will not have a significant impact on financial results.

MM TECHNOLOGY HOLDINGS, LLC AND AFFILIATES
Notes to the Unaudited Condensed Interim Combined Financial Statements
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16. SUBSEQUENT EVENTS

On April 22, 2020, BR Brands LLC and Dixie Brands, Inc. (“Dixie”), entered into a definitive agreement to complete a reverse takeover business combination (“Transaction”), pursuant to which Dixie will indirectly acquire from BR Brands all of the outstanding voting shares of the Company and certain other assets of BR Brands. Following completion of the Transaction, BR Brands will obtain control and majority ownership of Dixie. On July 14, 2020, Dixie shareholders voted to approve the transaction. The Transaction is expected to close in the third quarter of 2020, subject to satisfaction of all closing conditions.

During July 2020, the Company signed an agreement with a third party for the manufacturing, licensing, and distribution of Mary’s branded products in Canada.

During August 2020, the Company signed an agreement with a related party licensor and a third-party manufacturer for the distribution and sale of the related party’s branded products throughout California.

The Company has evaluated subsequent events through September 18, 2020, which is the date these unaudited condensed interim combined financial statements were available to be issued. All subsequent events, if any, requiring recognition as of June 30, 2020, have been incorporated into these unaudited condensed interim combined financial statements.

SCHEDULE "B"
BRB MARY'S MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER
31, 2019 AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

[Please see attached]

This Management's Discussion and Analysis ("MD&A") of MM Technology Holdings, LLC, ("MM Tech", "Mary's", or the "Company") provides an analysis of the Company's financial results for the twelve months ended December 31, 2019 and should be read in conjunction with the accompanying audited condensed consolidated interim financial statements for the twelve months ended December 31, 2019 and the related notes thereto. All amounts are expressed in U.S. dollars, unless otherwise stated.

Description of Business

Mary's, the flagship asset of the BR Brands portfolio, is a developer of cannabis infused products such as transdermal topicals, transdermal patches, capsules, vapes, and tinctures in legal and state-legalized cannabis markets globally.

Mary's was formed in 2013 in Denver, Colorado, and is a premier branded consumer products business that offers best-in-class medicinal and wellness THC and CBD products under three brands: (1) Mary's Medicinals ("Medicinals"), (2) Mary's Nutritionals ("Nutritionals"), and (3) Mary's Tails ("Tails"). Medicinals, best known as the developer of the first transdermal cannabis patch and gel pen, researches, develops, and markets cannabinoid infused products that are sold to thousands of licensed recreational and medical retail dispensaries across 9 states. Nutritionals, launched in April 2015, researches, develops, and manufactures products infused with organically cultivated activated hemp extract and other plant-based extracts. The Nutritionals hemp-infused product lines are distributed direct to consumer (DTC) online. Tails, developed in Q2 2019, markets products for the pet market (canines and felines) and currently sells innovative hemp-derived cannabinoid-infused products nationwide in PetSmart, Inc. retail stores, and DTC.

Operational Developments

Nutritionals started manufacturing CBD products in a new facility in Aurora, CO, and commenced distribution operations in a separate distribution center, also in Aurora, CO.

In March 2019, Mary's Tech CA, Inc. started its own California distribution business to self-distribute products under the Medicinals brand and distribute products for third-party cannabis brands.

In December 2019, Mary's capitalized on Michigan's transition from a medical to a recreational cannabis marketplace. Mary's quickly became the 3rd largest vape brand in the state.

Mary's also continued to expand its geographic footprint by signing expansion agreements in Oklahoma and Massachusetts.

During the year ended December 31, 2019, Mary's launched its Tails brand, providing hemp-based CBD products for the pet market.

Overall Performance

MM Tech generated \$22.7M of revenue in 2019, an increase of \$8.2M or 57% greater than the twelve months ended December 31, 2018. This growth is attributed to scaling larger in the existing recreational markets of Colorado and California, as well as growth in Michigan, where the state transitioned from medicinal use only, to recreational use. The Company also secured self-distribution capabilities within California to gain control of its supply chain.

Selected Financial Information

MM Technology Holdings, LLC and Affiliates
Combined Statements of Operations
For the years ended December 31, 2019 and 2018
(Expressed in United States Dollars)

	2019	2018
	\$	\$
Sales Revenue	16,271,039	11,303,441
Licensing Revenue	6,419,225	3,133,002
Total Revenue	22,690,264	14,436,443
Cost of goods sold	10,827,688	6,271,726
Cost of licensing revenue	5,491,782	3,140,428
Gross profit	6,370,794	5,024,289
Expenses		
Selling and distribution expenses	6,385,581	4,176,040
General and administrative expenses (Note 17)	6,405,820	2,941,823
Depreciation and amortization expense	689,327	209,314
Total expenses	13,480,728	7,327,177
Loss from operations	(7,109,934)	(2,302,888)
Other Expenses		
Transaction related bonus (Note 11)	1,000,000	-
Interest expense on lease obligations	137,403	-
Finance cost	1,320,691	55,670
Loss on investment	-	2,135
Impairment of inventory	678,332	
Other expenses	134,990	56,211
Total other expenses	3,271,416	114,016
Loss before income tax expenses	(10,381,350)	(2,416,904)
Current income tax expense (Note 19)	(730,591)	(482,186)
Deferred income tax expense (Note 19)	331,672	(5,076)
Net loss	(10,780,269)	(2,904,166)

The accompanying notes are an integral part of these combined financial statements.

Results of Operations

Total Revenue

Mary's 2019 total revenue of c. \$22.7M grew 57.2% over \$14.4M in 2018, and 134.1% over 2017. Revenue growth was driven by increased penetration of California, Michigan, and Florida.

Royalty Revenue is derived from third-party sales of Mary's products in Vermont, Maryland, and Illinois.

Licensing revenue is derived from affiliate sales of Mary's branded products in Michigan, Florida, Nevada, Oregon, and Washington. Licensing revenue is governed by the individual contract between Mary's and the affiliate in each state.

	Year to Date	
	December 31,	
	2019	2018
Nutritionals	\$ 5,937,321	\$ 4,416,635
Medicinals		
Colorado	\$ 4,815,019	\$ 6,168,466
California	5,396,260	2,151,594
Michigan	4,161,716	320,365
Florida	1,389,534	155,717
Nevada	196,283	180,756
Washington	120,869	90,721
Oregon	97,597	230,945
Illinois	263,624	203,398
Maryland	179,290	254,753
Vermont	10,312	13,314
Arizona	0	57,816
Other	122,439	191,963
	\$ 22,690,264	\$ 14,436,443

Colorado

Colorado revenue for the twelve months ended December 31, 2019 was \$4,815,019, a decrease of (\$1,353,447) or (21.9%) year over year. The decrease was driven by increased competition in the topicals space and turnover in the sales team.

California

California revenue for the twelve months ended December 21, 2019 was \$5,396,260, an increase of \$3,244,666 or 150.8% year over year. The increase was driven by an increased service area and the establishment of distribution by Mary's Tech CA, Inc., which covers the entire state.

Michigan

Michigan revenue for the twelve months ended December 31, 2019 was \$4,161,716, an increase of \$3,841,351 or 1,199.1% year over year. The increase was driven by a full year of operations in 2019 versus a partial year in 2018, increased service area that covers the entire state and expansion of product offering in the market.

Florida

Florida revenue for the twelve months ended December 31, 2019 was \$1,389,534, an increase of \$1,233,817 or 792.3% year over year. The increase was driven by a full year of operations in 2019 versus partial year in 2018, significant retail openings by Mary's Florida licensing partner, and expansion of product offering in the market.

Nevada

Nevada revenue for the twelve months ended December 31, 2019 was \$196,283, an increase of \$15,527 or 8.6% year over year. The increase was by the operation of Mary's licensing partner and changes in the sales team.

Washington

Washington revenue for the twelve months ended December 31, 2019 was \$120,869, an increase of \$30,148 or 33.2% year over year. During 2019, Mary's sold all inventory on-hand and reduced operations in the Washington market due to unsustainable margin compression fueled by biomass overcapacity.

Oregon

Oregon revenue for the twelve months ended December 31, 2019 was \$97,597, a decrease of (\$133,348) or (57.7%) year over year. Mary's reduced operations in the Oregon market due to unsustainable margin compression fueled by biomass overcapacity.

Illinois

Illinois revenue for the twelve months ended December 31, 2019 was \$263,624, an increase of \$203,398 or 29.6% year over year. The increase was driven by organic industry growth.

Maryland

Maryland revenue for the twelve months ended December 31, 2019 was \$179,290, a decrease of (\$75,463) or (29.6%) year over year. The decrease was driven by overall changes in the market and increased competition. Mary's expects Maryland to remain small until the industry grows within the state and as surrounding states legalize cannabis.

Vermont

Vermont revenue for the twelve months ended December 31, 2019 was \$10,312, a decrease of (\$3,002) or (22.5%) year over year. The decrease was driven by limited distribution within the state's limited dispensaries and a competing caregiver market.

Arizona

Arizona revenue for the twelve months ended December 31, 2019 was \$0, a decrease of (\$57,816) or (100.0%) year over year. Mary's withdrew from the Arizona market due to decreasing margins with the partnership.

Gross Profit

Mary's gross profit for the twelve months ended December 31, 2019 was \$6,370,794 or 28.1%. 2019 gross margin reflects substantial investment in the CBD space, California, Michigan, and Florida. The Company has since pivoted to a neutral position on CBD and continued to direct capital and resources to the THC market. The Company expects to see a compression in margins as it enters new territories, and ultimately expects those margins to improve as efficiencies and economies of scale are realized.

Total Operating Expenses

For the twelve months ended December 31, 2019, Mary's total operating expenses were \$13,480,728. General and administrative ("G&A") expenses were \$6,405,820. G&A expenses were driven by Salaries and benefits, professional fees, legal, etc.

Sales and Marketing expenses were \$6,385,581. This was driven by significant investment in the CBD space via marketing and public relations agencies, headcount, and increased participation in events.

Assets

Current Assets of \$7.5M at December 31, 2019 increased \$2.7M from \$4.8M at December 31, 2018. The majority of the increase is attributable to the growth in accounts receivable due from license partners, and inventory builds. Additional increases were from current Right-of-use assets related to the adoption of IFRS lease standards. At December 31, 2019, the Company had \$12.1M in total assets.

Liabilities

Current liabilities of \$23.1M at December 31, 2019 increased \$18.4M from \$4.7M at December 31, 2018. The majority of the increase is related to notes payable to BR Brands, along with increases in accounts payable, membership redemption notes, and current lease obligations. At December 31, 2019, the Company had \$7.2M in non-current Liabilities.

Net Loss

Mary's recorded a loss of \$10.8M in 2019 and is now focused on generating operating profits in the coming year. Net cash used in operating activities was \$11.0M as compared to \$2.2M in 2018. The increase in operating spending was primarily attributed to the Company's brand building efforts, growth pursuits, and associated inventory builds. There were no distributions or cash dividends declared in 2019.

Liquidity and Capital Resources

Mary's financing needs have historically fluctuated from period to period based on the ongoing development of its operations. Management consistently monitors its cash flows and assesses the liquidity necessary to fund both operations and development. The Company's ability to continue in the normal course of operations is dependent on its ability to raise sufficient capital to maintain operations. There are no assurances that the Company will be successful in achieving this goal. For the year ended December 31, 2019, the Company reported a net loss of \$10.8M, operating cash outflows of \$11M and an accumulated deficit of \$18.1M as at December 31, 2019. These material circumstances cast substantial doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Historically, the Company has had access to financing from private markets, including several debt financings from BR Brands:

- In 2019, beginning in March through December, MM Tech issued unsecured promissory notes to BR Brands for gross proceeds of \$15,385,000. The notes bear interest at 10.0% and mature January 31, 2021.

- Subsequent to December 31, 2019, the Company issued an unsecured promissory note to BR Brands on February 27, 2020 for gross proceeds of \$450,000. The note bears interest at 10.0% and matures January 31, 2021. As of August 31, 2020, this was the last capital raise into MM Tech.

Commercial banks, private equity firms, and venture capital firms have approached the cannabis industry with caution to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private capital available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and/or applicants in the United States. There can be no assurance that additional capital, if raised privately, will be available to the Company when needed or on terms that are acceptable. The Company's potential inability to raise capital to fund capital expenditures or acquisitions may cast substantial doubt on its ability to grow and may have a material adverse effect on future profitability.

Cash Flow from Operating Activities

Cash used in operating activities for the year ended December 31, 2019 was \$11.0M, compared to \$2.2M for the year ended December 31, 2018. Higher spending was a result of expanded operations during the year compared to the same period in the prior year due to increased spending on sales and marketing expenses, increased accounts receivable balances, and inventory builds for forecasted sales and growth opportunities.

Cash Flow from Investing Activities

Cash used in investing activities during the year ended December 31, 2019 was \$1.1M compared to \$740k for the year ended December 31, 2018.

During the year ended December 31, 2019, the Company's cash outflows related to investing activities were as follows:

- Distribution infrastructure in California
- CBD manufacturing and distribution facility
- Equipment related to new state expansion

Cash Flow from Financing Activities

Cash generated from financing activities during the year ended December 31, 2019 was \$11.7M.

Subsequent to the year ended December 31, 2019, MM Tech generated \$55k in operating cash flow through June 30, 2020.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements at December 31, 2019.

Proposed Transaction

Subsequent to the year ended December 31, 2019, on March 9, 2020, BR Brands and Dixie Brands announced the signing of a binding term sheet to merge. On April 22, 2020, BR Brands and Dixie Brands announced the signing of a definitive agreement to complete their previously disclosed business

combination (the "Transaction"), pursuant to which Dixie would indirectly acquire from BR Brands all of the outstanding voting shares of MM Tech. Following completion of the Transaction, BR Brands will own and control approximately 80% of the outstanding voting shares of Dixie, with existing Dixie shareholders and debtholders holding the balance of the outstanding voting shares. The proposed merger was overwhelmingly approved by shareholders at the Annual General and Special Meeting held on July 14, 2020.

Transactions between Related Parties

During 2019, the Company purchased finished goods from a related party at distributor pricings to sell at wholesale prices. Total purchases during the year were \$294,938. Transactions were conducted at arm's length.

During 2019 the Company purchased raw materials from a related party at arm's length. Total purchases from the related party were \$1,490,801.

The Company incurs a monthly management fee of \$16,667, payable to Rose Management Group, LLC, an affiliate of BR Brands. For the year ended December 31, 2019, management fees were recorded within operating expenses and were approximately \$200,000.

During 2019, the Company paid \$1,000,000 to various employees as a transaction related retention bonus. The retention bonus was included within the combined statement of operation for the year ended December 31, 2019.

Risk Factors

The Company has a limited operating history

Mary's was formed in 2013 with a few years of operating history. Since the Company has a limited operating history, its ability to successfully develop its business and to realize consistent and meaningful revenues and to achieve profitability has not been established and cannot be assured. For the Company to realize consistent, meaningful revenues and to achieve profitability, its products and services must achieve broad market acceptance by consumers. There is no guarantee the Company's products or services will remain attractive to potential and current users as the cannabis industry undergoes rapid change. Even if the Company accomplishes its objectives, it may not generate the positive cash flows or returns it anticipates. Any budgeted expense levels are based in part on the Company's expectations concerning future revenues. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new facilities. These include, but are not limited to, inadequate funding, competition, facility development, the inability to employ or retain talent, inadequate sales and marketing, and regulatory concerns. The failure by the Company or its subsidiaries to meet any of these conditions would have a material adverse effect upon the Company. No assurance can be given that the Company or its subsidiaries can or will ever be successful in their operations and operate profitably.

Cannabis is illegal under U.S. federal law

At present, the medical cannabis industry is legalized in the U.S. in 33 states, plus the District of Columbia, each of which have passed laws either decriminalizing or legalizing the use of medical cannabis. Eleven U.S. states, namely Colorado, Illinois, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine

and Washington, D.C., have legalized the adult-use sale of cannabis. However, under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. The federal, and, in some cases, state law enforcement authorities have closed down cannabis dispensaries and investigated and/or closed manufacturers that provide medicinal cannabis. To the extent that an affected dispensary is a purchaser of the Company's products, it will affect the Company's returns.

Both federal and state enforcement efforts to reduce the number of new dispensaries entering the cannabis industry would have a material effect on the Company's business.

Because the business activities of the Company's operating partners are illegal under federal law, the Company may be deemed to be aiding and abetting illegal activities through the products and services that the Company provides to its operating partners.

The Company may be subject to actions by law enforcement authorities, which would materially and adversely affect the Company's business. Under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. As a result, it is possible that law enforcement authorities may seek to bring an action or actions against the Company, including but not limited to a claim of aiding and abetting another's criminal activities. Such an action would have a material effect on the Company's business.

The Company faces intellectual property risks including regulatory and competitive challenges.

The Company has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. At present, the Company holds various intellectual property rights. The Company will rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology rights. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Given the high reliance on intellectual property, any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the United States *Controlled Substances Act* (the "CSA"), the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than federally-registered marks.

The failure to enforce and maintain the Company's intellectual property rights could enable others to use names confusingly similar to Mary's which could adversely affect the value of the brand.

The success of the Company depends on its continued ability to use the Company's trademarks in order to increase brand awareness. In that regard, the Company believes that its brands are valuable assets that

are critical to the Company's success. The unauthorized use or other misappropriation of its brands could diminish the value of the Company's business concept and may cause a decline in revenue.

The Company's business is dependent on the availability and retention of qualified operators.

The Company's success depends in part upon its ability to sufficiently attract, motivate and license operating partners. The inability to recruit and retain these operators may delay the planned production from new facilities, which could harm the Company's business.

The Company's operations are susceptible to factors beyond its control.

Various factors beyond the Company's control, including adverse weather conditions, governmental regulation, production, availability, number and geographic location of facilities may affect its costs or cause a disruption in the production process, which could adversely affect the operating results of the facilities and consequently the Company's profitability.

Unfavorable publicity or consumer perception may impact the brand equity of the Company and the business and profitability of the Company.

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

The Company is subject to regulatory approval.

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where it carry on business. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to obtain such approvals is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

The Company is also subject to marketing and advertising laws and regulations in each jurisdiction in which it operates or plans to distribute its products. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

Product Liability may be incurred in association with its products.

As the Company is involved in the manufacturing and distribution of products designed to be ingested by humans, they face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. Given the Company's position as manufacturers, distributors and retailers of cannabidiol products, and its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

Due to the Company's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desirable to operate the business, which may expose the Company to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, is more difficult for the Company to find, and more expensive, because the Company provides services to and contracts with manufacturers and distributors in the cannabis industry. There are no guarantees that the Company will be able to find such insurances in the future, or that the cost will be affordable. If the Company is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Global financial conditions may not be conducive to the operations and profitability of the Company.

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends could affect the Company's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Ongoing Impact of COVID-19

Since December 31, 2019, governments worldwide have been enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The development and operation of the Company's business plan is dependent on labour inputs and governmental approvals, which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian and U.S. governments and voluntary measures undertaken by the Company with a view to the safety of its employees, may adversely impact the Company's business. The ultimate extent of the impact of the pandemic on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent their further spread, among others. Thus, the current pandemic could therefore materially and adversely affect the Company's business, financial condition and results of operations.

The industry is subject to growth and consolidation.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and the formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or users of competing technology consolidate with the Company's customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

The Company may experience rapid growth and development in its business and may encounter growth-related risks.

Should the Company experience rapid growth and development in its business in a relatively short period of time the Company may encounter growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflict of interest may arise amongst certain directors and officers of the Company.

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Company may be subject to litigation.

