CAPTOR CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED MARCH 31, 2024

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Captor Capital Corp. and its subsidiaries and investee companies (collectively, the "Company" or "Captor") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended March 31, 2024. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the fiscal years ended March 31, 2024 and 2023, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as at July 29, 2024, unless otherwise indicated.

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

Further information about the Company and its operations can be obtained from the offices of the Company or on the Company's SEDAR+ profile at **www.sedarplus.ca**.

Cautionary Note Regarding Forward-Looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws (collectively, "forward-looking information"). All information, other than statements of historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, information and statements regarding:

- the business, revenue, results and future activities of, and developments related to, the Company after the date of this MD&A, including planned reductions of operating (including marketing) and capital expenses, including that cost of goods sold will increase at a slower rate than revenues;
- future business strategy, competitive strengths, goals, future expansion and growth of the Company's business and operations;
- the successful implementation of cost reduction strategies and plans, expectations and any targets for such strategies and plans, including expected additional improvements in reduction of Corporate SG&A (Non-IFRS) in upcoming quarters and reductions in marketing expenditures and focus on high return on investment marketing initiatives that drive sales and profitability;
- whether any proposed transactions will be completed on the current terms and contemplated timing;
- expectations for the effects of any such proposed transactions, including the potential number and location of dispensaries or licenses to be acquired or disposed of;
- the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions or dispositions;
- the contemplated use of proceeds remaining from previously completed capital raising activities;
- the application for additional licenses and the grant of licenses or renewals of existing licenses for which

the Company has applied or expects to apply;
- the rollout of new dispensaries, including as to the number of planned dispensaries to be opened in the future and the timing and location in respect of the same, and related forecasts;
- the expansion into additional markets;
- expectations as to the development and distribution of the Company's brands and products;
- new revenue streams;
- the impact of the Company's digital and online strategy;
- the implementation or expansion of the Company's in-store and curbside pickup services;
- the ability of the Company to successfully execute its strategic plans;
- any changes to the business or operations as a result of any potential future legalization of adult-use and/or medical cannabis under U.S. federal law;
- expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect that such growth will have on the Company's financial performance;
- statements that imply or suggest that returns may be experienced by investors or the level thereof;
- expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally; and
- other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are not based on historical facts but instead are based on assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements.

Forward-looking information and statements are not a guarantee of future performance and are based upon estimates and assumptions of management at the date the statements are made including among other things estimates and assumptions about:

- the impact of epidemic diseases;
- contemplated dispositions being completed on the current terms and current contemplated timeline;
- development costs remaining consistent with budgets;
- the ability to raise sufficient capital to advance the business of the Company and to fund planned operating and capital expenditures and acquisitions;
- the ability to manage anticipated and unanticipated costs;
- achieving the anticipated results of the Company's strategic plans;
- increasing gross margins, including relative to increases in revenue;
- the amount of savings expected from cost-cutting measures and divestitures of non-core assets, including the impact on Corporate SG&A (Non-IFRS) and EBITDA (Non-IFRS);
- favorable equity and debt capital markets;
- the availability of future funding under the Company's equity and debt finance facilities;
- stability in financial and capital markets;
- the ability to sustain negative operating cash flows until profitability is achieved;
- the ability to satisfy operational and financial covenants under the Company's existing debt obligations;
- favorable operating and economic conditions;
- political and regulatory stability;
- obtaining and maintaining all required licenses and permits;
- receipt of governmental approvals and permits;
- sustained labor stability;
- favorable production levels and sustainable costs from the Company's operations;

- consistent or increasing pricing of various cannabis products;
- the ability of the Company to negotiate favorable pricing for the cannabis products supplied to it;
- the level of demand for cannabis products, including the Company's and third-party products sold by the Company;
- the continuing availability of third-party service providers, products and other inputs for the Company's operations; and
- the Company's ability to conduct operations in a safe, efficient and effective manner.