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company. Furthermore, because the content of most of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or federally in the United States, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become party to litigation, including litigation involving securities and contract disputes, from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Company may be subject to unfavorable tax treatment by the Internal Revenue Service

Under Section 280E of the *Internal Revenue Code of 1986*, as amended (the "U.S. Tax Code"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws, and the Internal Revenue Service has applied Section 280E narrowly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. In addition, certain news reports have indicated that the Internal Revenue Service may soon increase enforcement activity with respect to Section 280E. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, and recent legislative proposals, if enacted into law, could eliminate or diminish the application of Section 280E to cannabis businesses, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses and the enactment of any such law is uncertain. Application of Section 280E to the Company in a way that is more significant than currently anticipated would have a material adverse impact on the Company.

If no additional U.S. states allow the medicinal or adult-use of cannabis, or if one or more U.S. states that currently allow it reverses its position, the Company may not be able to continue its growth, or the market for its products and services may decline.

Currently, 33 U.S. states and the District of Columbia allow the use of medicinal cannabis, while Colorado, Illinois, Vermont, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine, Massachusetts and Washington, D.C. have legalized the adult-use sale of cannabis. While the Company believes that the number of states that allow the use of medicinal and adult-use cannabis will grow, there can be no assurance that it will, and if it does not, there can be no assurance that the 33 existing states and/or the District of Columbia will not reverse their position and disallow it. If either of these things were to occur, then the Company's business could experience declining revenue as the market for the Company's products and services declines.

Given limitations of data and transparency within the industry, there is difficulty in forecasting market demand.

The Company must rely largely on their own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A softer demand for the Company's products could materialize because of competition, technological change or other factors and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Lack of reliable data on the medical and adult-use cannabis industry may reduce the efficacy of business planning.

Due to recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team.

Given the illegality of cannabis under the U.S. federal law, there is uncertainty in the enforceability of contracts and remedies available for breach of contracts.

It is a fundamental legal principle that a contract will not be enforced if it involves a violation of law or public policy. As cannabis remains illegal at the federal level in the United States, judges in multiple U.S. states have, on a number of occasions, refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company can legally enforce contracts they enter into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, which may have a material adverse effect on its business.

If the Company fail to protect their intellectual property, the Company's results could be adversely affected.

The viability of the Company may depend, in part, on their ability to develop and maintain the proprietary aspects of their technology to distinguish their products from competitors' products. The Company may rely on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect their intellectual property. Any infringement or misappropriation of the intellectual property of the Company could damage their value and limit their ability to compete. They may have to engage in litigation to protect the rights to their intellectual property, which could result in significant litigation costs and require a significant amount of time.

Competitors may also harm the Company's sales by designing products that mirror the capabilities of the Company's products or technology without infringing on intellectual property rights. If the Company does not obtain sufficient protection for their intellectual property, or if they are unable to effectively enforce their intellectual property rights, or protect their trade secrets, their competitiveness could be impaired, which could limit their growth and revenue and in turn the Company's results. It is also possible that the Company could be subject to a claim that they infringed on or violated the intellectual property rights of others.

As discussed above, as long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Company. While patent protection for inventions related to cannabis and cannabis products is available, there are substantial difficulties faced in the patent process by cannabis related businesses. There can be no assurances that any proprietary business processes, patents, copyrights or trademarks that may be issued to a cannabis business will offer any degree of protection.

There is no guarantee the Company will secure a return for its investors.

The Company may never be able to secure a return on its capital assets and investors may lose some or all of their investment. While market indicators appear to be positive (based on the Company's internal market research), there is no guarantee that the market for its Products will not change, and the Company may not be able to take advantage of existing or potential market opportunities.

The Company may, in a separate subsequent offering, issue debt or preferred securities with rights that are preferential to, and could cause a decrease in the value of, the Company's common shares.

Under certain circumstances, the Company may issue debt and/or shares of preferred stock without action by its shareholders.

The Company may need to raise additional capital in the immediate future.

The Company believes its cash resources will be sufficient to fund planned operations and expansion for the immediate future. However, the Company may need additional capital in the future. If the Company raises additional capital through the issuance of debt securities, the interests of shareholders of the Company would be subordinated to the interests of debt holders and any interest payments would reduce the amount of cash available to operate and grow the business. If the Company raises additional capital through the sale of equity securities, the ownership of the shareholders would be diluted. Additionally, the Company cannot predict whether any financing, if obtained, will be adequate to meet capital needs and to support future growth.

The Company has no plans to pay dividends.

The Company has no present plans to declare or pay dividends in the foreseeable future. Any profits earned by the Company will likely be reinvested into the Company's operations. Accordingly, investors should view an investment in the Company as a long-term investment. If dividends are paid by the Company, they would be subject to tax and, potentially, withholdings.

This Management's Discussion and Analysis ("MD&A") of MM Technology Holdings, LLC, ("MM Tech", "Mary's", or the "Company") provides an analysis of the Company's financial results for the six months ended June 30, 2020 and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the three months ended June 30, 2020 and the related notes thereto. All amounts are expressed in U.S. dollars, unless otherwise stated.

Description of Business

Mary's, the flagship asset of the BR Brands portfolio, is a developer of cannabis infused products such as transdermal topicals, transdermal patches, capsules, vapes, and tinctures in legal and state-legalized cannabis markets globally.

Mary's was formed in 2013 in Denver, Colorado, and is a premier branded consumer products business that offers best-in-class medicinal and wellness THC and CBD products under three brands: (1) Mary's Medicinals ("Medicinals"), (2) Mary's Nutritionals ("Nutritionals"), and (3) Mary's Tails ("Tails"). Medicinals, best known as the developer of the first transdermal cannabis patch and gel pen, researches, develops, and markets cannabinoid infused products that are sold to thousands of licensed recreational and medical retail dispensaries across 9 states. Nutritionals, launched in April 2015, researches, develops, and manufactures products infused with organically cultivated activated hemp extract and other plant-based extracts. The Nutritionals hemp-infused product lines are distributed direct to consumer (DTC) online. Tails, developed in Q2 2019, markets products for the pet market (canines and felines) and currently sells innovative hemp-derived cannabinoid-infused products nationwide in PetSmart, Inc. retail stores, and DTC.

Financing Developments

In February 2020, BR Brands provided a \$450,000 Unsecured Promissory Note to Mary's. The proceeds are being used to bridge the gap to a path of cash flow generation.

Operational Developments

BR Brands pivoted its strategic focus from a path of revenue growth to a path of pursuing cash flow generation. As part of this realignment of strategy, the Mary's Nutritionals brand paused its business-to-business sales. Nutritionals' hemp-based CBD products will continue its e-commerce sales in the direct-to-consumer channel. In connection with this shift, Mary's conducted a reduction in force of 37 employees. The market for hemp-based CBD products is very competitive and BR Brands sees opportunity to earn higher margins with THC at Mary's Medicinals.

In Q1, Mary's negotiated its partnership with PetSmart, one of the nation's largest pet product retailers. Mary's Tails is PetSmart's first in-store hemp extract brand. As part of the launch, effective in Q2, Mary's Tails products debuted on shelves in 122 PetSmart stores, with plans to roll out into an additional 900+ stores in 2020. PetSmart will sell Mary's Tails products on Petsmart.com in Q3.

Mary's continued its focus on profitability and secured an ERP system to tighten its operational efficiencies.

Colorado - Management has focused on optimization of the CBD facilities, reducing monthly fixed costs. Additionally, the THC sales function has been reorganized, primarily leveraging a third-party relationship to grow sales and reduce related expenses.

Michigan - There continues to be a biomass shortage in Michigan. This is leading to significant price increases for flower and manufactured products. A BR Brands board member obtained a manufacturing license and is currently investigating the ability to construct a BR Brands manufacturing facility.

Selected Financial Information.

MM Technology Holdings, LLC and Affiliates
Unaudited Condensed Interim Combined Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended June 30, 2020 and 2019
(Expressed in United States Dollars)

	For the three months ended June 30, 2020 \$	For the three months ended June 30, 2019 \$	For the six months ended June 30, 2020 \$	For the six months ended June 30, 2019 \$
Sales revenue	3,504,925	4,039,445	7,189,773	8,191,467
Licensing revenue	2,545,462	1,002,612	5,605,108	2,143,159
Total revenue	6,050,387	5,042,057	12,794,881	10,334,626
Cost of goods sold	1,580,306	2,734,667	3,763,337	5,688,679
Cost of licensing revenue	1,462,288	1,144,958	3,971,999	2,564,090
Gross profit	3,007,793	1,162,432	5,059,545	2,081,857
Expenses				
Selling expenses	830,137	1,338,337	2,073,642	2,545,061
General and administrative expenses (Note 13)	1,382,027	1,693,435	2,863,368	3,099,172
Depreciation and amortization expense	198,329	80,844	398,862	151,854
Total expenses	2,410,493	3,112,616	5,335,872	5,796,087
Income (loss) from operations	597,300	(1,950,184)	(276,327)	(3,714,230)
Other (Income) Expenses				
Transaction related bonus	-	1,000,000	-	1,000,000
Interest expense on lease obligations	32,531	-	66,756	-
Finance cost	574,600	243,312	1,131,042	305,031
Other (income) expenses	(27,508)	-	8,065	-
Total other (income) expenses	579,623	1,243,312	1,205,863	1,305,031
Income (loss) before income tax expenses	17,677	(3,193,496)	(1,482,190)	(5,019,261)
Current income tax expense	(54,095)	(159,646)	(244,053)	(434,117)
Net loss	(36,418)	(3,353,142)	(1,726,243)	(5,453,378)

Results of Operations

Total Revenue

Mary's revenue grew approximately 24% year over year as the Company continued to penetrate state markets. Additionally, Mary's began selling products in Oklahoma during 2020, generating \$617k in sales during the first half.

	Six months ended June 30,	
	2020	2019
Nutritionals	\$ 1,983,172	\$3,379,428
Medicinals		
Colorado	\$ 1,341,826	\$2,617,230
California	3,511,267	2,271,509
Michigan	4,423,092	1,198,130
Florida	860,001	472,191
Oklahoma	617,074	0
Other	58,448	396,138
	\$12,794,881	\$10,334,626

Colorado

Mary's generated \$1.3M of revenue in Colorado in the first half of 2020. This year over year decline was a result of the strategic shift in its Nutritionals business and a change in its sales force to position for renewed growth ahead. The Company is also exploring additional manufacturing operational efficiencies.

California

California generated \$3.5M of revenue in the first half 2020, reflecting a 55% year over year increase over \$2.3M in the first half of 2019. The increase is primarily related to a growing California adult-use market and growth in the Mary's distribution network throughout 2019. Mary's began distribution through Mary's Tech CA, Inc. in Q1 of 2019.

Michigan

Michigan sales increased from c. \$1.2M in the first half 2019, to \$4.4M in the first half 2020, representing a 269% increase. Growth in Michigan is primarily related to legalization of adult-use products in the state December 2020. The market continues to grow for both medical and recreational use products.

Florida

Florida revenue of c. \$860k represented a c. 82% increase year over year due to the opening of new retail locations for Mary's licensing partner in the vertically integrated state. Additionally, the state continues to grow the number of patients with medical marijuana cards and doctors certified to recommend cannabis products.

Gross Profit

Gross profit for the six months ended June 30th was c. \$5.1M, representing a 39.5% margin. Gross profit increased 96%, or 1,940 bps points over the first half of 2019. The margin growth primarily came from scaling operations in new states like Florida and Michigan, and from eliminating lower margin business. Other margin improvements include the benefits of bringing manufacturing and distribution in house for the Nutritionals business, as well as better raw material sourcing.

Total Operating Expenses

Mary's Operating expenses decreased from \$5.8M in the first half of 2019 to \$5.3M in the first half of 2020.

General and administrative ("G&A") expenses decreased from \$3.1M in the first half of 2019 to \$2.9M in the first half of 2020. G&A expenses were driven by Salaries and benefits, professional fees, legal, etc.

Sales and Marketing expenses decreased from \$2.5M in the first half of 2019 to \$2.1M in the first half of 2020. This was due to reduced investment in the CBD space via marketing and public relations agencies, headcount, and participation in events.

Mary's also executed many initiatives to reduce expenses for the remainder of the year. A reduction-in-force, compensation restructuring for sales employees, and other employee changes to create annual savings of approximately \$3.5M. Additional changes to legal and marketing service providers is expected to result in further cost reductions. Mary's also created new supply relationships and brought CBD fulfillment in-house which will improve margins throughout the organization effective Q2.

Net Loss

Despite generating a net loss of \$1.7M in the first half of 2020, Mary's generated approximately \$800k of EBITDA in the second quarter. This was a direct result of the cumulative efforts taken in Q1 to position the company for positive cash flow generation ahead. There were no distributions or dividends declared through June 30, 2020.

Current Assets

Current Assets of \$6.9M as of June 30, 2020 decreased approximately \$600k from \$7.5M on December 31, 2019. The majority of the decrease is attributable to sales of inventory during 2019. At June 30, 2020, the Company had \$11.3M in total assets.

Current Liabilities

Current liabilities of \$24.1M as of June 30, 2020 increased c. \$1M versus \$23.1M on December 31, 2019. The majority of the increase is related to increases in the notes payable-current portion, related interest payable on the notes, and accrued taxes. At June 30, 2020, the Company had \$31.2M in total liabilities.

Liquidity and Capital Resources

The Company's financing needs have historically fluctuated from period to period based on the ongoing development of its operations. Management consistently monitors its cash flows and assesses the liquidity necessary to fund both operations and development. The Company's ability to continue in the normal course of operations is dependent on its ability to raise sufficient capital to maintain operations.

There are no assurances that the Company will be successful in achieving this goal. For the period ended June 30, 2020, the Company reported a net loss of \$1.7M, operating cash inflows of \$56k and an accumulated deficit of \$19.9M as at June 30, 2020. These material circumstances cast substantial doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Historically, the Company has had access to financing from private markets, including several debt financings from BR Brands:

- In 2019, beginning in March through December MM Tech issued unsecured promissory notes to BR Brands for gross proceeds of \$15.4M. The notes bear interest at 10.0% and mature January 31, 2021.
- On February 27, 2020, the Company issued an unsecured promissory note to BR Brands for gross proceeds of \$450,000. The note bears interest at 10.0% and matures January 31, 2021. As of August 31, 2020, this was the last capital raise into MM Tech.

Commercial banks, private equity firms, and venture capital firms have approached the cannabis industry with caution to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private capital available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and/or applicants in the United States. There can be no assurance that additional capital, if raised privately, will be available to the Company when needed or on terms that are acceptable. The Company's potential inability to raise capital to fund capital expenditures or acquisitions may cast substantial doubt on its ability to grow and may have a material adverse effect on future profitability.

Cash Flow from Operating Activities

Cash from operating activities for the 6 month period ended June 30, 2020 was \$56k, compared to cash used of \$6.9M for the period ended June 30, 2019. The improvement in operating cash flow is a result of reduced operational spending during the year compared to the same period in the prior year, increased focus on higher margin business units, a reduction of headcount, and reduction in overall working capital.

Cash Flow from Investing Activities

Cash used in investing activities during the 6 month period ended June 30, 2020 was \$62k, compared to \$631k for the same period ended June 30, 2019.

- During the 6 month period ended June 30, 2020, the Company's cash outflows related to investing activities were primarily related to production equipment.

Cash Flow from Financing Activities

Cash generated from financing activities during the 6 month period ended June 30, 2020 was \$297k.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements at June 30, 2020.

Proposed Transaction

On March 9, 2020, BR Brands and Dixie Brands announced the signing of a binding term sheet to merge. On April 22, 2020, BR Brands and Dixie Brands announced the signing of a definitive agreement to complete their previously disclosed business combination (the "Transaction"), pursuant to which Dixie would indirectly acquire from BR Brands all of the outstanding voting shares of MM Tech. Following completion of the Transaction, BR Brands will own and control approximately 80% of the outstanding voting shares of Dixie, with existing Dixie shareholders and debtholders holding the balance of the outstanding voting shares. The proposed merger was overwhelmingly approved by shareholders at the Annual General and Special Meeting held on July 14, 2020.

Transactions between Related Parties

During the six months ended June 30, 2020, the Company purchased raw materials from a related party at arm's length. Total purchases from the related party were approximately \$134,439. In February 2020, the Company paid a \$100,000 fee to terminate the purchasing agreement. The early termination fee was recorded within operating expenses.

The Company incurs a monthly management fee of \$16,667, payable to Rose Management Group, LLC, an affiliate of BR Brands. For the six months ended June 30, 2020, management fees were recorded within operating expenses and were approximately \$100,000.

Risk Factors

The Company has a limited operating history

Mary's was formed in 2013 with a few years of operating history. Since the Company has a limited operating history, its ability to successfully develop its business and to realize consistent and meaningful revenues and to achieve profitability has not been established and cannot be assured. For the Company to realize consistent, meaningful revenues and to achieve profitability, its products and services must achieve broad market acceptance by consumers. There is no guarantee the Company's products or services will remain attractive to potential and current users as the cannabis industry undergoes rapid change. Even if the Company accomplishes its objectives, it may not generate the positive cash flows or returns it anticipates. Any budgeted expense levels are based in part on the Company's expectations concerning future revenues. Unanticipated problems, expenses and delays are frequently encountered in establishing a new business and developing new facilities. These include, but are not limited to, inadequate funding, competition, facility development, the inability to employ or retain talent, inadequate sales and marketing, and regulatory concerns. The failure by the Company or its subsidiaries to meet any of these conditions would have a material adverse effect upon the Company. No assurance can be given that the Company or its subsidiaries can or will ever be successful in their operations and operate profitably.

Cannabis is illegal under U.S. federal law

At present, the medical cannabis industry is legalized in the U.S. in 33 states, plus the District of Columbia, each of which have passed laws either decriminalizing or legalizing the use of medical cannabis. Eleven U.S. states, namely Colorado, Illinois, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine and Washington, D.C., have legalized the adult-use sale of cannabis. However, under United States federal

law, the possession, use, cultivation, and transfer of cannabis is illegal. The federal, and, in some cases, state law enforcement authorities have closed down cannabis dispensaries and investigated and/or closed manufacturers that provide medicinal cannabis. To the extent that an affected dispensary is a purchaser of the Company's products, it will affect the Company's returns.

Both federal and state enforcement efforts to reduce the number of new dispensaries entering the cannabis industry would have a material effect on the Company's business.

Because the business activities of the Company's operating partners are illegal under federal law, the Company may be deemed to be aiding and abetting illegal activities through the products and services that the Company provides to its operating partners.

The Company may be subject to actions by law enforcement authorities, which would materially and adversely affect the Company's business. Under United States federal law, the possession, use, cultivation, and transfer of cannabis is illegal. As a result, it is possible that law enforcement authorities may seek to bring an action or actions against the Company, including but not limited to a claim of aiding and abetting another's criminal activities. Such an action would have a material effect on the Company's business.

The Company faces intellectual property risks including regulatory and competitive challenges.

The Company has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. At present, the Company holds various intellectual property rights. The Company will rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology rights. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Given the high reliance on intellectual property, any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the United States *Controlled Substances Act* (the "CSA"), the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level. While many states do offer the ability to protect trademarks independent of the federal government, patent protection is wholly unavailable on a state level, and state-registered trademarks provide a lower degree of protection than federally-registered marks.

The failure to enforce and maintain the Company's intellectual property rights could enable others to use names confusingly similar to Mary's which could adversely affect the value of the brand.

The success of the Company depends on its continued ability to use the Company's trademarks in order to increase brand awareness. In that regard, the Company believes that its brands are valuable assets that

are critical to the Company's success. The unauthorized use or other misappropriation of its brands could diminish the value of the Company's business concept and may cause a decline in revenue.

The Company's business is dependent on the availability and retention of qualified operators.

The Company's success depends in part upon its ability to sufficiently attract, motivate and license operating partners. The inability to recruit and retain these operators may delay the planned production from new facilities, which could harm the Company's business.

The Company's operations are susceptible to factors beyond its control.

Various factors beyond the Company's control, including adverse weather conditions, governmental regulation, production, availability, number and geographic location of facilities may affect its costs or cause a disruption in the production process, which could adversely affect the operating results of the facilities and consequently the Company's profitability.

Unfavorable publicity or consumer perception may impact the brand equity of the Company and the business and profitability of the Company.

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical cannabis and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

The Company is subject to regulatory approval.

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where it carry on business. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to obtain such approvals is likely to delay and/or inhibit the Company's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

The Company is also subject to marketing and advertising laws and regulations in each jurisdiction in which it operates or plans to distribute its products. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

Product Liability may be incurred in association with its products.

As the Company is involved in the manufacturing and distribution of products designed to be ingested by humans, they face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. Given the Company's position as manufacturers, distributors and retailers of cannabidiol products, and its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

Due to the Company's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desirable to operate the business, which may expose the Company to additional risk and financial liabilities.

Insurance that is otherwise readily available to other businesses, such as workers compensation, general liability, and directors and officers insurance, is more difficult for the Company to find, and more expensive, because the Company provides services to and contracts with manufacturers and distributors in the cannabis industry. There are no guarantees that the Company will be able to find such insurances in the future, or that the cost will be affordable. If the Company is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Global financial conditions may not be conducive to the operations and profitability of the Company.

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favorable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends could affect the Company's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Ongoing Impact of COVID-19

Since December 31, 2019, governments worldwide have been enacting emergency measures to combat the spread of COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The development and operation of the Company's business plan is dependent on labour inputs and governmental approvals, which could be adversely disrupted by the ongoing impact of COVID-19. While it is difficult to predict the impact of the coronavirus outbreak on the Company's business, measures taken by the Canadian and U.S. governments and voluntary measures undertaken by the Company with a view to the safety of its employees, may adversely impact the Company's business. The ultimate extent of the impact of the pandemic on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the pandemic and actions taken to contain or prevent their further spread, among others. Thus, the current pandemic could therefore materially and adversely affect the Company's business, financial condition and results of operations.

The industry is subject to growth and consolidation.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in increasing consolidation and the formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or users of competing technology consolidate with the Company's customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

The Company may experience rapid growth and development in its business and may encounter growth-related risks.

Should the Company experience rapid growth and development in its business in a relatively short period of time the Company may encounter growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflict of interest may arise amongst certain directors and officers of the Company.

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Company may be subject to litigation.

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company. Furthermore, because the content of most of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or federally in the United States, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become party to litigation, including litigation involving securities and contract disputes, from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Company may be subject to unfavorable tax treatment by the Internal Revenue Service

Under Section 280E of the *Internal Revenue Code of 1986*, as amended (the "U.S. Tax Code"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws, and the Internal Revenue Service has applied Section 280E narrowly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. In addition, certain news reports have indicated that the Internal Revenue Service may soon increase enforcement activity with respect to Section 280E. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, and recent legislative proposals, if enacted into law, could eliminate or diminish the application of Section 280E to cannabis businesses, there is no guarantee that these courts will issue an interpretation of Section 280E that is favorable to cannabis businesses and the enactment of any such law is uncertain. Application of Section 280E to the Company in a way that is more significant than currently anticipated would have a material adverse impact on the Company.

If no additional U.S. states allow the medicinal or adult-use of cannabis, or if one or more U.S. states that currently allow it reverses its position, the Company may not be able to continue its growth, or the market for its products and services may decline.

Currently, 33 U.S. states and the District of Columbia allow the use of medicinal cannabis, while Colorado, Illinois, Vermont, Michigan, Washington, Oregon, Alaska, Nevada, California, Maine, Massachusetts and Washington, D.C. have legalized the adult-use sale of cannabis. While the Company believes that the number of states that allow the use of medicinal and adult-use cannabis will grow, there can be no assurance that it will, and if it does not, there can be no assurance that the 33 existing states and/or the District of Columbia will not reverse their position and disallow it. If either of these things were to occur, then the Company's business could experience declining revenue as the market for the Company's products and services declines.

Given limitations of data and transparency within the industry, there is difficulty in forecasting market demand.

The Company must rely largely on their own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A softer demand for the Company's products could materialize because of competition, technological change or other factors and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Lack of reliable data on the medical and adult-use cannabis industry may reduce the efficacy of business planning.

Due to recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Company's management team.

Given the illegality of cannabis under the U.S. federal law, there is uncertainty in the enforceability of contracts and remedies available for breach of contracts.

It is a fundamental legal principle that a contract will not be enforced if it involves a violation of law or public policy. As cannabis remains illegal at the federal level in the United States, judges in multiple U.S. states have, on a number of occasions, refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Company can legally enforce contracts they enter into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, which may have a material adverse effect on its business.

If the Company fail to protect their intellectual property, the Company's results could be adversely affected.

The viability of the Company may depend, in part, on their ability to develop and maintain the proprietary aspects of their technology to distinguish their products from competitors' products. The Company may rely on copyrights, trademarks, trade secrets, and confidentiality provisions to establish and protect their intellectual property. Any infringement or misappropriation of the intellectual property of the Company could damage their value and limit their ability to compete. They may have to engage in litigation to protect the rights to their intellectual property, which could result in significant litigation costs and require a significant amount of time.

Competitors may also harm the Company's sales by designing products that mirror the capabilities of the Company's products or technology without infringing on intellectual property rights. If the Company does not obtain sufficient protection for their intellectual property, or if they are unable to effectively enforce their intellectual property rights, or protect their trade secrets, their competitiveness could be impaired, which could limit their growth and revenue and in turn the Company's results. It is also possible that the Company could be subject to a claim that they infringed on or violated the intellectual property rights of others.

As discussed above, as long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections, such as federal trademark and patent protection of the intellectual property of a business, may not be available to the Company. While patent protection for inventions related to cannabis and cannabis products is available, there are substantial difficulties faced in the patent process by cannabis related businesses. There can be no assurances that any proprietary business processes, patents, copyrights or trademarks that may be issued to a cannabis business will offer any degree of protection.

There is no guarantee the Company will secure a return for its investors.

The Company may never be able to secure a return on its capital assets and investors may lose some or all of their investment. While market indicators appear to be positive (based on the Company's internal market research), there is no guarantee that the market for its Products will not change, and the Company may not be able to take advantage of existing or potential market opportunities.

The Company may, in a separate subsequent offering, issue debt or preferred securities with rights that are preferential to, and could cause a decrease in the value of, the Company's common shares.

Under certain circumstances, the Company may issue debt and/or shares of preferred stock without action by its shareholders.

The Company may need to raise additional capital in the immediate future.

The Company believes its cash resources will be sufficient to fund planned operations and expansion for the immediate future. However, the Company may need additional capital in the future. If the Company raises additional capital through the issuance of debt securities, the interests of shareholders of the Company would be subordinated to the interests of debt holders and any interest payments would reduce the amount of cash available to operate and grow the business. If the Company raises additional capital through the sale of equity securities, the ownership of the shareholders would be diluted. Additionally, the Company cannot predict whether any financing, if obtained, will be adequate to meet capital needs and to support future growth.

The Company has no plans to pay dividends.

The Company has no present plans to declare or pay dividends in the foreseeable future. Any profits earned by the Company will likely be reinvested into the Company's operations. Accordingly, investors should view an investment in the Company as a long-term investment. If dividends are paid by the Company, they would be subject to tax and, potentially, withholdings.

SCHEDULE “C”
THE ISSUER’S MANAGEMENT’S DISCUSSION & ANALYSIS FOR THE YEAR ENDED
DECEMBER 31, 2019 AND FOR THE SIX MONTHS ENDED JUNE 30, 2020

[Please see attached]

Dixie Brands Inc.

Management Discussion and Analysis For the three and twelve months ended December 31, 2019

This Management Discussion and Analysis (“MD&A”) of Dixie Brands Inc. (the “Company” “DBI” “Dixie Brands”, or “Dixie”) provides analysis of the Company’s financial condition and results for the three months and twelve months ended December 31, 2019. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The following information should be read in conjunction with the accompanying audited financial statements and the notes thereto. This MD&A was prepared using information that is current as of June 12, 2020, unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators.

The information provided in this MD&A may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments including, without limitation, proposed sales of the Company's products in Michigan, Oklahoma and other United States and foreign jurisdictions, and the development and launch of new products. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's listing statement dated November 23, 2018.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Company’s business; (ii) there will be a demand for the Company’s products that the Company has accurately forecast; and (iii) there will be no material adverse change in the Company’s operations, business or in any governmental regulation affecting the Company or its suppliers.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company’s behalf may issue.

The MD&A was prepared and approved by management of the Company on June 12, 2020.

Overview of the Company

Based in Denver, Colorado, Dixie Brands is one of the cannabis industry’s leading consumer packaged goods (“CPG”) companies, crafting award-winning Tetrahydrocannabinol (“THC”) and Cannabidiol (“CBD”) infused products since its inception in 2010. Starting with its flagship Elixir, the portfolio has grown through unparalleled production heritage and an industry-leading research and development (“R&D”) capability to encompass five distinct brands, 15 product lines and over 100 individual products (“SKU’s”) representing some of the industry’s finest edibles, beverages, tinctures, topicals and concentrates as well as world-class CBD-infused wellness products and pet dietary supplements.

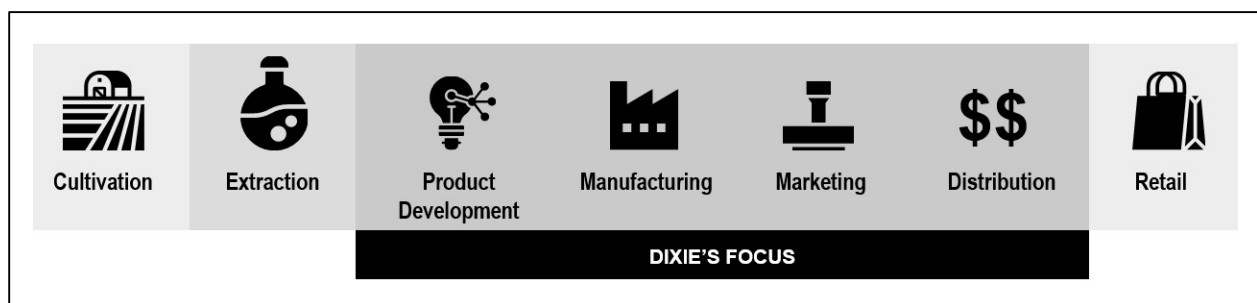
Dixie Brands has established a leadership position in the industry via:

- A proven track record over nearly 10 years in business
- A portfolio of brands that people recognize and trust
- Industry-leading R&D capability, intellectual property (“IP”) and related formulations
- Unparalleled heritage and expertise in food-grade manufacturing
- Deep packaging and compliance experience and expertise
- Demonstrated ability to rapidly commercialize new markets and products

Overview of Operations

A Clear and Focused Business Model

Dixie Brands is a true multi-state operator (“MSO”), CPG company focused on high-return segments of the value chain:



Full vertical integration poses a number of challenges, costs and limitations to a world-class CPG company building a portfolio of ‘famous brands’ where flexibility in raw materials and the ability to maximize retail distribution are fundamental to sustainable success. Dixie optimizes profitable revenue potential by sourcing its raw materials, and by driving availability of its products through all applicable licensed retailers.

With that clearly defined focus, Dixie Brands has established an industry leading position on product development, food-grade manufacturing, quality control, packaging design and commercialization (sales and marketing) of one of the industry’s broadest portfolios of consistently high-quality cannabis-infused products.

A True House of Brands

As one of the industry’s only true House of Brands (a portfolio of distinct, differentiated brands created for specific consumer audiences and distribution channels), Dixie has built a purposeful consumer-driven portfolio spanning the full cannabis spectrum from ‘Fun’ to ‘Functional’ across three distinct business units:

Dixie Brands – THC and CBD infused edibles, topicals and concentrates available in select regulated markets only. Brands include:

- **Dixie** - Built for Experience Explorers, Dixie encapsulates contemporary cannabis culture providing high quality, consistent, flavorful and indulgent edible products for those looking to discover more from everyday moments.
- **Synergy** – Purposefully crafted, clean, green and predictably functional infused products for health and wellness worshippers looking to live life to the fullest. Synergy celebrates the entourage effect, thoughtfully combining THC and CBD with other hero ingredients to provide a holistic experience.
- **Mindset** – A pointedly effect-based brand in development. Crafted for performance pragmatists who have the fire within, looking to elevate their performance and, chasing their summits, be they athletic, creative or intellectual.

AcesoHemp – Broad spectrum hemp-derived human supplements distributed via direct to consumer (“DTC”), eCommerce and broad market retail channels.

- A brand created to capture the restorative nature of plants, AcesoHemp combines all natural ‘Herb to Hemp’ ingredients including terpenes, L-theanine, turmeric, glucosamine and B-vitamins to provide a portfolio of products targeting specific outcomes such as anxiety, pain and inflammation.

Therabis – Broad spectrum hemp-derived pet supplements distributed via DTC, eCommerce, broad market pet retail and Veterinary-only channels.

- Originally founded by Dixie with veterinarian Dr Steven Katz, Therabis is a broad-spectrum hemp brand providing natural, efficacious alternative remedies for cats and dogs, offering indication-specific relief via Calming, Mobility and Stop the Itch formulas.

Operating Across Multiple Markets

The Dixie Brands regulated portfolio currently operates through licensed manufacturers in six US states (Colorado, California, Nevada, Maryland, Michigan and Oklahoma). Dixie Brands products are currently sold in more than 1,100 dispensaries across existing markets (with approximately 90% penetration in Colorado, Nevada, Maryland and Michigan).

The AcesoHemp and Therabis hemp-derived product portfolios are currently available nationwide via owned DTC channels and indirectly through third-party distributors and key online plus brick-and-mortar retailers, and on a combined basis are currently available in more than 3,000 retail locations.

Business Strategy

Revenue model

Dixie generates revenue from the regulated industry based on specific contracts with licensed manufacturers for the grant of the right to use the intellectual property rights of Dixie. Revenue from Therabis and Aceso are derived from multiple sales channels including DTC, eCommerce, distributors, wholesalers and broad market retail channels.

Since being publicly listed on the Canadian Stock Exchange on November 29th, 2018, Dixie Brands has aggressively pursued its stated goal of becoming the number one CPG company in the cannabis industry via demonstrated progress against five key strategic imperatives:

1) Optimize Global Reach

Establish a truly global portfolio of consumer brands via purposeful, rapid expansion into new markets organically, via strategic partnerships and/or focused M&A. In 2019, Dixie Brands:

- Opened Michigan, generating revenue less than 60 days after signing the agreement
- Secured Oklahoma, commenced commercial operations by end of January 2020

2) Control Quality by Managing Production

Build manufacturing operations in each market for the regulated portfolio via local licensing agreements or joint ventures with locally licensed partners. Utilize deep experience and robust IP library to establish and accelerate production efficiently and effectively. In 2019, Dixie Brand:

- Increased available SKU's in Michigan, to 21 SKU's
- Launched four additional SKU's into Maryland
- Launched eight additional SKU's into California
- Launched five additional SKU's into Colorado

3) Be Masters of Our Own Destiny

Maximize control over route to market with dedicated sales and marketing efforts in each geography, deploying proven commercial strategic framework via localized team:

- Dominate at retail (brick and mortar and online)
- Build meaningful relationships with budtenders and/or retail staff (non-regulated)
- Engage target audiences directly and digitally
- Fuel word of mouth

To date in 2019, Dixie Brands has:

- Built a strong executive team with deep CPG experience and a demonstrated track record of building brands
- Finalized portfolio architecture, brand definition and consumer profiling underpinning house of brands

4) Satisfy Consumer needs via Innovation

Deploy innovation as a weapon via unparalleled R&D capability, utilizing localized consumer insight to drive new product development and localized consumer feedback to drive ongoing existing product review, refinement and renovation. To date in 2019, Dixie Brands has:

- Launched Dixie Bursts into Colorado, driving 23% market share within first 90 days
- Announced breakthrough in water solubility via proprietary emulsification technique and ingredient management with new brand FUSE, drink additive which has an expected launch planned for early 2020.
- Launched AcesoHemp CBD-infused dissolvable tablets and range of topical creams
- Launched an industry-first in Therabis' CBD-infused feline soft chew targeting a specific indication (stress)

5) Leverage Leadership Position for Growth

Utilize strength of brands and commercial performance to rapidly drive revenue growth organically (increased distribution, accelerated new product launches, enhanced retail presence and recommendation) via focused M&A and strategic partnerships. In 2019, Dixie Brands:

- Finalized definitive agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand, bringing two iconic, trusted and innovative brands together for the production, distribution and sales of THC-infused products. The entry of such an iconic CPG brand has been widely recognized as a watershed moment for the cannabis industry, validating Dixie Brands' unparalleled experience and market strategy.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the three months and twelve months ending December 31, 2019 and 2018.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	Three months ended December 31,		Year to Date December 31,		
	2019	2018	2019	2018	2017
Revenues					
Licensing	\$ 2,548,862	\$ 1,785,951	\$ 9,914,899	\$ 4,488,993	\$ 1,581,554
Finished Goods	183,750	90,514	857,555	638,814	640,604
Materials and Ingredients	12,130	(271,052)	224,868	411,910	742,557
Other	17,521	(4,490)	99,637	251,734	374,672
Total Revenue	2,762,263	1,600,923	11,096,959	5,791,451	3,339,387
Cost of Goods Sold	1,674,476	504,534	6,564,698	2,773,549	1,763,777
Gross Profit	1,087,787	1,096,389	4,532,261	3,017,902	1,575,610
General and Administrative	1,501,538	10,612,544	16,867,144	14,741,237	3,289,008
Sales and Marketing	813,324	732,753	5,831,479	1,189,618	793,275
Depreciation and Amortization	45,829	29,968	513,978	196,904	251,611
Total Operating Expenses	2,360,691	11,375,265	23,212,601	16,127,759	4,333,894
Loss From Operations	(1,272,904)	(10,278,876)	(18,680,340)	(13,109,857)	(2,758,284)
Total Other (Income) Expense	550,636	6,079,292	1,758,676	8,128,494	1,581,654
Net Loss and Comprehensive Loss Before Non-Controlling Interest	(1,823,540)	(16,358,168)	(20,439,016)	(21,238,351)	(4,339,938)
Non Controlling Interest	36,849	(775,989)	(298,927)	(945,293)	(299,902)
Net Loss Attributable to Company	\$ (1,860,389)	\$ (15,582,179)	\$ (20,140,089)	\$ (20,293,058)	\$ (4,040,036)
Earnings (Loss) Per Share - Basic and Diluted	\$ (0.01)	\$ (0.28)	\$ (0.16)	\$ (0.36)	\$ (0.10)
Attributable to Dixie Brands Inc	\$ (0.01)	\$ (0.27)	\$ (0.16)	\$ (0.35)	\$ (0.09)
Attributable to Non-Controlling Interest	\$ -	\$ (0.01)	\$ -	\$ (0.02)	\$ (0.01)
Weighted-Average Shares Outstanding - Basic and Diluted	125,862,932	58,349,725	125,862,932	58,349,725	43,296,205
			December 31,	December 31,	December 31,
			2019	2018	2017
Current Assets			\$ 7,381,755	\$ 21,990,079	\$ 2,468,335
Total Assets			\$ 9,728,734	\$ 24,899,172	\$ 6,349,026
Current Liabilities			\$ 13,860,788	\$ 8,725,423	\$ 7,696,698
Total Liabilities			\$ 13,860,788	\$ 8,963,523	\$ 8,561,559

Discussion of Operations

Total Revenue

Revenue for the three months ended December 31, 2019 was \$2,762,263, an increase of \$1,161,340 (73%) from the fourth quarter of the prior year. Revenue for the twelve months ended December 31, 2019 was \$11,096,959, an increase of \$5,305,508 (92%) over the prior year.