While the Company considers these estimates and assumptions to be reasonable, the estimates and assumptions are inherently subject to significant business, social, economic, political, regulatory, public health, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many estimates and assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others:

- uncertain and changing U.S. regulatory landscape and enforcement related to cannabis, including political risks;
- risks and uncertainties related to a pandemic and the impact it may have on the global economy and retail sector, particularly the cannabis retail sector in the states in which the Company operates, and on regulation of the Company's activities in the states in which it operates, particularly if there is any resurgence of the pandemic in the future;
- the inability to raise necessary or desired funds;
- risks related to future acquisitions or dispositions, resulting in unanticipated liabilities;
- reliance on the expertise and judgment of senior management of the Company;
- adverse changes in public opinion and perception of the cannabis industry;
- risks relating to anti-money laundering laws and regulation;
- risks of new and changing governmental and environmental regulation;
- risk of costly litigation (both financially and to the brand and reputation of the Company and relationships with third parties);
- risks related to contracts with and the inability to satisfy obligations to third-party service providers;
- risks related to the unenforceability of contracts;
- the limited operating history of the Company;
- risks inherent in an agricultural business;
- risks related to proprietary intellectual property and potential infringement by third parties;
- risks relating to regulatory actions and approvals from the Food and Drug Administration and risks of litigation;
- risks relating to financing activities including leverage;
- the inability to effectively manage growth;
- costs associated with the Company being a publicly traded company;
- the dilutive impact of raising additional financing through equity or convertible debt given the decline in the Company's share price;
- increasing competition in the cannabis industry;
- legal and regulatory risks inherent in the cannabis industry;
- increases in energy costs and other input costs;
- risks associated with cannabis products manufactured for human consumption, including potential product recalls;
- inputs, suppliers and skilled labor being unavailable or available only at uneconomic costs;
- breaches of and unauthorized access to the Company's systems and related cybersecurity risks;

- constraints on marketing cannabis products;
- risks relating to the ongoing conflict in eastern Europe;
- risks relating to supply chain constraints;
- fraudulent activity by employees, contractors and consultants;
- tax and insurance related risks, including any changes in cannabis or cultivation tax rates;
- risks related to the economy generally;
- conflicts of interest of management and directors;
- failure of management and directors to meet their duties to the Company, including through fraud or breaches of their fiduciary duties;
- risks relating to certain remedies being limited and the difficulty of enforcement of judgments and effect service outside of Canada;
- sales by existing shareholders negatively impacting market prices;
- the limited market for securities of the Company; and
- limited research and data relating to cannabis.

Readers are cautioned that the foregoing lists are not exhaustive of all factors, estimates and assumptions that may apply to or impact the Company's results. Although the Company has attempted to identify important factors that could cause actual results to differ materially from the forward-looking information and statements contained in this MD&A, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented to assist readers in understanding the Company's expected financial and operating performance and the Company's plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this MD&A represent the Company's views and expectations as of the date of this MD&A unless otherwise indicated. The Company anticipates that subsequent events and developments may cause its views and expectations to change. However, while the Company may elect to update such forward-looking information and statements at a future time, it has no current intention of and assumes no obligation for doing so, except to the extent required by applicable law.

Description of Business

Captor was incorporated under the laws of the Province of Ontario, Canada by articles of incorporation on September 26, 2003 and Captor's outstanding common shares became publicly listed on March 19, 2004 on the TSX Venture Exchange (the "Exchange") under the symbol "NWT". Subsequently, the Company's outstanding common shares were listed on the OTCBB under the symbol "NWURF" and on the Frankfurt Exchange. The Company de-listed its common shares from the Exchange on June 1, 2017 and submitted an application for listing its common shares on the Canadian Securities Exchange ("CSE"). The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the CSE under the symbol "CPTR".

The Company is a Canadian investment firm. The Company has licences for retail in the State of California, the largest cannabis consumer market in the USA. Currently, the Company has seven cannabis dispensaries, which operate under the proprietary name "One Plant", located in Santa Cruz, Antioch, Salinas, Lompoc, Goleta, Atwater and Castroville (the "Dispensaries"). The One Plant stores are known for having a diverse set of competitively priced high quality product brands and an excellent budtender led customer service. Supplementing the brick and mortar retail presence is the Company's direct to consumer delivery business, which also operates under the One Plant brand.

Captor maintained focus on the synergy between its brick and mortar retail and delivery service growth in the through e-commerce. One Plant released an enhanced e-commerce site updating the user interface and brand imaging, further integrating the existing digital assets and leveraging the Company's online presence and improved analytics to drive sales and customer acquisition.

In August 2020, the Company entered into a joint venture with Three Habitat Consulting Holdco Inc. ("Three Habitat") and now holds a 51 percent stake in Captor Retail Group Inc. ("CRG"). CRG owns and operates the Dispensaries.

The existing infrastructure of Captor's cannabis retail operations are sophisticated retail outlets, utilizing proprietary analytics to increase efficiencies and profitability. As retail dispensaries are opened, Captor will benefit from economies of scale and will realize a direct impact to EBITDA (non-IFRS) while maintaining their consumer-focused approach.

Captor also benefits from both the geographic location of its dispensaries and the footprint of the physical buildings that house the retail dispensaries. Geographically, the retail locations are well-positioned in mature counties in California where adult-use is legal. Moreover, the physical locations are ideal to support a robust delivery platform, allowing for immediate access to some of California's most densely populated markets without the burden of paying premium rents.

Highlights

- On July 26, 2023, the Company announced that it is no longer pursuing a business combination with Rimstock Holdings Limited ("Rimstock") in which the Company would have acquired a majority position of Rimstock in exchange for shares and cash consideration and would have resulted in the reverse takeover of the Company by Rimstock shareholders (the "Rimstock RTO"). Despite the best efforts of the parties, Rimstock and Captor were unable to reach agreement with Rimstock's secured creditors for the Rimstock RTO to proceed.

  Prior to the termination of the Rimstock RTO, the Company advanced an aggregate of US$4,469,076 in bridge financing to Rimstock pursuant to the terms and subject to the conditions of a senior unsecured convertible debenture in the principal amount of US$9,500,000 dated July 1, 2023 (the "Debenture"). The aggregate amount advanced to Rimstock under the Debenture is inclusive of the US$2,500,000 non-refundable deposit the Company advanced to Rimstock on signing the letter of intent in respect of the Rimstock RTO. The financing represented Captor's sole investment in Rimstock and no further amounts will be advanced to Rimstock under the Debenture. Interest accrues under the Debenture at a rate of (1) per cent above the base rate of Barclays Bank plc, and has a two year maturity period, subject to accelerated maturity in certain circumstances. Subject to the receipt of relevant regulatory approvals, the outstanding principal amount is convertible into ordinary shares in the capital of Rimstock. The proceeds from the Debenture were used by Rimstock for working capital and general operating purposes.

  As the Rimstock RTO will not proceed, Rimstock is in discussions with its lenders regarding the restructuring of Rimstock and its liabilities. This has resulted in certain Rimstock group companies being placed into administration pursuant to UK insolvency laws and a write-down of the Debenture by the Company in accordance with IFRS.

  In July 2024, Captor assigned the senior unsecured convertible debenture in the principal amount of US$4,469,076 to a third party in exchange for 1,561 shares of Evtec Aluminium Limited and 1,561 shares of Evtec Group Limited.

- Effective July 11, 2024, the Company consolidated its common shares on a 15:1 basis. All references in the consolidated financial statements and this MD&A have been adjusted to reflect this share consolidation.