The increase in total revenue continues to be driven by our sustained presence in Colorado, an established market and our renewed focus on California, a market Dixie re-entered in October 2018. Revenue also has increased due to opening a new market in Michigan at the end of March 2019. Sales growth is attributable to both existing products and the launch of new products, as well as higher penetration into dispensaries.

The Company also developed new distribution channels and routes to market in 2019 for its two CBD subsidiaries, AcesoHemp and Therabis. We expect increased revenue in subsequent quarters from this focused investment.

Revenue is classified as licensing revenue, finished goods, materials and ingredients and other. Licensing revenue is the main driver of the change in revenue recognized in 2019 compared to 2018. Finished goods revenue relates to the sale of the companies CBD Subsidiaries, AcesoHemp and Therabis.

Licensing Revenue

Licensing revenue is derived from affiliate sales of Dixie branded products in their related state and governed by the individual contract between the Company and the affiliate.

Licensing revenue for the three months ended December 31, 2019 was \$2,548,862, an increase of \$762,911 (43%) from the fourth quarter of the prior year. Licensing revenue for the twelve months ended December 31, 2019 was \$9,914,899, an increase of \$5,425,906 (121%) over the prior year.

Licensing revenue related to each location is detailed out below.

	Three months ended December 31,		Year to Date December 31,	
	2019	2018	2019	2018
Colorado	\$ 1,703,846	\$ 1,296,156	\$ 6,997,766	\$ 3,242,216
California	556,470	225,184	1,819,903	244,975
Maryland	89,362	103,174	385,450	320,845
Nevada	131,181	161,437	516,412	680,957
Michigan	68,004	-	195,369	-
	<u>\$ 2,548,862</u>	<u>\$ 1,785,951</u>	<u>\$ 9,914,899</u>	<u>\$ 4,488,993</u>

Colorado

Colorado license revenue for the three months ended December 31, 2019 was \$1,703,846 an increase of \$407,690 (31%) from the fourth quarter of the prior year. Revenue for the twelve months ended December 31, 2019 was \$6,997,766 an increase of \$3,755,550 (116%) over the prior year.

The increase in Q4 2019 compared to Q4 2018 was due to higher sales by the Colorado affiliate on Dixie-branded products. These higher sales were achieved by a 9% increased penetration into dispensaries, an increase of 147% of the Dixie Gummy, and a successful introduction of the Dixie Bursts.

The increase in the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018 can be attributed to the change in the Colorado affiliate revenue model on July 1, 2018. The new revenue model allowed the Company to recognize a higher percentage of the revenue from the sale of Dixie branded products. Under this model, the Company incurred certain expenses that had previously been allocated to the manufacturer.

California

California license revenue for the three months ended December 31, 2019 was \$556,470 an increase of \$331,286 (147%) from the fourth quarter of the prior year. Revenue for the twelve months ended December 31, 2019 was \$1,819,903 an increase of \$1,574,928 (643%) over the prior year.

The California affiliate terminated production of Dixie branded products at the end of 2017. The first three quarters of 2018 sales were related to inventory on hand until a new contract was negotiated. In third quarter 2018 a new agreement was executed, and manufacturing of Dixie branded products started in fourth quarter 2018. The increase in Q4 2019 compared to Q4 2018 was due to a 158% increase in sales by the California affiliate on Dixie-branded products.

Maryland

Maryland license revenue for the three months ended December 31, 2019 was \$89,362 a decrease of \$13,812 (-13%) from the fourth quarter of the prior year. Revenue for the twelve months ended December 31, 2019 was \$385,450 an increase of \$64,605 (20%) over the prior year.

The decrease in Q4 2019 compared to Q4 2018 was due to a decrease in mint sales in Q4 2019 of 22%. The decrease was related to a supply of raw materials vs. the demand for the product. The increase in the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018 is due to an increase of 44% of the customer base the affiliate sells Dixie-branded products.

Nevada

Nevada license revenue for the three months ended December 31, 2019 was \$131,181 a decrease of \$30,256 (-19%) from the third quarter of the prior year. Revenue for the twelve months ended December 31, 2019 was \$516,412 a decrease of \$164,545 (-24%) over the prior year.

The decrease for the three month and twelve months ended December 31, 2019 compared to prior year periods was due to the Nevada affiliate increasing the number of brands it manufactures from three in 2018 to five in 2019 resulting in lower manufacturing capacity for Dixie branded products. Additionally, the Nevada affiliate did not increase the number of sales representatives thereby reducing the focus on Dixie branded products.

Michigan

Michigan license revenue for the three and twelve months ended December 31, 2019 was \$68,004 and \$195,369, respectively. Michigan is a new market in 2019. Revenue in the second quarter of 2019 was classified in materials and ingredients and reclassified into licensing revenue in the third and fourth quarters.

Finished Goods Revenue

Finished goods revenue relates to the sale of the companies CBD Subsidiaries, AcesoHemp and Therabis.

Finished goods revenue for the three months ended December 31, 2019 was \$183,750, an increase of \$93,236 (103%) from the fourth quarter of the prior year. Finished goods revenue for the twelve months ended December 31, 2019 was \$857,555, an increase of \$218,741 (34%) over the prior year.

Finished goods revenue related to each subsidiary is detailed out below.

	Three months ended December 31,		Year to Date December 31,	
	2019	2018	2019	2018
AcesoHemp	\$ 36,897	\$ 4,263	\$ 187,334	\$ 25,503
Therabis	146,853	86,251	670,221	613,311
	\$ 183,750	\$ 90,514	\$ 857,555	\$ 638,814

The increase in both AcesoHemp and Therabis sales were the result of broader wholesale distribution networks that opened up at the end of 2019. In addition to wholesale sales, AcesoHemp and Therabis were able to list products for sales on Amazon.com during the year which increased the direct-to-consumer sales.

Gross Profit

For the three months ended December 31, 2019 and 2018 gross profit was \$1,087,787 and \$1,096,389, respectively, a decrease of \$8,602. For the twelve months ended December 31, 2019 and 2018 gross profit was \$4,532,261 and \$3,017,902, respectively, an increase of \$1,514,359. As a percentage of revenue, the gross margin for the three months ended December 31, 2019 and 2018 was 39% and 68%, respectively. The gross margin for the twelve months ended December 31, 2019 and 2018 was 41% and 52%, respectively.

The decrease in gross margin for the twelve months ended December 31, 2019 was due to inventory adjustments and the upfront cost of scaling production to meet the increased demand in new markets, California and Michigan specifically. The Company expects a compression in margins as new markets open, with margins ultimately expected to improve as efficiencies and economies of scale are realized.

Total Operating Expenses

For the three months ended December 31, 2019 and 2018, total operating expenses were \$2,360,691 and \$11,375,265, respectively, a decrease of \$9,014,574. For the twelve months ended December 31, 2019 and 2018 total operating expenses were \$23,212,601 and \$16,127,759, respectively, an increase of \$7,084,842.

General and administrative (“G&A”) expense for the three months ended December 31, 2019 was \$1,501,538 compared to \$10,612,544 in 2018, a decrease of \$9,111,006. General and administrative expense for the twelve months ended December 31, 2019 was \$16,867,144 compared to \$14,741,237 in 2018, an increase of \$2,125,907.

The increase in G&A expenses was driven by the following items for the twelve months ended December 31, 2019:

- Stock Option Incentives and Share-Based Compensation were \$6,504,018 in 2019 and \$4,074,871 in 2018. This was a non-cash expense that was the result of the issuance of stock options to key management. In 2018 the share-based compensation was related to the employee incentive plan that was in place prior to the Company becoming a public entity.
- Professional fees were \$3,741,495 in 2019 and \$1,947,578 in 2018. Professional fees increased due to the higher costs associated with being a public company. Included in the 2019 professional fees were stock and stock options expense on contracts, fees related to the 2018 year-end audit, third party accounting consultants, market makers fees, research and development wages, public relations firms and operations consultants. Included in the 2018 professional fees were derivative

liability expense, third party accounting consultants and fees related to the 2016 and 2017 year-end audit.

- Salaries and benefits were \$4,311,237 in 2019 and \$2,665,705 in 2018. The increase was due to hiring and promoting key executive positions in 2019 to focus on growing revenue in all channels and business lines. Specifically, the new additions included 6 positions at the Vice President level or higher.
- Legal expenses were \$601,900 in 2019 and \$343,408 in 2018. The increase in legal expenses is due to the regulations and requirements of being a public company, the expansion into new markets and the complexities around the cannabis regulations in current and new markets.
- Travel and entertainment expenses were \$479,642 in 2019 and \$297,008 in 2018. Increases in travel and entertainment expenses were due to increased headcount and costs associated with entering new markets.
- Bad debt expense is a credit of \$103,106 in 2019 and expense of \$3,708,095 in 2018. Bad debt was a credit in 2019 due to the estimated credit loss calculation. The estimated credit loss was adjusted due to receipt of payments previously reserved.
- All other general and administrative expenses were \$1,331,958 in 2019 and \$1,803,150 in 2018. The majority of the decrease in all other general and administrative expenses in 2019 compared to 2018 was that in 2018 a \$429,919 discount on notes receivable was expensed within general and administrative expenses.

Sales and Marketing expense for the three months ended December 31, 2019 was \$813,324 compared to \$732,753 in 2018, an increase of \$80,571. Sales and marketing expense for the twelve months ended December 31, 2019 were \$5,831,479 compared to \$1,189,618 in 2018, an increase of \$4,641,861.

Sales and marketing expenses increased as the Company invested heavily to drive sales in all channels.

- Sales and marketing salaries and benefits were \$1,874,525 in 2019 and \$434,545 in 2018. The Company hired a VP of Sales and a VP of Marketing for Dixie Brands and a VP of Marketing for Therabis in addition to other new sales and marketing team members.
- Consumer and trade marketing spend in 2019 was \$3,956,954 compared to \$755,073 in 2018. The increase was due to marketing spends to develop the California market, refine brand strategy, marketing studies, enhance the various company websites, tradeshows and events and ad spend to drive Ecommerce sales.

Other Expenses

Other expenses for the three months ended December 31, 2019 was \$550,636 compared to \$6,079,292 in 2018, a decrease of \$5,528,656. Other expenses for the twelve months ended December 31, 2019 was \$1,758,676 compared to \$8,128,494 in 2018, a decrease of \$6,369,818.

- The Company had interest expense for the twelve months ended December 31, 2019 and 2018 of \$2,034,926 and \$644,598, respectively. The increase in interest expense in 2019 relates to the deferred purchase price from the acquisition of additional equity in Therabis.

- In 2018, the Company had a one-time expense relating to the listing expenses incurred during the reverse take-over with Academy of \$6,695,137.

Non-Cash Expenses

Non-cash expenses were \$49,397 for the three-month period ending December 31, 2019 and \$7,927,787 for the twelve-month period ending December 31, 2019. These non-cash expenses were related to depreciation and amortization and the issuance of stock and stock options to key management and third-party consultants.

Current Assets

Current assets decreased by \$14,608,324 from December 31, 2018 to December 31, 2019. The majority of the decrease can be attributed to the cash payments relating to the acquisition of additional equity in Therabis, LLC, the reimbursement of the Auxly prepaid licensing fees, payment of third-party consultants, as well as operating expenses.

Current Liabilities

Current liabilities increased by \$5,135,365 from December 31, 2018 to December 31, 2019. The majority of the net increase is due to the deferred closing payment and interest on the Therabis acquisition of \$5,460,824, increase in High Street Capital notes payable of \$2,600,000, accounts payable of \$1,278,918, offset by the repayment of Auxly licensing fees of \$3,250,000.

Historical Data

	<u>Q1 2018</u>	<u>Q2 2018</u>	<u>Q3 2018</u>	<u>Q4 2018</u>	<u>Q1 2019</u>	<u>Q2 2019</u>	<u>Q3 2019</u>	<u>Q4 2019</u>
Revenues	\$ 937,572	\$ 817,558	\$ 2,435,398	\$ 1,600,923	\$ 2,218,175	\$ 2,995,310	\$ 3,121,211	\$ 2,762,263
Loss From Operations	(514,219)	(1,777,241)	(539,521)	(10,278,876)	(6,682,160)	(6,424,291)	(4,300,985)	(1,272,904)
Net Loss and Comprehensive Loss Before Non-Controlling Interest	(817,954)	(1,575,752)	(2,486,477)	(16,358,168)	(6,673,692)	(6,919,619)	(5,022,165)	(1,823,540)
Non Controlling Interest	(10,234)	(77,478)	(81,592)	(775,989)	(79,356)	(150,062)	(106,358)	36,849
Net Loss Attributable to Company	\$ (807,720)	\$ (1,498,274)	\$ (2,404,885)	\$ (15,582,179)	\$ (6,594,336)	\$ (6,769,557)	\$ (4,915,807)	\$ (1,860,389)
Earnings (Loss) Per Share - Basic and Diluted	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.28)	\$ (0.05)	\$ (0.06)	\$ (0.04)	\$ (0.01)
Attributable to Dixie Brands Inc	\$ (0.02)	\$ (0.03)	\$ (0.05)	\$ (0.27)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.01)
Attributable to Non-Controlling Interest	\$ -	\$ -	\$ -	\$ (0.01)	\$ -	\$ -	\$ -	\$ -
Weighted-Average Shares Outstanding - Basic and Diluted	44,761,432	44,786,711	46,687,223	58,349,725	125,038,597	125,711,190	126,196,426	125,862,932
	**	**	**					

*Due to reclassifications of revenue at year-end, certain quarters will have immaterial differences to previously released financial information. Revenue for the entire year is correctly stated.

**Note that all shares outstanding have been converted to the port-RTO amounts, each share converted to 10.535.

Revenue by Quarter

The general factors that cause quarterly variations in revenue are organic growth, new product introductions, expansion into new states, impacts of changes to the revenue model in Colorado and the general seasonality of the business where as the Company experiences higher growth during the summer months and certain holidays in Q2 and Q3.

Net Loss Before Non-Controlling Interest by Quarter

The general factors that cause quarterly variations in the net loss before non-controlling interest are available funding to drive revenue growth through increased investing in sales and marketing efforts and general and administrative spends. Some of the other factors include the cost of going public in Q4 2018 and supporting the higher cost structure. In 2019 the Company engaged in cost reductions during Q3 and

Q4 2019, specifically in general and administration expense. This approach resulted in \$5,409,256 less of a net loss in Q4 2019 compared to Q1 2019.

Significant Events

The following material events occurred in 2019:

Corporate Developments

January 29th – Dixie Brands listed its shares on the Frankfurt Stock Exchange, one of the world’s largest trading centers for securities, under the trading symbol OQV.

June 26th – Dixie Brands announced that its subordinate voting shares will commence trading on the OTCQX Best Market under the symbol DXBRF. The Company also announced that its subordinate voting shares are now eligible for electronic clearing and settlement in the US through the Depository Trust Company, otherwise known as the DTC.

September 23rd – Dixie Brands Announces Warrant Extension to October 1, 2020.

November 18th – The Company formed a wholly owned subsidiary DB Oklahoma, LLC.

Key Changes to the Leadership Team

January 7th – Veteran consumer marketing executives Andrew Floor (Treasury Wine Estates + Campari) and Hilal Tabsch (Red Bull) joined the Dixie Brands team.

January 14th – Pet food and CPG veteran Bob Rubin joined the Dixie Brands leadership team as the first President of Therabis, Dixie’s hemp-infused Pet Wellness subsidiary. Bob Rubin subsequently separated from the Company on September 30, 2019.

June 4th – CPG veteran Greg Robbins joined Dixie Brands from Red Bull North America as Chief Financial Officer.

Establishing Innovation as a Weapon

February 19th – Dixie Brands subsidiary Aceso Hemp launched a line of broad-spectrum hemp derived CBD dissolvable drink tablets (Fizz Tabs) in Calm, Soothe and Wellness formulations and entered the topicals category with a new CBD-infused Soothe balm.

February 25th – Dixie Brands subsidiary Therabis entered the \$2 billion feline treat market with first-ever CBD-infused soft chew cat treat targeting a specific indication.

April 5th – Dixie Brands expanded its industry leading regulated THC-infused edibles line with the launch of Dixie Bursts, pulled taffy chews into CO.

May 30th – Dixie Brands subsidiary Therabis announced the launch of its increased strength ‘Therabis Veterinarian Formula’ versions of its existing canine and feline product range, available only via licensed

Veterinarians. The range will include higher concentrations of cannabinoids and other approved natural ingredients for more targeted therapeutic value.

July 25th – Dixie Brands announced a breakthrough in THC water solubility via a proprietary emulsification technique and enhanced ingredient management delivering improved uptake of cannabis-infused liquids. Dixie will showcase this breakthrough in a new range of drink additives called FUSE in Q1 2020.

December 5th – Dixie Brands wholly-owned subsidiary Aceso secures patent for scientific breakthrough in cannabinoid delivery from the United States Patent and Trademark Office. The patent, entitled ‘Cannabinoid Emulsion Product and Process for Making the Same’, encompasses a broad set of popular formats and formulations providing for the delivery of cannabinoids, along with nutrients, supplements and vitamins in effervescent powder and/or aqueous liquid forms.

Expanding our Reach into new territories and channels

January 30th – Dixie Brands entered into a transformative Joint Venture with Khiron Life Sciences establishing an early mover advantage for its portfolio of THC and CBD infused products where legal across Latin America and securing an additional revenue stream via the distribution of Khiron’s Kuida Cosmeceutical brand to the federally legal US CBD cosmetic market.

February 6th – Dixie Brands announced a Joint Venture with Choice Labs to bring portfolio of cannabis-infused products to more than 300,000 registered medical marijuana patients in Michigan.

May 30th – Dixie Brands subsidiary Therabis announced that its hemp-based Pet supplements will be made available to Veterinarians across the USA through a distribution agreement with Vedco Inc.

June 6th – Dixie Brands subsidiary Aceso Hemp secured distribution for its broad-spectrum hemp-based supplement portfolio across Alaska via a new agreement with Bill’s Distributing.

June 11th – Dixie Brands continued its drive into new geographies with the announcement of an agreement with Globus Holdings to manufacture and sell Dixie Brands regulated THC and CBD-infused products in Oklahoma beginning in Q4 2019. This will be the sixth state in Dixie’s growing US footprint.

August 7th – Dixie Brands and AriZona Beverages announced a strategic partnership to launch a collection of THC-infused cannabis products.

August 19th – Dixie Brands subsidiary AcesoHemp expanded its distribution into California and Nevada with Power Distribution LLC.

November 14th – Dixie Brands’ AcesoHemp expanded its distributor network with Colorado’s Sunrise Beverage.

November 14th – the Company finalized the supply agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand. A collection of THC-infused branded products is expected to be launched in 2020.

November 19th – Dixie Brands finalized entry into the rapidly growing Oklahoma market. Dixie branded products expected on shelves in January 2020.