- Subsequent to March 31, 2024, management began evaluating the construction of the Company's financial statements, in the context of an "Investment Entity" as defined in IFRS 10, Consolidated Financial Statements. This undertaking is consistent with an evolving mandate from the Board of Directors towards Captor Capital Corp. allocating funds to a range of investee companies for capital appreciation.

Corporate Objective and Strategy

The objective of the Company with respect to its current operations is to provide its shareholders with long-term capital growth by improving the operating efficiencies and market share of its current operations, with a focus on EBITDA (non-IFRS) enhancement, and through acquisitions with direct revenue, cost and/or financial synergies.

On June 21, 2022, the board of directors initiated a process to identify, examine and pursue strategic alternatives to the Company's current business. (the "Strategic Review"). Brady Cobb, a cannabis industry veteran, has been named as the interim chairman of the board of directors, effective July 1, 2022, to oversee the leadership of the Company and the Strategic Review process with an eye towards maximizing operational efficiencies and charting the most accretive path forward to maximize shareholder value. The strategic alternatives being pursued include the potential sale of all or a material portion of the Company's 51% equity interest in CRG, either in one transaction or in a series of transactions, with the net proceeds being paid out through dividends to the shareholders of the Company on a pro-rated basis.

Captor Retail Group Update

CRG executive leadership continues to lead an experienced team with strong background in retail operations as well as highly educated, well-trained budtenders to lead the front-line customer engagement. Retail managers and front-line leadership from Captor are blending a select breed of operators that hail from cannabis retail and food and beverage ("F&B") service backgrounds, combining strong operations efficacy, extensive cannabis sector expertise, and corporate management experience.

Increasing the retail footprint from two to nine locations and increasing retail revenue has supported supply chain improvements for the network of stores. Aggressive expansion and a continued commitment to revenue growth have resulted in a variety of one-time charges for the Company including but not limited to, cost of acquiring leases, salaries of those involved in expansion, organizational costs of such M&A activity and general G&A. Captor remains confident the growth strategy will increase purchasing power, continue to streamline supply chains, and centralize business activities in the long-term. The growth-related expenses will support the development of operational effectiveness and economies of scale.

In addition to the instore retail operations expansion, the e-commerce experience is being revamped as growth in this business unit has not been inline with what was initially expected. CRG has retooled the customer loyalty program and launched their customer-facing app available in both the AppStore and Goggle Play. The opportunity to have an increased online presence, yet the resources available to the traditional retail markets is not readily available to the cannabis sector. Limited traditional online marketing coupled with financial regulatory restrictions create hurdles that are continuously navigated. The Company has incurred various one-time charges relating to growth and expansion initiatives.

CRG has seven operational dispensaries. The employee count full and part-time employees is 78.

Retail Opportunities

CRG has been able to focus on its strong base position in the Northern California cannabis market as a direct result of having sourced prime retail locations in Antioch, Atwater, Santa Cruz, Castroville, Salinas, Lompoc, and Goleta.

In August 2020, CRG continued to grow its retail presence to include the Bay Area, Santa Cruz, Monterey and Santa Barbara markets with a joint venture with Three Habitat. The current combined retail footprint consists of seven operating dispensaries. CRG's retail footprint allows for both in-store and delivery transactions. CRG has maximized opportunities to expand its e-commerce platform to capitalize on a fluid technology retail marketplace. Online ordering, delivery and express pickup have allowed CRG to service their customers in a manner that other mature retail and F&B sectors have obtained. Of its nine locations, CRG has closed two nonmaterial assets to the company's overall performance, El Sobrante and Palm Springs, consolidating assets and retaining state and local licenses. The El Sobrante location was closed due to an incident rendering the building uninhabitable.

CRG's consumer growth strategy of building a leading cannabis retail, e-commerce in the Northern California market remains. The resulting retail footprint of Dispensaries makes CRG one of the larger retailers in Northern California, expanding the team of experienced operators, benefitting from increased buying power and economies of scale while leveraging expertise and established infrastructure to support the retail network. CRG continues to source opportunities for acquisition and remains focused on the efficient buildout of its current licenses.

Ancillary Revenue Opportunities

CRG is also investing resources at a reduced level and improve its current direct to consumer delivery service. The direct-to-consumer model allows the Company to leverage its bricks and mortar store to deliver products to a much larger customer base with minimal incremental costs. Having the current geographic cluster of stores allows management to achieve maximum impact under the current delivery manifest rule limitations.

Overall Performance

Captor Retail Group

Considering the changing retail landscape, CRG maintains a cautionary approach to its growth strategy and a keen focus on maximizing revenues from its current investments. CRG's retail footprint will support top line revenue expansion while strict standard operating procedures, centralized business activities, and a comprehensive enterprise mentality will correlate to income statement improvements and stabilize the assets earlier in their life cycle.

Developing retail locations in mature, high-density markets, CRG will continue to benefit from brand awareness and social engagement. Economies of scale will drive down costs and create value as product purchasing power increases. CRG is well positioned for profitability and will continue to draw top talent from the cannabis sector while engaging a growing client base because of its organized retail strategies that remain in line with the ethos of the California cannabis culture.

California Legal Framework and how it Affects our Business

The State of California legalized medical-use cannabis in 1996 and adult-use cannabis in 2016. Permitted products include extracted oils, edibles and flowers, all of which may be distributed by delivery or wholesale.

California's licensing body for medical and adult-use cannabis is the Department of Cannabis Control ("DCC"). There is no limit to the number licenses California may issue, however, some jurisdictions have a limit on the number of licenses they will issue. Each license grants one licensed premise and the main classes of licenses are: cultivation, retailer, distributor, manufacturer, microbusiness, event organizer, and testing laboratory. Additionally, license may not be held by, or issued to, any person holding office in, or employed by, any agency of the State of California or any of its political subdivisions when the duties of such person are associated with enforcement of laws or regulations regarding cannabis or cannabis products. There are no requirements for vertical integration, however, California does define specific cultivation license types by canopy size.

The Company conducts its operations in California in compliance, in material respects, with each regulation applicable to it in such state.

Selected Annual Financial Information

	Year ended March 31, 2024 ($)	Year ended March 31, 2023 ($)	Year ended March 31, 2022 ($)
Revenue	36,765,994	45,931,494	33,480,529
Net loss	(16,135,247)	(17,224,728)	(18,401,045)
Net loss attributable to shareholders of the Company	(11,380,975)	(12,983,610)	(14,450,414)
Net loss per share attributable to shareholders of the Company			
Basic	(3.28)	(3.74)	(4.16)
Diluted	(3.28)	(3.74)	(4.16)
	As at March 31, 2024 ($)	**As at March 31, 2023 ($)**	**As at March 31, 2022 ($)**
Total assets	33,854,476	47,280,408	56,416,523
Total long-term liabilities	9,307,303	10,046,475	9,397,028

Summary of Quarterly Results

Quarter ended	Revenue ($)	Net income or (loss) Total ($)	Net income or (loss) Basic and diluted per share [9] ($)	Net income or (loss) attributable to shareholders of the Company Total ($)	Net income or (loss) attributable to shareholders of the Company Basic and diluted per share [9] ($)	Total assets ($)
March 31, 2024	9,212,970	(15,423,941) [1]	(4.44)	(9,477,592)	(2.73)	33,854,476
December 31, 2023	9,359,513	(393,833) [2]	(0.11)	(709,458)	(0.20)	42,167,492
September 30, 2023	8,949,309	(159,333) [3]	(0.05)	(730,697)	(0.21)	43,304,527
June 30, 2023	9,244,202	(158,140) [4]	(0.05)	(463,228)	(0.13)	44,575,252
March 31, 2023	10,622,067	(17,369,344) [5]	(5.00)	(13,025,046)	(3.75)	47,280,408
December 31, 2022	12,601,322	(840,509) [6]	(0.24)	(956,932)	(0.28)	58,702,712
September 30, 2022	12,426,914	2,221,359 [7]	0.64	2,120,873	0.61	59,894,692
June 30, 2022	12,831,063	(1,236,234) [8]	(0.36)	(1,122,505)	(0.32)	57,010,880

(1) Net loss of $15,423,941 consisted primarily of general and administrative expenses of $4,889,481, impairment of assets of $8,070,520, unrealized loss on investments at fair value of $2,083,854 and income tax expense of $4,850,217 and was offset by gross profit of $4,261,979.