November 21st – Dixie Brands’ AcesoHemp expands retail distribution across 5 US states with ranging in 120 Huck’s Markets.

Other Significant News

March 28th – Dixie Brands won another industry quality award with the Best Beverage award for Dixie’s Fruit Punch Elixir from High Times.

April 10th – Dixie Brands builds on industry leadership position by announcing it’s ‘Go Green’ initiative to highlight the impact the industry is having on the environment and to make a commitment to transition Dixie towards a more sustainably and environmentally friendly future. The announcement included 7,000 Budtender kits, a partnership with Clean Green certification and a commitment to support the One Tree Planted charity to the value of \$25,000 for re-forestation efforts in Northern California and Colorado.

April 25th – Dixie Brands to host ‘Future of CBD and Cannabis’ Lounge at FounderMade Discovery show in New York City. With a major focus on education and information, Dixie’s installation will showcase its full portfolio to over 2000 of the most influential trade, media and consumers on the East Coast.

May 28th – Dixie Brands subsidiary Therabis announced that it has been selected to partner in a clinical trial at the University of Pennsylvania’s School of Veterinary Medicine to study the effectiveness of cannabinoids to treat dogs for joint immobility.

August 28th – The Company received \$1,000,000 of cash in the form of an unsecured, non-dilutive loan (the “Loan”) bearing annual simple interest at 12% from a new strategic funding partner. The Loan is contemplated to be the first part of a broader financing plan, as the Company is in discussions with this partner relating to the same.

October 30th, November 11th and November 25th – Dixie executed three promissory notes (“Loans”) totaling \$1,500,000, each for \$500,000 in favor of a third-party strategic lender. The Loans are interest bearing at 10% and principal and interest will be due one year from the date of the note. The financing is non-dilutive, unsecured loan with a strategic unrelated party. This loan is part of a strategic financing initiative between the parties.

January 23rd, 2020 – Dixie Brands reconstitutes its Board of Directors with the departure of long standing members, Vincent Keber and Devin Binford, and the appointment of Dan Phaure, the Chief Operating Officer of Heritage Cannabis with 20 years of corporate experience, providing strategic guidance in relation to M&A activity, capital transactions and operational changes with companies in North America, Europe and Asia.

March 9th, 2020 – BR Brands and Dixie agree to combine, bringing together two highly recognized portfolios including the iconic Mary’s and Dixie brands, creating a market-leading CPG platform. Under the terms of the deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed by the third quarter of this year, will create one of the cannabis industry’s most comprehensive established house of brands.

April 22nd, 2020 – BR Brands and Dixie announce execution of Definitive Agreement to complete their previously disclosed business combination. Following completion of the Transaction, BR Brands will own and control approximately 80% of the outstanding voting shares of Dixie, with existing Dixie shareholders holding the balance of the outstanding voting shares. Subject to the satisfaction of all applicable listing requirements, it is the intention of the parties that the voting shares of Dixie will, following completion of the Transaction, continue to be listed and posted for trading on the Canadian Securities Exchange as a single class. The combination will strengthen the balance sheet of the combined entity and is expected to drive upside synergies as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

Outlook

Dixie Brands made significant investments through the first three quarters of 2019 in order to establish the critical foundation for long term growth based on clearly defined priorities including establishing a strong leadership team and driving geographic expansion. Industry headwinds increased through the year due to changing capital requirements prioritizing increased attention to profitability & positive cash flow over rapid expansion, in Q3 2019 the company shifted focus to ensure the platform would become self-sustaining by Q4 2020. The introduction of the ‘Road to Profitability’ strategy and the accompanying revised approach to capital allocation had an immediate impact demonstrated in the full year results. Revenue growth of 43% for Q4 2019 vs Q4 2018 was underpinned by material cost management driving a 79% reduction in total operating loss over the same period, a trend Dixie’s management fully expects to continue into Q1 2020.

In order to solidify Dixie’s platform for long-term, stable growth for our shareholders, the company has continued to explore capital markets and strategic partnership options with the goal of building on the solid foundations established through 2019 and funding accelerated revenue growth for 2020 and beyond. To that end Dixie engaged in exploratory discussions with various cannabis companies in the United States and Canada. During those discussions, and after careful consideration by Dixie's management, it became increasingly apparent that a business combination with BR Brands was in the best interest of shareholders and Dixie and the proposed merger was announced on March 9, 2020.

Under the terms of the proposed deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed early in the third quarter of 2020, will create one of the cannabis industry’s leading CPG platforms, strengthening the balance sheet of the combined entity and expected to drive upside synergies as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

The combined company establishes one of the cannabis industry’s most comprehensive ‘house of brands’ anchored by two of the most iconic consumer franchises in the market, Dixie and Mary’s. The portfolio also boasts two emerging Californian brands in Rebel Coast and Defonce, a deep CBD program including the Aceso and Therabis brands, and the strategic partnership with Herbal Enterprises, LLC, an affiliate of the AriZona brand. An unrivaled leadership team with deep CPG, Financial and Capital Market experience will guide one of the largest installed manufacturing and distribution footprints for infused products in the cannabis industry with an addressable regulated market spanning 12 US states and territories.

Related Party Transactions

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

Left Bank LLC d/b/a Dixie Elixirs & Edibles (“Left Bank”)

One Director of the Company, Vincent ‘Tripp’ Keber III, is the sole owner of Left Bank.

The Company purchased intellectual properties from Left Bank in 2015 for \$1,000,000.

The Company leases the facility for DBI from Left Bank under a sub-lease agreement that expired in November 2018. Currently the Company leases the building under a month to month agreement. Annual rent is not to exceed \$214,462. Total rent expense paid to Left Bank for the year ended December 31, 2019 and 2018 is \$214,462 and \$192,415, respectively. Left Bank holds inventory on behalf of the Company at the facility for a total amount of \$89,004 at December 31, 2019 and \$111,253 at December 31, 2018.

As of December 31, 2019, there are no maturing notes receivables due from Left Bank (the “Left Bank loans”). The Company has not identified any significant increases in the credit risk of the Left Bank loans. Therefore, the Company has evaluated the Left Bank loans as a Stage 1 financial asset and have estimated the twelve-month expected credit loss on the loan to be 10%. An expected credit loss provision of \$219,807 has been taken on the Left Bank loans as of December 31, 2019.

In addition to the above arrangements between the Company and Left Bank, DBI incurred shared expenses with Left Bank for accounting services provided by DBI accounting team and consultants for \$120,000 and \$126,000, respectively, for the years ended December 31, 2019 and 2018. The Company also incurred various other shared expenses with Left Bank for \$229,963 and \$393,511 for the years ended December 31, 2019 and 2018, respectively.

In addition to the above arrangements between the Company and Left Bank, Left Bank incurred shared expenses with DBI for facility maintenance and research and development services provided by Left Bank employees for \$389,239 and \$nil, respectively, for the years ended December 31, 2019 and 2018.

Purchases and sales between Left Bank and DBI are recorded in accounts payable or accounts receivable. For the year ended December 31, 2019 the Company earned \$6,997,776 of packaging revenue. DBI also incurred \$4,042,426 of cost of goods sold reimbursements. During the year ended December 31, 2018, the Company earned \$3,242,216 of packaging revenue and \$143,470 of raw materials and ingredients resale revenue.

At December 31, 2019 and December 31, 2018, the Company had \$3,875,214 and \$2,793,198, respectively of accounts receivable from Left Bank.

Silver State Wellness

Silver State Wellness owns 30% of DBPN. In October 2016, DBPN issued \$675,000 under a note receivable bearing interest at 12% to Silver State Wellness. DBPN had non-interest-bearing advances receivable from Silver State Wellness for \$659,387 as at December 31, 2019 and December 31, 2018.

As of December 31, 2019, \$1,334,387 in Silver State Wellness notes receivables (\$675,000 in principal) and non-interest-bearing advances (\$659,387 in principal) (the “SSW loans”) have matured but remain unpaid. As a result, the Company assessed the credit risk of the Silver State Wellness loans as having been significantly deteriorated. Therefore, the Company evaluated the SSW loans as a Stage 3 credit impaired financial asset and have estimated the lifetime expected credit loss on the SSW loans to be 100%. An expected credit loss provision of \$1,334,387 has been taken on the SSW loans as of December 31, 2019.

DBPN has equity contributions receivable of \$228,263 as at December 31, 2019 and December 31, 2018 from Silver State Wellness. At December 31, 2019 and December 31, 2018, the Company had \$517,427 and \$1,107,741, respectively of accounts receivable from Silver State Wellness including \$22,564 of affiliate packaging revenue and \$nil of materials and ingredients resale revenue. The Company also incurred \$129,103 of cost of goods sold reimbursement due to Silver State Wellness based on the licensing agreement.

DBI has \$10,006 worth of accounts receivable from Silver State Wellness as at December 31, 2019 and December 31, 2018.

Rose Capital Fund

Rose Capital Fund owned 25% of Therabis as of December 31, 2018. On January 2, 2019 DBI purchased Rose Capital Fund’s 25% share of Therabis.

Auxly Cannabis Group Inc

Two former Directors of the Company, Michael Lickver and Hugo Alves, are officers of Auxly. During the year ended December 31, 2018 the Company entered into a licensing agreement with Auxly and received a prepayment of \$4,000,000. During the year ended December 31, 2019, \$3,250,000 had been returned to Auxly.

The Company amended the initial agreement with Auxly to exclude the exclusive rights in Mexico and paid \$375,000 for those rights.

Related party advances and notes receivable:

Related party advances and notes receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Left Bank	\$ 1,592,048	\$ 1,755,886
Silver State Wellness	<u>675,000</u>	<u>675,000</u>
Total Related Party Notes Receivable	2,267,048	2,430,886
Related Party Advances to Left Bank	97,155	97,155
Related Party Advances to Silver State Wellness	656,887	656,887
Less: Present Value Adjustments on Notes Receivable	269,095	429,919
Less: Allowance on Related Party Advances	<u>1,563,911</u>	<u>1,480,565</u>
Total Related Party Advances and Notes Receivable	<u>\$ 1,188,084</u>	<u>\$ 1,274,444</u>

DBI holds two notes receivable from Left Bank. The first note for \$633,333 and the second note is for \$958,715. During the prior year, both notes receivables were extended to June 2022. The notes accrue interest at 2% per annum and are payable at maturity in June 2022. Interest on these notes is not significant as at December 31, 2019 and December 31, 2018.

Compensation of key management personnel:

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

	<u>2019</u>	<u>2018</u>
Management Compensation	\$ 624,750	\$ 621,365
Stock Incentives	2,256,044	2,362,780
Share-Based Payments	-	1,712,091
	<u>\$ 2,880,794</u>	<u>\$ 4,696,236</u>

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by our counterparties is a credit risk. The maximum credit exposure as at December 31, 2019 is the carrying amount of cash, accounts receivable, and related party advances and notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of December 31, 2019. The Company mitigates its credit risk on its related party advances and notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Expected credit losses for accounts receivables are based on the payment profiles of revenues for the last 12 months, before December 31, 2019, as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking cash flow projections of the customers which is the primary factor used to estimate the collectability of the amounts outstanding.

The following is a breakdown of the exposure to ECLs for trade receivables as of December 31, 2019:

	Trade receivables past due				
	0-30 days	31-60 Days	61-90 Days	91+ Days	Total
Expected credit loss rate	10%	16%	21%	51%	
Gross Carrying Amount	918,674	500,401	510,777	3,035,988	4,965,841
Lifetime expected credit loss	87,618	78,651	105,447	1,533,758	1,805,474

The Company has a concentration of credit risk with Left Bank, a related party. The Company provided note receivables to Left Bank in the amount of \$1,592,048 as at December 31, 2019 and \$1,755,886 as at December 31, 2018. The Company also has significant amounts of accounts receivable from Left Bank for \$3,875,214 in 2019 and \$2,793,198 in 2018. The Company expects to recover these amounts going forward but as there has been a history of slow payments from Left Bank, the Company provides provisions for Left Bank notes receivable for \$219,807 and \$143,820 as of December 31, 2019 and 2018, respectively, and for Left Bank accounts receivable for \$1,383,944 and \$1,390,000 as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, there are no maturing notes receivables due other than with Silver State Wellness, as noted in Related Party Transactions. The Company has not identified any significant increases in the credit risk of the advances.

Liquidity risk

The Company's ability to generate cash to fund operations, fund planned growth and development activities is contingent on its ability to increase revenues amongst its various product lines in combination with its ability to raise capital through various funding partners and reduce expenditures. The Company expects to increase revenues in its various CBD product lines through new distribution partners, expanding ecommerce sales and developing new sales channels. The Company also expects to increase licensing revenue from affiliate sales of medicated products by expanding into new states and creating organic growth in current operating states. The Company expects to reduce expenses by effectively managing headcount and focusing effort on ensuring cost effective spending. Any negative cash flows are expected to be

managed by funding provided by a funding partner. The inability to increase revenue, obtain funding or reduce expenses according to management's plans could result in liquidity risk.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property are never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company has some exposure to interest rate risk due to its outstanding interest-bearing loans discussed in Note 9. However, the interest rates are fixed and therefore the Company does not have significant interest rate risk. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of shareholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year ended December 31, 2019.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 inputs for assets or liabilities that are not based upon observable market data

The Company classifies its financial instruments as follows:

Financial Instrument	December 31, 2019	December 31, 2018	Classification	Fair Value
<u>Financial Assets:</u>				
Cash	\$ 551,255	\$ 18,361,113	Amortized cost	N/A
Accounts Receivable, net	\$ 3,160,367	\$ 2,266,733	Amortized cost	N/A
Related Party Advances and Notes Receivable, net	\$ 1,188,084	\$ 1,274,444	Amortized cost	N/A
<u>Financial Liabilities:</u>				
Accounts Payable	\$ 2,378,214	\$ 1,099,298	Amortized cost	N/A
Accrue Payroll and Other Accrued Liabilities	\$ 8,132,574	\$ 2,851,125	Amortized cost	N/A
Derivative Liabilities	\$ -	\$ 238,100	FVTPL	Level 3
Notes Payable, Current Portion	\$ 2,600,000	\$ 775,000	Amortized cost	N/A

There are no material reclassifications between fair value levels during the years ended December 31, 2019 or the year ended December 31, 2018.

Dixie Brands Inc.

Management Discussion and Analysis For the six months ended June 30, 2020

This Management Discussion and Analysis (“MD&A”) of Dixie Brands Inc. (the “Company” “DBI” “Dixie Brands”, or “Dixie”) provides analysis of the Company’s financial condition and results for the six months ended June 30, 2020. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The following information should be read in conjunction with the accompanying condensed consolidated interim financial statements and the notes thereto. This MD&A was prepared using information that is current as of August 27, 2020, unless otherwise stated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators.

The information provided in this MD&A may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments including, without limitation, United States and foreign jurisdictions, and the development and launch of new products. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's listing statement dated November 23, 2018.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) there will be no material adverse competitive or technological change in condition of the Company’s business; (ii) there will be a demand for the Company’s products that the Company has accurately forecast; and (iii) there will be no material adverse change in the Company’s operations, business or in any governmental regulation affecting the Company or its suppliers.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company’s behalf may issue.

The MD&A was prepared and approved by management of the Company on August 27, 2020.

Overview of the Company

Based in Denver, Colorado, Dixie Brands is one of the cannabis industry’s leading consumer packaged goods (“CPG”) companies, crafting award-winning Tetrahydrocannabinol (“THC”) and Cannabidiol (“CBD”) infused products since its inception in 2010. Starting with its flagship Elixir, the portfolio has grown through unparalleled production heritage and an industry-leading research and development (“R&D”) capability to encompass five distinct brands, 15 product lines and over 100 individual products (“SKU’s”) representing some of the industry’s finest edibles, beverages, tinctures, topicals and concentrates as well as world-class CBD-infused wellness products and pet dietary supplements.

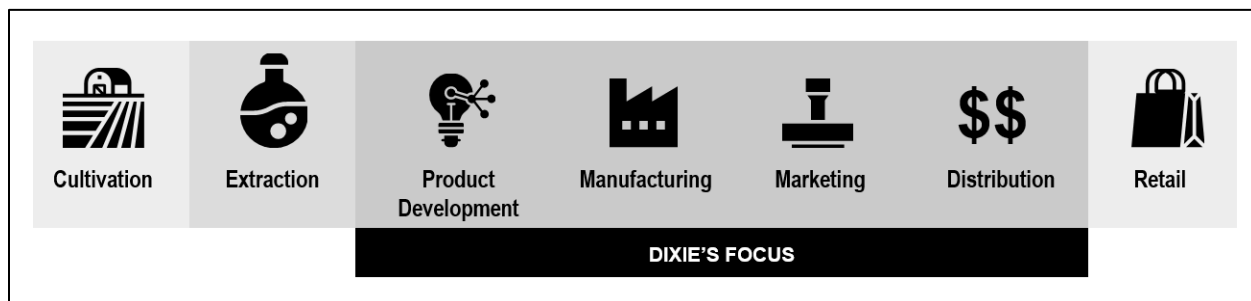
Dixie Brands has established a leadership position in the industry via:

- A proven track record over nearly 10 years in business
- A portfolio of brands that people recognize and trust
- Industry-leading R&D capability, intellectual property (“IP”) and related formulations
- Unparalleled heritage and expertise in food-grade manufacturing
- Deep packaging and compliance experience and expertise
- Demonstrated ability to rapidly commercialize new markets and products

Overview of Operations

A Clear and Focused Business Model

Dixie Brands is a true multi-state operator (“MSO”), CPG company focused on high-return segments of the value chain:



Full vertical integration poses a number of challenges, costs and limitations to a world-class CPG company building a portfolio of ‘famous brands’ where flexibility in raw materials and the ability to maximize retail distribution are fundamental to sustainable success. Dixie optimizes profitable revenue potential by sourcing its raw materials, and by driving availability of its products through all applicable licensed retailers.

With that clearly defined focus, Dixie Brands has established an industry leading position on product development, food-grade manufacturing, quality control, packaging design and commercialization (sales and marketing) of one of the industry’s broadest portfolios of consistently high-quality cannabis-infused products.

A True House of Brands

As one of the industry’s only true House of Brands (a portfolio of distinct, differentiated brands created for specific consumer audiences and distribution channels), Dixie has built a purposeful consumer-driven portfolio spanning the full cannabis spectrum from ‘Fun’ to ‘Functional’ across three distinct business units:

Dixie Brands – THC and CBD infused edibles, topicals and concentrates currently available in 6 regulated markets only. Brands include:

- Dixie - Built for Experience Explorers, Dixie encapsulates contemporary cannabis culture providing high quality, consistent, flavorful and indulgent edible products for those looking to discover more from everyday moments.
- Synergy – Purposefully crafted, clean, green and predictably functional infused products for health and wellness worshippers looking to live life to the fullest. Synergy celebrates the entourage effect, thoughtfully combining THC and CBD with other hero ingredients to provide a holistic experience.
- Mindset – A pointedly effect-based brand in development. Crafted for performance pragmatists who have the fire within, looking to elevate their performance and, chasing their summits, be they athletic, creative or intellectual.

AcesoHemp – Broad spectrum hemp-derived human supplements distributed via direct to consumer (“DTC”), eCommerce and broad market distributor and retail channels.

- A brand created to capture the restorative nature of plants, AcesoHemp combines all natural ‘Herb to Hemp’ ingredients including terpenes, L-theanine, turmeric, glucosamine and B-vitamins to provide a portfolio of products targeting specific outcomes such as anxiety, pain and inflammation.

Therabis – Broad spectrum hemp-derived pet supplements distributed via DTC, eCommerce, broad market pet retail and Veterinary-only channels.