(2) Net loss of $393,833 consisted primarily of general and administrative expenses of $4,054,350 offset by gross profit of $4,178,586.

(3) Net loss of $159,333 consisted primarily of general and administrative expenses of $3,797,698 offset by gross profit of $4,148,465.

(4) Net loss of $158,140 consisted primarily of general and administrative expenses of $4,134,763 and was offset by gross profit of $4,348,555.

(5) Net loss of $17,369,344 consisted primarily of general and administrative expenses of $4,660,542, impairment of assets of $4,519,937, write down of receivables of $6,055,341 and income tax expense of $4,419,445 and was offset by gross profit of $3,983,073.

(6) Net loss of $840,509 consisted primarily of general and administrative expenses of $4,742,326 and was offset by gross profit of $4,530,146.

(7) Net income of $2,221,359 consisted primarily of general and administrative expenses of $4,779,255 offset by gross profit of $4,289,430 and foreign exchange gain of 2,759,770.

(8) Net loss of $1,236,234 consisted primarily of general and administrative expenses of $4,800,136 offset by gross profit of $3,844,775.

(9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Results of Operations

For the three months ended March 31, 2024 compared with the three months ended March 31, 2023:

For the three months ended March 31, 2024, the Company's net loss was $15,423,941 ($4.44 per share), compared to net loss of $17,369,344 ($5.00 per share) for the three months ended March 31, 2023. The decrease in net loss of $1,945,403 is a result of the following:

- During the three months ended March 31, 2024, the Company recorded an impairment of assets of $8,070,520 compared to $4,519,937 for the three months ended March 31, 2023.
- Unrealized loss on investment at fair value increased to $2,083,854 for the three months ended March 31, 2024, compared to $98,149 for the three months ended March 31, 2023 due to changes in the fair value of the Company's investments.
- During the three months ended March 31, 2023, the Company recorded a write down of receivables of $6,055,341 compared to $nil for the three months ended March 31, 2024.
- During the three months ended March 31, 2024, the Company recorded a gross profit of $4,261,979 from the sale of cannabis at its retail dispensaries compared to $3,983,073 in the 2023 comparative period.

A breakdown of general and administrative expenses for the three months ended March 31, 2024 and 2023 is provided below.

Three Months Ended March 31,	2024 ($)	2023 ($)	Variance ($)
Management and administrative services	115,000	150,015	(35,015)
Professional fees (i)	626,401	976,473	(350,072)
Operational expenses	2,797,029	2,733,146	63,883
Travel expenses (ii)	373,633	10,690	362,943
Regulatory fees	4,630	10,079	(5,449)
Share based compensation (iii)	261,749	-	261,749
Interest and penalty	20,839	1,634	19,205
Depreciation	108,791	123,105	(14,314)
Accretion	212,993	281,414	(68,421)
Amortization – right of use assets	368,416	373,986	(5,570)
	4,889,481	4,660,542	228,939

(i) The decrease in professional fees resulted from the reduced need for services in 2024 after the termination of the Rimstock RTO.

(ii) The increase in travel expenses by $362,943 in 2024 compared to the 2023 comparable period resulted from relieving prepaid travel expenses in 2024.

(iii) Share-based compensation increased by $261,749 for the 2024 period over the 2023 period. During the three months ended March 31, 2024, the Company granted 335,575 stock options compared to nil stock options for the comparable 2023 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.