- Originally founded by Dixie with veterinarian Dr Steven Katz, Therabis is a broad-spectrum hemp brand providing natural, efficacious alternative remedies for cats and dogs, offering indication-specific relief via Calming, Mobility and Stop the Itch formulas.

Operating Across Multiple Markets

The Dixie Brands regulated portfolio currently operates through licensed manufacturers in six US states (Colorado, California, Nevada, Maryland, Michigan and Oklahoma). Dixie Brands products are currently sold in more than 1,100 dispensaries across existing markets (with approximately 90% penetration in Colorado, Nevada, Maryland and Michigan).

The AcesoHemp and Therabis hemp-derived product portfolios are currently available nationwide via owned DTC channels and indirectly through third-party distributors and key online plus brick-and-mortar retailers, and on a combined basis are currently available in more than 3,000 retail locations.

Business Strategy

Revenue model

Dixie generates revenue from the regulated industry based on specific contracts with licensed manufacturers for the grant of the right to use the intellectual property rights of Dixie. Revenue from Therabis and Aceso are derived from multiple sales channels including DTC, eCommerce, distributors, wholesalers and broad market retail channels.

Since being publicly listed on the Canadian Stock Exchange on November 29th, 2018, Dixie Brands has aggressively pursued its stated goal of becoming the number one CPG company in the cannabis industry via demonstrated progress against five key strategic imperatives:

1) Optimize Global Reach

Establish a truly global portfolio of consumer brands via purposeful and controlled expansion into new markets organically, via strategic partnerships and/or focused M&A. In 2020, Dixie Brands:

- Opened Oklahoma, commencing commercial operations by end of January 2020

2) Control Quality by Managing Production

Build manufacturing operations in each market for the regulated portfolio via local licensing agreements or joint ventures with locally licensed partners. Utilize deep experience and robust IP library to establish and accelerate production efficiently and effectively. In 2020, Dixie Brands:

- Increased available SKU's in Michigan, to 21 SKU's
- Launched four additional SKU's into Maryland
- Launched eight additional SKU's into California
- Launched five additional SKU's into Colorado

3) Be Masters of Our Own Destiny

Maximize control over route to market with dedicated sales and marketing efforts in each geography, deploying proven commercial strategic framework via localized team:

- Dominate at retail (brick and mortar and online)
- Build meaningful relationships with budtenders and/or retail staff (non-regulated)
- Engage target audiences directly and digitally
- Amplify via fueling word of mouth

To date, Dixie Brands has:

- Built a strong executive team with deep CPG experience and a demonstrated track record of building brands
- Finalized portfolio architecture, brand definition and consumer profiling underpinning house of brands
- Grown the Secret Society of Budtenders (SSBT) community to 3,500 members and built a unique, customized digital experience for deployment in 2020.
- Substantially increased quality & quantity of consumer connection, outreach and engagement via

material growth across all social channels and direct marketing database.

4) Satisfy Consumer needs via Innovation

Deploy innovation as a weapon via unparalleled R&D capability, utilizing consumer, competitor, and category insight to drive new product development and localized consumer feedback to drive ongoing existing product review, refinement and renovation. In 2019, Dixie Brands:

- Launched Dixie Bursts into Colorado, driving 23% market share within first 90 days
- Announced breakthrough in water solubility via proprietary emulsification technique and ingredient management with new brand FUSE
- Launched AcesoHemp CBD-infused dissolvable tablets and range of topical creams
- Launched an industry-first in Therabis' CBD-infused feline soft chew targeting a specific indication (stress)

5) Leverage Leadership Position for Growth

Utilize strength of brands and demonstrated commercial performance to rapidly drive revenue growth organically (increased distribution, accelerated new product launches, enhanced retail presence and recommendation) via focused M&A and strategic partnerships. In 2019, Dixie Brands:

- Finalized definitive agreement with Herbal Enterprises LLC, an affiliate of the AriZona™ brand, bringing two iconic, trusted and innovative brands together for the production, distribution and sales of THC-infused products. The entry of such an iconic CPG brand has been widely recognized as a watershed moment for the cannabis industry, validating Dixie Brands' unparalleled experience and market strategy.

Selected Financial Information

The following is selected financial data derived from the consolidated financial statements of the Company for the three months and six months ending June 30, 2020 and 2019.

The selected consolidated financial information set out below may not be indicative of the Company's future performance:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenues				
Licensing	\$ 2,951,048	\$ 2,519,879	\$ 6,941,062	\$ 4,473,142
Finished Goods	96,938	262,563	148,610	378,501
Materials and Ingredients	18,914	182,120	55,840	298,930
Other	13,254	30,748	28,876	62,912
Total Revenue	3,080,154	2,995,310	7,174,388	5,213,485
Cost of Goods Sold	2,112,408	1,955,246	4,462,668	3,113,054
Gross Profit	967,746	1,040,064	2,711,720	2,100,431
General and Administrative	3,043,687	5,243,124	5,821,265	11,620,685
Sales and Marketing	342,072	2,115,897	894,903	3,421,134
Depreciation and Amortization	41,707	105,334	85,060	165,063
Total Operating Expenses	3,427,466	7,464,355	6,801,228	15,206,882
Loss From Operations	(2,459,720)	(6,424,291)	(4,089,508)	(13,106,451)
Total Other (Income) Expense	783,139	495,328	1,318,637	486,860
Net Loss and Comprehensive Loss Before Non-Controlling Interest	(3,242,859)	(6,919,619)	(5,408,145)	(13,593,311)
Non Controlling Interest	(23,654)	(150,062)	(60,407)	(229,418)
Net Loss Attributable to Company	\$ (3,219,205)	\$ (6,769,557)	\$ (5,347,738)	\$ (13,363,893)
Earnings (Loss) Per Share - Basic and Diluted	\$ (0.03)	\$ (0.06)	\$ (0.04)	\$ (0.11)
Attributable to Dixie Brands Inc	\$ (0.03)	\$ (0.06)	\$ (0.04)	\$ (0.11)
Attributable to Non-Controlling Interest	\$ -	\$ -	\$ -	\$ -
Weighted-Average Shares Outstanding - Basic and Diluted	126,492,725	125,685,214	126,492,725	125,375,442
	June 30,	December 31,		
	2020	2019		
Current Assets	\$ 6,743,623	\$ 7,381,755		
Total Assets	\$ 8,939,777	\$ 9,728,734		
Current Liabilities	\$ 15,595,904	\$ 13,860,788		
Total Liabilities	\$ 15,746,007	\$ 13,860,788		
Current Liab exceeding Current Assets	\$ 8,852,281	\$ 6,479,033		

Discussion of Operations

Total Revenue

Revenue for the three months ending June 30, 2020 was \$3,080,154, an increase of \$84,844 (3%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$7,174,388, an increase of \$1,960,903 (34%) from the first two quarters of the prior year.

The increase in total revenue was driven by the expansive growth the company has seen in the Michigan market in 2020. Due to the Company's early entrance into the Michigan medical market in 2019, the Company has been able to maintain a dominate market position when it legalized the recreational market in December 2019. Sales growth is also attributable to both existing products and the launch of new products, as well as higher penetration into dispensaries.

Revenue also continues to be assisted by our sustained presence in Colorado, an established market and our renewed focus on California, a market Dixie re-entered in October 2018. In January of 2020 the Company opened a new market in Oklahoma that provided additional revenue in 2020 compared to 2019.

Revenue is classified as licensing revenue, finished goods, materials and ingredients and other. Licensing revenue is the main driver of the change in revenue recognized in Q2 of 2020 compared to Q2 of 2019. Finished goods revenue relates to the sale of the products of the Company's CBD Subsidiaries, AcesoHemp and Therabis.

Licensing Revenue

Licensing revenue is derived from affiliate sales of Dixie branded products in their related state and governed by the individual contract between the Company and the affiliate.

Licensing revenue for the three months ending June 30, 2020 was 2,951,048, an increase of \$431,169 (17%) from the second quarter of the prior year. Licensing revenue for the six months ended June 30, 2020 was \$6,941,062, an increase of \$2,467,920 (55%) from the prior year.

Licensing revenue related to each location is detailed out below.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Colorado	\$ 1,113,796	\$ 1,829,070	\$ 3,453,041	\$ 3,238,100
Michigan	922,692	-	1,650,603	-
California	649,488	461,667	1,326,477	741,618
Maryland	131,066	94,167	247,547	194,454
Nevada	37,541	134,975	120,502	298,970
Oklahoma	96,465	-	142,892	-
	<u>\$ 2,951,048</u>	<u>\$ 2,519,879</u>	<u>\$ 6,941,062</u>	<u>\$ 4,473,142</u>

Colorado

Colorado license revenue for the three months ended June 30, 2020 was \$1,113,796, a decrease of \$715,274 (-39%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$3,453,041 an increase of \$214,941 (7%) from the six months ended June 30, 2019.

The Company saw the negative effects of the world-wide COVID-19 pandemic in April and May of 2020. Specifically, in April 2020, the Colorado affiliate saw their lowest overall sales month in over two years. This was the result of the market adapting to processes to safely service the demand of the market. Sales continued to be slow through the majority of May. In June 2020, the market started to recover as consumers started to become acclimated to the new safety practices.

The increase in the six months ended June 30, 2020 compared to 2019 was due to higher sales by the Colorado affiliate on Dixie- branded products. The increase can be related to the organic growth of the Company's existing product lines and the introduction of the Dixie Burst sku in the second quarter of 2019. The 7% growth rate during the six months ended June 30, 2020 compared to 2019 was encouraging as we factor the negative effect that COVID-19 had on the early part of Q2.

Michigan

Michigan license revenue for the three months ended June 30, 2020 was \$922,692, an increase of \$922,692 (100%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$1,650,603, also an increase of 100% from the six months ended June 30, 2019.

Michigan is a new market as of March 2019, with licensing revenue starting in Q3 2019.

California

California license revenue for the three months ended June 30, 2020 was \$649,488, an increase of \$187,821 (41%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$1,326,477 an increase of \$584,859 (79%) from the six months ended June 30, 2019.

The increase in the three- and six-months ending June 30, 2020 as compared to 2019 was due to several factors. Our affiliate saw increases in total sales of Dixie branded gummies and Dixie branded chocolates by 104% and 110%, respectively. Dixie branded products also saw increased penetration into additional dispensaries of 37% in 2020 compared to 2019.

Maryland

Maryland license revenue for the three months ended June 30, 2020 was \$131,066, an increase of \$36,899 (39%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$247,547 an increase of \$53,094 (27%) from the six months ended June 30, 2019.

The increase in the three- and six-months ending June 30, 2020 as compared to 2019 was due to increased sales from our Maryland affiliate of Dixie branded mints and Dixie branded elixirs of 68% and 72%, respectively. Dixie branded products also saw increased penetration into additional dispensaries of 30% in 2020 compared to 2019.

Nevada

Nevada license revenue for the three months ended June 30, 2020 was \$37,541, a decrease of \$97,434 (-72%) from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$120,502 a decrease of \$178,468 (-60%) from the six months ended June 30, 2019.

The decrease in the three- and six-months ending June 30, 2020 as compared to 2019 was due to the Nevada affiliate and the Company not being in alignment on resource allocation and market strategy approach. The Company is in discussion with the affiliate and is reviewing its options.

Oklahoma

Oklahoma license revenue for the three months ended June 30, 2020 was \$96,465, an increase of 100% from the second quarter of the prior year. Revenue for the six months ended June 30, 2020 was \$142,892, also an increase of 100% from the six months ended June 30, 2019.

Oklahoma is a new market as of January 2020. In Q2 2020, Dixie branded product is in 275 dispensaries statewide.

Finished Goods Revenue

Finished goods revenue relates to the sale of the products of the Company's CBD Subsidiaries, AcesoHemp and Therabis.

Finished goods revenue for the three months ended June 30, 2020 was \$96,938, a decrease of \$165,625 (-63%) from the prior year. Finished goods revenue for the six months ended June 30, 2020 was \$148,610, a decrease of \$229,891 (-61%) from the second quarter of the prior year.

Finished goods revenue related to each subsidiary is detailed out below.

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
AcesoHemp	\$ 23,585	\$ 60,013	\$ 12,369	\$ 69,760
Therabis	73,353	202,550	136,241	308,741
	<u>\$ 96,938</u>	<u>\$ 262,563</u>	<u>\$ 148,610</u>	<u>\$ 378,501</u>

The decrease in AcesoHemp and Therabis sales were the result of reduced resource and capital allocation. The Company is reorganizing the CBD product division to focus on high quality distribution partnerships and targeted direct to consumer sales in order to stand-out in the highly competitive category.

Gross Profit

For the three months ended June 30, 2020 and 2019, gross profit was \$967,746 and \$1,040,064, respectively, a decrease of \$72,318. For the six months ended June 30, 2020 and 2019, gross profit was \$2,711,720 and \$2,100,431, respectively, an increase of \$611,289. As a percentage of revenue, the gross margin for the three months ended June 30, 2020 and 2019 was 31% and 35%, respectively. The gross margin for the six months ended June 30, 2020 and 2019 was 38% and 40%, respectively.

The increase in gross margin dollars for the six months ended June 30, 2020 was due to Michigan and Oklahoma generating revenue in Q1 and Q2 2020 compared to Q1 and Q2 2019 when the markets were not selling product. The decrease in gross margin percentage is due to the production fee charged by the Colorado affiliate in 2020 reducing the gross profit recognized on the Colorado licensing revenue.

Total Operating Expenses

For the three months ended June 30, 2020 and 2019, total operating expenses were \$3,427,466 and \$7,464,355, respectively, a decrease of \$4,036,889. For the six months ended June 30, 2020 and 2019, total operating expenses were \$6,801,228 and \$15,206,882, respectively, a decrease of \$8,405,654.

General and administrative (“G&A”) expense for the three months ended June 30, 2020 and 2019 was \$3,043,687 and \$5,243,124, respectively, a decrease of \$2,199,437. G&A expense for the six months ended June 30, 2020 and 2019 was \$5,821,265 and 11,620,685, respectively, a decrease of \$5,799,420.

The decrease in G&A expenses was driven by the following items for the six months ended June 30, 2020:

- Stock Option Incentives and Share-Based Compensation were \$2,493,718 in 2020 and \$4,397,198 in 2019. This was a non-cash expense that was the result of the issuance of stock options to key management.
- Salaries and benefits were \$1,375,299 in 2020 and \$2,336,786 in 2019. Included in the 2020 expenses is \$15,098 of non-cash expenses relating to the issuance of stock. In 2019 the Company focused on growing revenue in all channels and business lines by hiring and promoting key positions, including six positions at the Vice President level or higher. In September 2019, the Company reduced the headcount as a cost-cutting measure.
- Professional fees were \$795,398 in 2020 and \$3,356,780 in 2019. Included in the 2019 professional fees were stock and stock options expense on contracts, fees related to the 2018 year-end audit, third party accounting consultants, market makers fees, research and development wages, public relations firms and operations consultants. Non-cash expenses included in the professional fees for the six month period ended June 30, 2020 and 2019 were \$104,799 and \$977,641, respectively.
- Estimated credit losses were \$392,244 in 2020 and \$88,273 in 2019. The increase was due to managements evaluation of outstanding accountant receivable and notes receivable balances based on collection rates during 2019. This is a non-cash expense.
- Legal expenses were \$214,758 in 2020 and \$464,116 in 2019. In 2019, the Company had increased legal expenditures related to expansion into new markets and navigating the legal complexities in each state. In 2020, the Company focused on organic growth in current states.
- Rent expenses were \$149,355 in 2020 and \$146,427 in 2019. There were no additional leased facilities between the two periods.
- Insurance expense was \$147,533 in 2020 and \$119,835 in 2019. In 2020, insurance increased due to the increased cost of the D&O insurance premium.
- Travel and entertainment expenses were \$70,040 in 2020 and \$303,476 in 2019. The 2019 expenses included travel costs associated with entering new markets. In 2020, travel decreased due to a decrease in headcount, the focus on organic growth of current states, and the decision by Company management to limit travel due to the COVID-19 pandemic.
- All other general and administrative expenses were \$182,920 in 2020 and \$407,794 in 2019. The majority of the decrease in all other general and administrative expenses in 2020 compared to 2019 was a result of cost-cutting measures put in place while the company explored additional funding operatives and potential transactions.

Sales and marketing expense for the three months ended June 30, 2020 and 2019 was \$342,072 and \$2,115,897, respectively, a decrease of \$1,773,825. Sales and marketing expense for the six months ended June 30, 2020 and 2019 was \$894,903 and \$3,421,134 in 2019, a decrease of \$2,526,231.

Sales and marketing expenses were higher in 2019 as the Company invested heavily to drive sales in all channels. In Q1 and Q2 2020, the Company was able to reduce broad based marketing spend while focusing on targeted marketing, while increasing sales revenue compared to 2019.

- Sales and marketing salaries and benefits were \$710,147 for the six months ending June 30, 2020 and \$808,382 in 2019. As previously mentioned, in September of 2019, the Company reduced the headcount as a cost-cutting measure.
- Consumer and trade marketing spend for the six months ending June 30, 2020 was \$184,756 compared to \$2,612,752 in 2019. Included in the 2020 expenses is \$19,061 of non-cash expenses relating to the issuance of stock. There were significant marketing spends in 2019 to develop the California market, refine brand strategy, complete marketing studies, enhance the various company websites, participate in tradeshow and events and increase ad spend to drive Ecommerce sales, all of which were reduced in 2020 as the company was able to leverage those early investments to reduce costs while increasing sales.

Other Expenses

Other expenses for the three months ended June 30, 2020 and 2019 were \$783,189 and \$495,328, respectively, an increase of \$287,821. Other expenses for the six months ended June 30, 2020 was \$1,318,637 compared to \$486,860 in 2019, an increase of \$831,777.

The Company had interest expense for the three months ended June 30, 2020 and 2019 of \$888,879 and \$0, respectively. Interest expense for the six months ended June 30, 2020 and 2019 were \$1,680,197 and \$753,277, respectively. The increase in interest expense in 2020 relates to the deferred purchase price from the acquisition of additional equity in Therabis as well as interest on proceeds from loans executed in the second half of 2019.

Non-Cash Expenses

Non-cash expenses were \$1,636,288 for the three months ending June 30, 2020 and \$3,384,458 for the three months ending June 30, 2019. Non-cash expenses for the six months ending June 30, 2020 and 2019 were \$3,109,980 and \$5,659,240, respectively. These non-cash expenses were related to depreciation and amortization, estimated credit loss and the issuance of stock and stock options to key management and third-party consultants.

Current Assets

Current assets decreased by \$638,132 from December 31, 2019 to June 30, 2020. The decrease can be attributed to the receipt of the majority of an advance to affiliate that was provided to assist in the establishment of the Michigan market. In addition, inventory decreased as the Company looked to lower their days of inventory on hand.

Current Liabilities

Current liabilities increased by \$1,754,781 from December 31, 2019 to June 30, 2020. The majority of the net increase is due to the interest payable on the Therabis acquisition and additional accounts payable of \$449,458.

Historical Data

	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Revenues	\$ 2,435,398	\$ 1,600,923	\$ 2,218,175	\$ 2,995,310	\$ 3,121,211	\$ 2,762,263	\$ 4,094,234	\$ 3,080,154
Loss From Operations	(539,521)	(10,278,876)	(6,682,160)	(6,424,291)	(4,300,985)	(1,272,904)	(1,629,788)	(2,459,720)
Net Loss and Comprehensive Loss Before Non-Controlling Interest	(2,486,477)	(16,358,168)	(6,673,692)	(6,919,619)	(5,022,165)	(1,823,540)	(2,165,287)	(3,242,859)
Non Controlling Interest	(81,592)	(775,989)	(79,356)	(150,062)	(106,358)	36,849	(36,753)	(23,654)
Net Loss Attributable to Company	\$ (2,404,885)	\$ (15,582,179)	\$ (6,594,336)	\$ (6,769,557)	\$ (4,915,807)	\$ (1,860,389)	\$ (2,128,534)	\$ (3,219,205)
Earnings (Loss) Per Share - Basic and Diluted	\$ (0.05)	\$ (0.28)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Attributable to Dixie Brands Inc	\$ (0.05)	\$ (0.27)	\$ (0.05)	\$ (0.05)	\$ (0.04)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Attributable to Non-Controlling Interest	\$ -	\$ (0.01)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Weighted-Average Shares Outstanding - Basic and Diluted	46,687,223	58,349,725	125,038,597	125,685,214	126,196,426	125,862,932	126,492,726	126,492,725

*Due to reclassifications of revenue at year-end, certain quarters will have immaterial differences to previously released financial information. Revenue for the entire year is correctly stated.

**Note that all shares outstanding have been converted to the post-RTO amounts, each share converted to 10.535.

Revenue by Quarter

The general factors that cause quarterly variations in revenue are organic growth, new product introductions, expansion into new states, and the general seasonality of the business where as the Company experiences higher growth during the summer months and certain holidays in Q2 and Q3. As previously stated, Q2 2020 revenue was negatively affected by the COVID-19 pandemic.

Net Loss Before Non-Controlling Interest by Quarter

The general factors that cause quarterly variations in the net loss before non-controlling interest are available funding to drive revenue growth through increased investing in sales and marketing efforts and general and administrative spends. Some of the other factors include the cost of going public in Q4 2018 and supporting the higher cost structure.

Adjusted for Non-Cash Expense Net Loss Before Non-Controlling Interest by Quarter

As previously discussed, the Company has significant non-cash expenses, specifically expenses relating to the issuance of shares of stock and stock options. Below details the last six quarters of adjusted Net Gain (Loss) before Non-Controlling interest. In 2020 the company has a Net Gain when you remove the significant non-cash expenses. In Q2 2020 the company saw an adjusted net loss. This loss however comes during the uncertainty of the worldwide COVID-19 pandemic where the company incurred a decrease in sales of \$1,014,080 from Q1 2020 to Q2 2020. Despite the decrease in sales due to the pandemic, the Company was able to navigate the second quarter of 2020 without additional reductions in workforce or other unplanned cost reductions. With strong June sales the Company believes strongly that they are back on the path to profitability.

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Net Loss and Comprehensive Loss Before Non-Controlling Interest	\$ (6,673,692)	\$ (6,919,619)	\$ (5,022,165)	\$ (1,823,540)	\$ (2,165,287)	\$ (3,242,859)
Non-Cash Expenditures						
Depreciation and Amortization	59,729	105,334	303,086	45,829	43,353	41,707
Bad Debts (Recovery)	39,440	48,833	(298,284)	106,905	371,932	20,312
Stock Incentive Expense	3,004,926	2,400,977	2,214,348	(103,336)	1,058,407	1,574,269
	(3,569,597)	(4,364,475)	(2,803,015)	(1,774,142)	(691,595)	(1,606,571)
Interest Expense Converting to Equity at Date of Proposed Transaction	-	752,535	437,575	770,754	711,499	804,201
Adjusted Net Loss and Comprehensive Loss Before Non-Controlling Interest	\$ (3,569,597)	\$ (3,611,940)	\$ (2,365,440)	\$ (1,003,388)	\$ 19,904	\$ (802,370)

Significant Events

Corporate Developments

January 23rd, 2020 – Dixie Brands reconstitutes its Board of Directors with the departure of long standing members, Vincent Keber and Devin Binford, and the appointment of Dan Phaure, the Chief Operating Officer of Heritage Cannabis with 20 years of corporate experience, providing strategic guidance in relation to M&A activity, capital transactions and operational changes with companies in North America, Europe and Asia.

Other Significant News

January 31st, 2020 – Dixie Brands commences commercial operations via its licensed manufacturer, in the dynamic Oklahoma market with the launch of its award-winning Gummy and Elixir product lines.

March 9th, 2020 – BR Brands and Dixie agree to combine, bringing together two highly recognized portfolios including the iconic Mary's and Dixie brands, creating a market-leading CPG platform. Under the terms of the deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed by the third quarter of this year, will create one of the cannabis industry's most comprehensive established house of brands.

March 20th, 2020 – Dixie Brands confirmed that in consideration of the proposed merger with BR Brands, Dixie and Khiroon Life Sciences Corp. mutually agreed to terminate the joint venture that was announced on January 30, 2019.

April 22nd, 2020 – BR Brands and Dixie announce execution of Definitive Agreement to complete their previously disclosed business combination. Following completion of the Transaction, BR Brands will own and control approximately 80% of the outstanding voting shares of Dixie, with existing Dixie shareholders holding the balance of the outstanding voting shares. Subject to the satisfaction of all applicable listing requirements, it is the intention of the parties that the voting shares of Dixie will, following completion of the Transaction, continue to be listed and posted for trading on the Canadian Securities Exchange as a single class. The combination will strengthen the balance sheet of the combined entity and is expected to drive upside synergies as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

April 22nd, 2020 – Dixie granted 14,198,926 restricted subordinate voting shares to certain non-executive employees and 597,222 restricted subordinate voting shares to certain directors (collectively, the "Restricted Shares"), in each case at a price of \$0.36 per share, pursuant to the terms of the Company's 2019 Long-Term Incentive Plan. The Restricted Shares issued to non-executive employees will vest on January 1, 2021 and the remaining Restricted Shares vest immediately upon grant and are otherwise subject to the terms of the Plan.

June 15th, 2020 – Dixie Brands announced 2019 full year results with the Path to Profitability strategy delivering 92% year-over-year revenue growth to \$11,096,959 compared to \$5,791,451 in 2019. The impact of that strategy was demonstrated even more overtly when comparing a Q1 2019 net loss of approximately \$6.6M to the Q4 net loss of approximately \$1.9M without any loss of sales efficiency or momentum. '2019 was a watershed year for Dixie Brands, demonstrating incredible resilience and agility on the path to

building a sustainable platform for long-term stable growth for shareholders' said Chuck Smith, President and CEO, Dixie Brands.

Outlook

Dixie Brands made significant investments through the first three quarters of 2019 in order to establish the critical foundation for long term growth based on clearly defined priorities including establishing a strong leadership team and driving geographic expansion. Industry headwinds increased through the year due to changing capital requirements prioritizing increased attention to profitability and positive cash flow over rapid expansion, in Q3 2019 the Company shifted focus to ensure the platform would become self-sustaining by Q4 2020. The introduction of the 'Road to Profitability' strategy and the accompanying revised approach to capital allocation had an immediate impact demonstrated in the full year results. Revenue growth of 34% for the six months ended June 30, 2020 compared to the six months ended June 30, 2019 was underpinned by material cost management driving a 69% reduction in total operating loss over the same period, a trend Dixie's management fully expects to continue.

In order to solidify Dixie's platform for long-term, stable growth for our shareholders, the Company has continued to explore capital markets and strategic partnership options with the goal of building on the solid foundations established through 2019 and funding accelerated revenue growth for 2020 and beyond. To that end Dixie engaged in exploratory discussions with various cannabis companies in the United States and Canada. During those discussions, and after careful consideration by Dixie's management, it became increasingly apparent that a business combination with BR Brands was in the best interest of shareholders and Dixie and the proposed merger was announced on March 9, 2020.

Under the terms of the proposed deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed early in the third quarter of 2020, will create one of the cannabis industry's leading CPG platforms, strengthening the balance sheet of the combined entity and expected to drive upside synergies as well as operational efficiencies, providing long-term, stable growth for shareholders and a best-in-class product portfolio for consumers across the globe.

The combined company establishes one of the cannabis industry's most comprehensive 'house of brands' anchored by two of the most iconic consumer franchises in the market, Dixie and Mary's. The portfolio also boasts two emerging Californian brands in Rebel Coast and Defonce, a deep CBD program including the Aceso and Therabis brands, and the strategic partnership with Herbal Enterprises, LLC, an affiliate of the AriZona brand. An unrivaled leadership team with deep CPG, Financial and Capital Market experience will guide one of the largest installed manufacturing and distribution footprints for infused products in the cannabis industry with an addressable regulated market spanning 12 US states and territories.

Related Party Transactions

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

Left Bank LLC d/b/a Dixie Elixirs & Edibles ("Left Bank")

One former Director of the Company, Vincent 'Tripp' Keber III, is the sole owner of Left Bank.

DBI purchased intellectual properties from Left Bank in 2015 for \$1,000,000.

The Company leases the facility for DBI from Left Bank under a sub-lease agreement that expired in November 2018. Currently the Company leases the building under a month to month agreement. Annual rent is not to exceed \$214,462. Total rent expense paid to Left Bank for the six months ended June 30, 2020 and 2019 is \$125,730 and \$116,253, respectively. Left Bank holds inventory on behalf of the Company at the facility for a total amount of \$76,879 at June 30, 2020 and \$89,004 at December 31, 2019.

As of June 30, 2020, there are no maturing notes receivables due from Left Bank (the “Left Bank loans”). The Company has not identified any significant increases in the credit risk of the Left Bank loans. Therefore, the Company has evaluated the Left Bank loans as a Stage 1 financial asset and have estimated the twelve-month expected credit loss on the loan to be 10%. An expected credit loss provision of \$178,029 has been taken on the Left Bank loans as of June 30, 2020.

In addition to the above arrangements between the Company and Left Bank, DBI incurred shared expenses with Left Bank for accounting services provided by DBI accounting team and consultants for \$60,000 and \$60,000, respectively, for the six months ended June 30, 2020 and 2019. The Company also incurred various other shared expenses with Left Bank for \$138,966 and \$131,094 for the six months ended June 30, 2020 and 2019, respectively.

In addition to the above arrangements between the Company and Left Bank, Left Bank incurred shared expenses with DBI for facility maintenance and research and development services provided by Left Bank employees for \$118,593 and \$175,254, respectively, for the six months ended June 30, 2020 and 2019.

Purchases and sales between Left Bank and DBI are recorded in accounts payable or accounts receivable. The six months ended June 30, 2020 and 2019 the Company earned \$3,649,018 and \$3,238,100 of packaging revenue. DBI also incurred \$2,334,074 and \$2,018,171 for the six months ended June 30, 2020 and 2019, respectively, of cost of goods sold reimbursements

At June 30, 2020 and December 31, 2019, the Company had \$4,168,828 and \$3,875,214, respectively of accounts receivable from Left Bank. The balance in accounts receivable is the result of the activity from the above transactions.

Silver State Wellness

Silver State Wellness owns 30% of DBPN. In October 2016, DBPN issued \$675,000 under a note receivable bearing interest at 12% from Silver State Wellness. DBPN had non-interest-bearing advances receivable from Silver State Wellness for \$659,387 as at June 30, 2020 and December 31, 2019.

DBPN has equity contributions receivable of \$228,263 as at June 30, 2020 and December 31, 2019 from Silver State Wellness. At June 30, 2020 and December 31, 2019, the Company had \$581,147 and \$517,427 of accounts receivable from Silver State Wellness, of which \$23,151 and \$22,564 is affiliate packaging revenue. The Company also incurred \$30,126 of cost of goods sold reimbursement due to Silver State Wellness based on the licensing agreement.

DBI has \$10,006 worth of accounts receivable from Silver State Wellness as at June 30, 2020 and December 31, 2019.

Rose Capital Fund

Rose Capital Fund owned 25% of Therabis as of December 31, 2018. On January 2, 2019 DBI purchased Rose Capital Fund’s 25% share of Therabis.

Auxly

Two former Directors of the Company, Michael Lickver and Hugo Alves, are officers of Auxly. During the previous year the Company entered into a licensing agreement with Auxly and received a prepayment of \$4,000,000. During the six months ended June 30, 2020, \$3,250,000 had been returned to Auxly.

On March 12, 2019, the Company amended the initial agreement with Auxly to exclude the exclusive rights in Mexico and paid \$375,000 for those rights.

Related party advances and notes receivable:

Related party advances and notes receivable consist of the following:

	June 30, 2020	December 31, 2019
Left Bank	\$ 1,683,140	\$ 1,592,048
Silver State Wellness	<u>675,000</u>	<u>675,000</u>
Total Related Party Notes Receivable	2,358,140	2,267,048
Related Party Advances to Left Bank	97,155	97,155
Related Party Advances to Silver State Wellness	656,887	656,887
Less: Present Value Adjustments on Notes Receivable	(269,095)	(269,095)
Less: Allowance on Related Party Advances	<u>(1,522,418)</u>	<u>(1,563,911)</u>
Total Related Party Advances and Notes Receivable	<u>\$ 1,320,669</u>	<u>\$ 1,188,084</u>

DBI holds two notes receivable from Left Bank. The first note for \$633,333 and the second note is for \$947,380. During the prior year, both notes receivables were extended to June 2022. The notes accrue interest at 2% per annum and are payable at maturity in June 2022. Interest on these notes is not significant as at June 30, 2020 and December 31, 2019.

Compensation of key management personnel:

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

The compensation of the key management of the Company recognized in the consolidated statements of operations for the periods ended June 30, 2020 and 2019 were as follows:

	June 30, 2020	June 30, 2019
Management Compensation	\$ 344,712	\$ 261,500
Stock Incentives	290,432	1,271,955
	<u>\$ 635,144</u>	<u>\$ 1,533,455</u>

Financial Risk Management

Market risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/ or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Credit risk

The Company's exposure to non-payment or non-performance by counterparties is a credit risk. The maximum credit exposure as at June 30, 2020 is the carrying amount of cash, accounts receivable, advance to affiliates, and related party advances and notes receivable. The Company has a significant outstanding balance in accounts receivable over 90 days as of June 30, 2020. The Company mitigates its credit risk on the outstanding balance in accounts receivable over 90 days by detailed review of those customers forecasts and cashflow projections. The Company mitigates its credit risk on its related party advances and notes receivable through its review of the counterparties and business review. The Company considers a variety of factors when determining interest rates for notes receivable, including the creditworthiness of the counterparty, market interest rates prevailing at the note's origination and duration and terms of the note. Notes that are overdue are assessed for impairment.

Expected credit losses for accounts receivables are based on the payment profiles of revenues for the last 12 months, before June 30, 2020, as well as the corresponding historical credit losses during that period.

The historical rates are adjusted to reflect current and forward-looking cash flow projections of the customers which is the primary factor used to estimate the collectability of the amounts outstanding.

The following is a breakdown of the exposure to estimated credit losses for accounts receivables as of June 30, 2020:

	Trade receivables past due				
	0-30 days	31-60 Days	61-90 Days	91+ Days	Total
Expected credit loss rate	9%	15%	22%	50%	
Gross Carrying Amount	1,513,647	235,219	411,665	3,970,085	6,130,616
Lifetime expected credit loss	133,728	34,982	89,334	1,991,118	2,249,161

The Company has a concentration of credit risk with Left Bank, a related party. The Company provided note receivables to Left Bank in the amount of \$1,683,140 as at June 30, 2020 and \$1,592,048 as at December 31, 2019. The Company also has significant amounts of accounts receivable from Left Bank of \$4,168,828 and \$3,875,214 as of June 30, 2020 and December 31, 2019, respectively. The Company expects to recover these amounts going forward but as there has been a history of slow payments from Left Bank, the Company provides provisions for Left Bank notes receivable for \$178,029 and \$219,807 as of June 30, 2020 and December 31, 2019, respectively, and for Left Bank accounts receivable for \$1,816,526 and \$1,383,944 as of June 30, 2020 and December 31, 2019.

As of June 30, 2020, there are no maturing notes receivables due other than with Silver State Wellness, as noted in Related Party Transactions. The Company has not identified any significant increases in the credit risk of the advances to affiliates.

The provision for estimated credit risk increased by \$443,687 for the six months ended June 30, 2020.

Liquidity risk

The Company's ability to generate cash to fund operations, fund planned growth and development activities is contingent on its ability to increase revenues amongst its various product lines in combination with its ability to raise capital through various funding partners and reduce expenditures. The Company expects to increase revenues in its various CBD product lines through new distribution partners, expanding ecommerce sales and developing new sales channels. The Company also expects to increase licensing revenue from affiliate sales of medicated products by expanding into new states and creating organic growth in current operating states. The Company expects to reduce expenses by effectively managing headcount and focusing effort on ensuring cost effective spending. Any negative cash flows are expected to be managed by funding provided by a funding partner. The inability to increase revenue, obtain funding or reduce expenses according to management's plans could result in liquidity risk.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants that conduct business with affiliates in the cannabis industry, which either are used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property is never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate ordinary businesses.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company has some exposure to interest rate

risk due to its outstanding interest-bearing notes payable discussed in Note 9 and its notes receivable discussed in Note 11. However, the interest rates are fixed and therefore the Company does not have significant interest rate risk. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Capital structure risk management

The Company considers its capital structure to include debt financing, contributed capital, accumulated deficit, non-controlling interests and any other component of shareholders' equity. The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it as appropriate given changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new units, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach for the period ending June 30, 2020.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 inputs for assets or liabilities that are not based upon observable market data

The Company classifies its financial instruments as follows:

Financial Instrument	June 30, 2020	December 31, 2019	Classification	Fair Value
<u>Financial Assets:</u>				
Cash	\$ 93,701	\$ 551,255	Amortized cost	N/A
Accounts Receivable, net	\$ 3,881,456	\$ 3,160,367	Amortized cost	N/A
Advances to Affiliates, net	\$ 100,000	\$ 606,019	Amortized cost	N/A
Related Party Advances and Notes Receivable, net	\$ 1,320,669	\$ 1,188,084	Amortized cost	N/A
<u>Financial Liabilities:</u>				
Accounts Payable	\$ 2,726,378	\$ 2,378,214	Amortized cost	N/A
Other Accrued Liabilities	\$ 9,574,102	\$ 8,132,574	Amortized cost	N/A
Notes Payable, Current Portion	\$ 2,545,424	\$ 2,600,000	Amortized cost	N/A
Notes Payable, Long-Term Portion	\$ 150,103	\$ -	Amortized cost	N/A

There are no material reclassifications between fair value levels during the six months ended June 30, 2020 or the year ended December 31, 2019.