For the year ended March 31, 2024 compared with the year ended March 31, 2023:

For the year ended March 31, 2024, the Company's net loss was $16,135,247 ($3.28 per share), compared to net loss of $17,224,728 ($3.74 per share) for the year ended March 31, 2023. The decrease in net loss of $1,089,481 is a result of the following:

- During the year ended March 31, 2024, the Company recorded an impairment of assets of $8,070,520 compared to $4,519,937 for the year ended March 31, 2023.
- Unrealized loss on investment at fair value increased to $3,369,456 for the year ended March 31, 2024, compared to a gain of $236,455 for the year ended March 31, 2023 due to changes in the fair value of the Company's investments.
- During the year ended March 31, 2023, the Company recorded a write down of receivables of $6,055,341 compared to $nil for the year ended March 31, 2024.
- During the year ended March 31, 2024, the Company recorded a gross profit of $16,937,585 from the sale of cannabis at its retail dispensaries compared to $16,647,424 in the 2023 comparative period.

A breakdown of general and administrative expenses for the year ended March 31, 2024 and 2023 is provided below.

Year Ended March 31,	2024 ($)	2023 ($)	Variance ($)
Management and administrative services	480,000	622,007	(142,007)
Professional fees (i)	1,787,264	2,274,022	(486,758)
Operational expenses (ii)	11,551,246	12,577,374	(1,026,128)
Travel expenses (iii)	401,719	24,415	377,304
Regulatory fees	34,437	44,722	(10,285)
Share based compensation (iv)	261,749	0	261,749
Interest and penalty	27,299	133,656	(106,357)
Depreciation (v)	442,550	547,447	(104,897)
Accretion (v)	859,054	1,159,432	(300,378)
Amortization – right-of-use assets (v)	1,323,411	1,599,184	(275,773)
	17,168,729	18,982,259	(1,813,530)

(i) The decrease in professional fees resulted from the reduced need for services in 2024 after the termination of the Rimstock RTO.

(ii) There was a decrease in operational expenses of $1,026,128 in 2024 compared to the 2023 comparable period. Operational expenses include insurance, indirect costs of the retail cannabis operations and various administrative costs of the Company. The decrease in the 2023 period resulted from cost saving initiatives.

(iii) The increase in travel expenses by $377,304 in 2024 compared to the 2023 comparable period resulted from relieving prepaid travel expenses in 2024.

(iv) Share-based compensation increased by $261,749 for the 2024 period over the 2023 period. During the year ended March 31, 2024, the Company granted 335,575 stock options compared to nil stock options for the comparable 2023 period. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.

(v) Decrease in depreciation, accretion and amortization – right-of-use assets resulted from the declining balances of the respective property and equipment, lease liability and right-of-use assets.

Liquidity and Financial Position

As at March 31, 2024, the Company had a consolidated cash balance of $12,125,570 compared to $15,087,180 at March 31, 2023. The Company had a working capital of $1,195,205 as at March 31, 2024, compared to a working capital of $7,525,871 at March 31, 2023.

The activities of the Company, which consist of the sale of cannabis products and acquisition of investments in a diversified portfolio of public companies and commodities, are financed through cash, as well as the completion of equity offerings and the exercise of stock options and warrants.

During the year ended March 31, 2024, the Company generated $1,768,431 of cash from its operations which included movement in working capital items of $2,309,336.

During the year ended March 31, 2024, the Company made net lease payments of $2,064,760.

During the year ended March 31, 2024, the Company purchased property and equipment and investments at fair value of $171,865 and $2,272,277, respectively and repaid $233,694 of loans and notes payable.

As of March 31, 2024, and to the date of this MD&A, the cash resources of the Company are held with select financial institutions in Canada and the United States. At March 31, 2024, the Company's current liabilities consisted primarily of trade payables, lease liabilities and income taxes payable. Accounts payable and accrued liabilities are in the ordinary course of business, short term and non-interest bearing.