**SCHEDULE “D”
PRO-FORMA FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

[Please see attached]

**PRO FORMA CONDENSED, CONSOLIDATED AND COMBINED BALANCE SHEET
AS OF JUNE 30, 2020
UNAUDITED**

	Historical		Historical Issuer	Adjustments	Note 4	Pro Forma
	Mary's	Other BR Brands				
Assets						
Current Assets:						
Cash	\$ 1,655,234	\$ 2,588,111	\$ 93,701	\$ -		\$ 4,337,046
Accounts receivable, net	1,500,062	247,094	3,881,456	-		5,628,612
Deferred contract costs	-	-	334,721	-		334,721
Inventories	1,758,643	304,808	1,776,517	197,101	A	4,037,069
Prepaid expenses and other receivables	1,665,973	3,452,603	557,228	(1,564,099)	D, G	4,111,705
Advances to affiliates, net	-	-	100,000	-		100,000
Notes receivable	-	250,000	-	(250,000)	G	-
Related party notes receivable	-	15,835,000	-	(15,835,000)	D	-
Right-of-use asset, net - current	280,919	-	-	-		280,919
Total current assets	6,860,831	22,677,616	6,743,623	(17,451,998)		18,830,072
Non-current assets:						
Property and equipment, net	3,035,284	1,971,457	583,950	479,220	B	6,069,911
Related party advances and notes receivable, net	-	76,180	1,320,669	-		1,396,849
Intangible assets, net	85,800	-	291,535	22,108,465	C	22,485,800
Right-of-use asset, net	1,095,289	-	-	-		1,095,289
Other assets	253,040	2,144,358	-	-		2,397,398
Convertible note	-	5,700,000	-	-		5,700,000
Cost basis investment	-	5,268,767	-	-		5,268,767
Goodwill	-	-	-	5,851,467	E	5,851,467
Total assets	\$ 11,330,244	\$ 37,838,378	\$ 8,939,777	\$ 10,987,154		\$ 69,095,553
Liabilities and Shareholders' Equity						
Current liabilities						
Accounts payable	\$ 1,161,286	\$ 1,036,100	\$ 2,726,378	\$ -		\$ 4,923,764
Accrued payroll	248,060	140,074	222,584	-		610,718
Due to related parties	-	837,285	-	-		837,285
Short-term lease liability	341,637	2,799	-	-		344,436
Other accrued liabilities	2,540,448	839,517	9,351,518	(8,111,735)	D, F, G	4,619,748
Prepaid license fees	-	-	750,000	-		750,000
Related party debt, current portion	17,385,000	-	-	(15,835,000)	D	1,550,000
Notes payable, current portion	-	-	2,545,424	(250,000)	G	2,295,424
Membership redemption notes payable - current	500,000	-	-	-		500,000
Taxes payable	1,882,242	-	-	-		1,882,242
Total current liabilities	24,058,673	\$ 2,855,775	15,595,904	(24,196,735)		18,313,616
Membership redemption notes payable	6,003,384	-	-	-		6,003,384
Notes payable	-	3,150,000	150,103	-		3,300,103
Senior secured debt	-	3,257,789	-	-		3,257,789
Long-term lease liability	1,144,856	6,624	-	-		1,151,480
Total non-current liabilities	7,148,240	6,414,413	150,103	-		13,712,756
Total liabilities	31,206,913	9,270,187	15,746,007	(24,196,735)		32,026,372
Contributed equity	(3,602,573)	117,237,805	51,608,809	(22,889,736)	H	142,354,305
Accumulated deficit	(16,274,096)	(88,609,695)	(56,798,737)	56,457,323	F, H	(105,225,205)
Non-Controlling interest	-	(59,919)	(1,616,302)	1,616,302	H	(59,919)
Total shareholders' equity	(19,876,669)	28,568,191	(6,806,230)	35,183,889		37,069,181
Total liabilities and shareholders' equity	\$ 11,330,244	\$ 37,838,378	\$ 8,939,777	\$ 10,987,154		\$ 69,095,553

**PRO FORMA CONDENSED, CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
UNAUDITED**

	Historical		Historical Issuer	Adjustments	Note 5	Pro Forma
	Mary's	Other BR Brands				
Revenues	\$ 12,794,881	\$ 69,502	\$ 7,174,388	\$ (27,698)	A	\$ 20,011,073
Cost of goods sold	7,735,336	49,168	4,462,668	92,920	C	12,340,092
Gross profit (loss)	5,059,545	20,334	2,711,720	(120,618)		7,670,981
Operating expenses:						
Sales and marketing	2,073,642	102,220	894,903	(27,698)	A	3,043,067
General and administrative expenses	2,863,368	2,776,118	5,821,265	-		11,460,751
Depreciation and amortization expense	398,862	64,309	85,060	789,197	B, C	1,337,428
Total operating expense	5,335,872	2,942,646	6,801,228	761,499		15,841,245
Loss from operations	(276,327)	(2,922,312)	(4,089,508)	(882,117)		(8,170,264)
Other expense:						
Interest (income) expense	1,197,798	(842,528)	1,680,197	(1,515,701)	D	519,767
Other (income) expense	8,065	50,572	(361,560)	-		(302,923)
Total other (income) expense	1,205,863	(791,956)	1,318,637	(1,515,701)		216,844
Income (loss) before provision for income taxes	(1,482,190)	(2,130,356)	(5,408,145)	633,584		(8,387,108)
Provision for income taxes	244,053	-	-	-	E	244,053
Net income (loss) before non-controlling interest	(1,726,243)	(2,130,356)	(5,408,145)	633,584		(8,631,161)
Non-controlling interest	-	(199,727)	(60,407)	-		(260,134)
Net income (loss) attributable to the company	\$ (1,726,243)	\$ (1,930,629)	\$ (5,347,738)	\$ 633,584		\$ (8,371,027)
Net loss per share (basic and diluted):						
Attributable to the company			\$ (0.04)			\$ (0.01)
Attributable to non-controlling interest			\$ (0.00)			\$ (0.00)
Weighted-average shares outstanding:						
Basic and diluted			126,492,726	937,329,107	F	1,063,821,833

**PRO FORMA CONDENSED, CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
UNAUDITED**

	Historical		Historical Issuer	Adjustments	Note 5	Pro Forma
	Mary's	Other BR Brands				
Revenues	\$ 22,690,264	\$ 374,005	\$ 11,096,959	\$ (294,938)	A	\$ 33,866,290
Cost of goods sold	16,319,470	220,037	6,564,698	238,421	A, B, D	23,342,626
Gross profit	6,370,794	153,968	4,532,261	(533,359)		10,523,664
Operating expenses:						
Sales and marketing	6,385,581	-	5,831,479	-		12,217,060
General and administrative expenses	7,405,820	1,938,386	16,867,144	405,414	E	26,616,764
Depreciation and amortization expense	689,327	19,585	513,978	1,234,535	C, D	2,457,425
Total operating expense	14,480,728	1,957,971	23,212,601	1,639,949		41,291,249
Operating income (loss)	(8,109,934)	(1,804,003)	(18,680,340)	(2,173,308)		(30,767,585)
Other expense:						
Interest (income) expense	1,458,094	(1,601,523)	2,034,926	(1,960,824)	F	(69,327)
Change in fair value of derivative liabilities	-	-	(238,100)	-		(238,100)
Other (income) expense	813,322	89,006	(38,150)	-		864,178
Total other (income) expense	2,271,416	(1,512,517)	1,758,676	(1,960,824)		556,751
Income (loss) before provision for income taxes	(10,381,350)	(291,486)	(20,439,016)	(212,484)		(31,324,336)
Provision for income taxes	398,919	-	-	-	G	398,919
Net income (loss) before non-controlling interest	(10,780,269)	(291,486)	(20,439,016)	(212,484)		(31,723,255)
Non-controlling interest	-	19,808	(298,927)	-		(279,119)
Net income (loss) attributable to the company	\$ (10,780,269)	\$ (311,295)	\$ (20,140,089)	\$ (212,484)		\$ (31,444,136)
Net loss per share (basic and diluted):						
Attributable to the company			\$ (0.16)			\$ (0.03)
Attributable to non-controlling interest			\$ (0.00)			\$ (0.00)
Weighted-average shares outstanding:						
Basic and diluted			125,862,932	937,329,107	H	1,063,192,039

Note 1. Description of the Transaction

On April 21, 2020, the Issuer entered into the Contribution Agreement with BR Brands providing for, among other things, the purchase by the Issuer from BR Brands of certain equity and debt interests of BR Brands in each of (a) BRB Mary's Holding Corp., (b) BZL Worldwide, Inc., (c) Edgewater Foods, Inc., Inc., (d) Lost County, Inc., and (e) Eaze Technologies, Inc., as set out in the table below:

<u>Entity</u>	<u>Number/Type of Security Contributed</u>
BRB Mary's Holding Corp.	4,500 common shares, or 100% of the company.
BZL Worldwide, Inc.	Secured convertible debt in an aggregate principal amount equal to \$5,700,000 pursuant to the Senior Secured Convertible Note dated as of May 14, 2019.
Edgewater Foods, Inc.	2,128.307487 common shares, or 87.23% of the company.
Lost County, Inc.	15,034 shares of common stock and 64,511 shares of Series A Preferred Stock (which shares comprise 69.3% of the issued and outstanding shares of the company, exclusive of unexercised warrants and options).
Eaze Technologies, Inc.	925,480 shares of Series C Preferred Stock.

In addition, the Issuer acquired certain assets (the "Contributed Assets") and liabilities ("Contributed Liabilities") of BR Brands.**Note 2. Basis of Pro Forma Presentation**

The "Mary's" column in the pro forma condensed, consolidated and combined pro forma balance sheet and statement of operations represents the standalone consolidated financial statements of BRB Mary's Holding Corp. The "Other BR Brands" column represents the combined financial statements related to BZL Worldwide, Inc., Eaze Technologies, Inc., Edgewater Foods, Inc., and Lost County, Inc. and the Contributed Assets and Contributed Liabilities.

The accompanying unaudited pro forma condensed, consolidated and combined financial statements were prepared using the acquisition method of accounting in accordance with IFRS 3, *Business Combinations*, and are based on the historical financial information of the BR Brands entities noted above, the Contributed Assets and Contributed Liabilities and the Issuer.

The unaudited pro forma condensed, consolidated and combined financial statements give effect to the Transaction, which will be accounted for as a reverse acquisition, with Mary's and Other BR Brands, on a combined basis, treated as the acquiring company for accounting purposes. Accounting for the combination requires determining the acquirer for accounting purposes. This determination is based on the control principle within the consolidation guidance, which outlines three elements of control; power through voting rights, exposure or rights to variable returns, and decision-making authority. In concluding that Mary's and Other BR Brands was the accounting acquirer, the parties considered that BR Brands will hold 80% of the outstanding equity of the Issuer as a result of the Transaction, giving BR Brands the majority of the Issuer's voting rights and therefore substantial decision making power.

Consideration

Pursuant to the terms of the Contribution Agreement, the legal acquirer, the Issuer, will issue a number of Common Shares such that BR Brands will own approximately 80% of the outstanding equity of the Issuer as a result of the Transaction, respectively. The preliminary estimate of consideration transferred reflected in these pro forma financial

statements is approximately \$28.7 million, based on 212,733,875 Common Shares outstanding of the Issuer and a \$0.135 share price. The preliminary fair value of the Issuer's non-controlling interests is estimated to be \$0.

Fair Value Estimates of Assets to be Acquired and Liabilities to be Assumed

The table below represents an initial allocation of the consideration transferred to the Issuer's tangible and intangible assets acquired and liabilities assumed based on management's preliminary estimate of their respective fair values as of June 30, 2020:

	<u>Historical</u>	<u>Fair Value Adjustment</u>	<u>Fair Value</u>
Preliminary consideration			\$ 28,719,073
Inventory	1,776,517	197,101	1,973,618
All other current assets	4,967,106	-	4,967,106
Property and equipment	583,950	479,220	1,063,170
Intangible assets	291,535	22,108,465	22,400,000
All other long-term assets	1,320,669	-	1,320,669
Total assets	8,939,777	22,784,786	31,724,563
Accounts payable	2,726,378	-	2,726,378
Other accrued liabilities	2,462,468	-	2,462,468
All other liabilities	3,668,111	-	3,668,111
Total liabilities	8,856,957	-	8,856,957
Fair value of net assets			22,867,606
Goodwill			\$ 5,851,467

The allocation of the estimated purchase price is preliminary as the Transaction has not yet been completed and will remain preliminary pending finalization of the valuation of assets acquired and liabilities assumed. Because the pro forma financial statements have been prepared based on preliminary estimates of fair values, the actual amounts eventually recorded for the Transaction, including goodwill, may differ materially from the information presented.

The unaudited pro forma condensed, consolidated and combined financial statements are presented for illustrative purposes only and do not reflect the costs of any integration activities, other acquisitions and disposals not yet known or probable, including those that may be required by regulatory and governmental authorities in connection with the Transaction, or benefits that may result from realization of future cost savings due to operating efficiencies or revenue synergies expected to result from the Transaction.

The unaudited pro forma condensed, consolidated and combined statements of operations combine the historical combined statements of operations of Mary's and Other BR Brands and the historical consolidated statement of operations of the Issuer for the year ended December 31, 2019 and the six months ended June 30, 2020, giving effect to the Transaction as if it had been consummated on January 1, 2019.

The unaudited pro forma condensed, consolidated and combined balance sheet combines the historical combined balance sheets of Mary's and Other BR Brands and consolidated balance sheet of the Issuer as of June 30, 2020, giving effect to the Transaction as if it had been consummated on June 30, 2020.

Note 3. Accounting Policy

A preliminary review of accounting policies of the Mary's and Other BR Brands and the Issuer has not identified any differences in accounting policies that have been applied historically. The financial statement line item presentation has been conformed to the future intended presentation of the Issuer. However, this is subject to additional review as

the Issuer accounts for the Transaction and may differ from the final presentation reported in the Issuer's future periodic reports.

Note 4. Adjustments to the Pro Forma Balance Sheet

The following adjustments represent pro forma adjustments to the balance sheet as of June 30, 2020 to reflect the impact of the Transaction:

- A. Represents the adjustment to reflect the preliminary fair value of acquired inventories.
- B. Represents the adjustment to reflect the preliminary fair value of acquired property and equipment.
- C. Represents the adjustment to reflect the preliminary fair value of acquired intangible assets. The preliminary estimate of the fair value of intangibles assets acquired includes:

<u>Intangible Asset</u>	<u>Fair Value</u>	<u>Estimated Useful Life (Years)</u>
Trademarks	\$ 9,700,000	12
Formulations	7,400,000	10
Licensing Agreements	<u>5,300,000</u>	12
	<u>\$ 22,400,000</u>	

- D. Represents certain assets and liabilities of Mary's and Other BR Brands that eliminate upon consolidation in the pro forma presentation of the Issuer.
- E. Represents the excess of the preliminary consideration over the preliminary fair value of the assets acquired and liabilities assumed reflected as goodwill.
- F. Represents accrual of an estimated \$0.4 million of Transaction-related expenses and professional fees that are expected to be incurred that are directly related to the Transaction.
- G. Represents settlement of BRB Bridge Note and amounts due pursuant to the 2019 Therabis Purchase Agreement, including principle and accrued interest.
- H. The following represent the pro forma adjustments impacting equity (amounts in millions):
 - **Historical Equity:** Elimination of the Issuer's historical contributed equity and accumulated deficit
 - **Consideration:** Preliminary fair value of equity consideration of \$28.7 million
 - **NCI:** Adjustment to reflect the Issuer non-controlling interest at fair value

Certain equity and debt interest of BR Brands purchased by the Issuer are reflected in the pro forma balance sheet in the respective line items:

- **Convertible note:** BR Brands holds a convertible promissory note due from BZL Worldwide, Inc. The note has an initial stated interest rate of 4%, which increases to 12% fifteen months after issuance. It matures on July 9, 2021, or upon the occurrence of certain events. Upon conversion BR Brands will own a 51% equity stake in BZL Worldwide, Inc.
- **Cost basis investment:** BR Brands holds Series C Preferred Shares in Eaze Technologies, Inc, representing less than 2% of Eaze Technologies, Inc's outstanding equity. The Series C Preferred Shares do not have a stated dividend rate nor redemption features.
- **Notes payable:** BR Brands and Lost County, Inc have debt outstanding in the form of promissory notes. Of the BR Brands notes, one in the amount of \$1 million has a stated interest rate of 18% and matures on August 12, 2021, and another in the amount of \$0.5 million has a stated interest rate of 18% and matures on July 15,

2021. The Lost County, Inc note is in the amount of \$1.65 million and had an initial stated interest rate of 12%, which increased to 18% four months after issuance, and matures on February 19, 2021.

- Senior secured debt: BR Brands has outstanding promissory notes, which are senior to BR Brands' other promissory notes and are convertible into BR Brands equity units. The majority of these notes, \$2.9 million, have a stated interest rate of 15% and mature on March 13, 2023.

These balances are reflected in the historical Other BR Brands column and included in the pro forma presentation as they will be held by the Issuer upon close of the Transaction. No pro forma adjustments are necessary to reflect these balances in the pro forma balance sheet as they are included in the historical amounts.

Note 5. Adjustments to the Pro Forma Statement of Operations

For the six months ended June 30, 2020

The following adjustments represents pro forma adjustments to the statement of operations for the six months ended June 30, 2020 to reflect the impact of the Transaction:

- Represents intercompany eliminations to present the statement of operations on a consolidated basis.
- Estimated increase in depreciation expense related to the preliminary fair value adjustment to property and equipment acquired.

Six months ended June 30, 2020:

Depreciation expense, adjusted	\$ 100,090
Depreciation expense, historical	(85,060)
Pro forma adjustment	\$ 15,030

- Estimated increase in amortization expense related to the preliminary fair value adjustment to acquired intangible assets. Adjustment to cost of goods sold reflects additional amortization expense related to amortization of acquired Licensing Agreements intangible asset. Adjustment to depreciation and amortization reflects amortization related to acquired Trademarks and Formulations intangible assets.

Six months ended June 30, 2020:

Adjustment to cost of goods sold:

Amortization expense, adjusted	\$ 220,833
Amortization expense, historical	(127,913)
Pro forma adjustment	\$ 92,920

Adjustment to depreciation and amortization:

Amortization expense, adjusted	\$ 774,167
Amortization expense, historical	-
Pro forma adjustment	\$ 774,167

- Elimination of interest expense related to the BR Bridge Note and amounts due pursuant to the 2019 Therabis Purchase Agreement.
- The pro forma statement of operations does not include an impact to income tax provision due to the Issuer's full valuation allowance and history of losses.
- Represents the increase in the weighted average shares due to the issuance of an estimated 937,329,107 shares of the Issuer, which represents shares issued in satisfaction of the Secured BR Bridge Note and Therabis 2019 Payable and shares issued to BR Brands in connection with the Transaction.

For the year ended December 31, 2019

The following adjustments represent pro forma adjustments to the statement of operations for the year ended December 31, 2019 to reflect the impact of the Transaction:

- A. Represents intercompany eliminations to present the statement of operations on a consolidated basis.
- B. Represents increase to cost of goods sold to reflect the preliminary fair value adjustment to inventory acquired.
- C. Estimated decrease in depreciation expense related to the preliminary fair value adjustment to property and equipment acquired.

Depreciation expense, adjusted	\$ 200,180
Depreciation expense, historical	<u>(513,978)</u>
Pro forma adjustment	\$ (313,798)

- D. Estimated increase in amortization expense related to the preliminary fair value adjustment related to acquired intangible assets. Adjustment to cost of goods sold reflects additional amortization expense related to amortization of acquired License Agreement intangible asset. Adjustment to depreciation and amortization reflects amortization related to acquired Trademarks and Formulations intangible assets.

<i>Adjustment to cost of goods sold:</i>	
Amortization expense, adjusted	\$ 441,667
Amortization expense, historical	<u>(255,827)</u>
Pro forma adjustment	\$ 185,840
<i>Adjustment to depreciation and amortization:</i>	
Amortization expense, adjusted	\$ 1,548,333
Amortization expense, historical	<u>-</u>
Pro forma adjustment	\$ 1,548,333

- E. Represents adjustment for transaction-related expenses and professional fees that are directly related to the Transaction.
- F. Elimination of interest expense related to the BR Bridge Note and amounts due pursuant to the 2019 Therabis Purchase Agreement.
- G. The pro forma statement of operations does not include an impact to income tax provision due to the Issuer's full valuation allowance and history of losses.
- H. Represents the increase in the weighted average shares due to the issuance of an estimated 937,329,107 shares of the Issuer, which represents shares issued in satisfaction of the Secured BR Bridge Note and Therabis 2019 Payable and shares issued to BR Brands in connection with the Transaction.