The Company's use of cash at present occurs principally in two areas: the funding of its general and administrative expenditures as it develops the needed infrastructure, and its cannabis related acquisitions. In connection with the Company's operating and investment activities, the Company will seek to raise capital primarily through the issuance of equity securities. The Company has sufficient capital to meet its ongoing operating and investment activities.

Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

Fees	Year Ended March 31, 2024 $	Year Ended March 31, 2023 $
Kyle Appleby (1)	60,000	65,000
Bryan Reyhani (1)	nil	35,000
Mark Klein (1)	60,000	65,000
Alex Spiro (1)	nil	30,000
Brady Cobb (1)	140,000	151,508
Alegana Enterprises Ltd. ("Alegana") (2)	220,000	270,484
Marrelli Support Services Inc. ("MSSI") (3)	102,665	121,130
Totals	582,665	738,122

Share based compensation	Year Ended March 31, 2024 $	Year Ended March 31, 2023 $
Kyle Appleby (1)	41,600	nil
Mark Klein (1)	41,600	nil
Alegana Enterprises Ltd. ("Alegana") (2)	46,800	nil
Brady Cobb (1)	42,214	nil
Totals	**172,214**	**nil**

(1) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at March 31, 2024, is $13,175 (March 31, 2023 - $nil) due to directors of the Company.

(2) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. Alegana provides consulting services to the Company for $220,000 a year under the terms of a written contract that runs for an indefinite term. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company. Alegana may receive, at the sole discretion of the board of directors, a performance bonus of up to 400% of the annual consulting fee payable by the Company to Alegana.

Upon termination of Alegana by the Company without cause or a termination following a change of control, the Company is obligated to pay Alegana: (a) 1.5 times Alegana's annual consulting fee; and (b) an amount equal to 1.5 times the amount of all bonuses John Zorbas received for the most recent calendar year ended prior to the termination date or 2 times the amount of Alegana's annual consulting fee should John Zorbas not have received a bonus for the most recent calendar year ended prior to the termination date. Upon termination of Alegana under any other circumstances, the Company is not obligated to pay Alegana any penalty.

Included in accounts payable and accrued liabilities at March 31, 2024 is $12,219 (March 31, 2023 - $12,219) owing to Alegana.

(3) Mr. Jing Peng, the Chief Financial Officer ("CFO"), is a senior employee of MSSI. The management fees paid to MSSI relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company's assets. Included in accounts payable and accrued liabilities at March 31, 2024 is $36,905 (March 31, 2023 – $41,445) owing to MSSI. The Company has no ongoing contractual obligation or commitment to MSSI.

Off-Balance-Sheet Arrangements

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

Proposed Transactions

There are no material proposed transactions as of the date of this MD&A, except for those disclosed in "Highlights" above.

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2023 or later periods.

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

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

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

The amendment did not have any impact on the unaudited condensed interim consolidated financial statements.

Outstanding Share Data

The number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Captor as at July 29, 2024 are as follows:

Securities	As at July 29, 2024
Common shares outstanding	3,473,040
Stock options outstanding	335,575

Critical accounting estimates and judgments

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Determination of functional currency - foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour, material and other costs for each consolidated entity.

Fair value of investment in securities not quoted in an active market or private company investments - where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. As valuations of investments for which market quotations are not readily available are inherently uncertain, determination of fair value may differ materially from the values that would have resulted if a ready market existed.

Estimated useful lives, impairment considerations and amortization of property and equipment - amortization of property and equipment is dependent upon estimates of useful lives based on management's judgment.

Estimated useful lives, impairment considerations and amortization of goodwill and intangibles - amortization of intangible assets is dependent upon estimates of useful lives based on management's judgment. There is a material degree of judgment with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future.

Share-based compensation - the fair value of share-based compensation expenses is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk-free rate of return, and the estimated rate of forfeiture of options granted.

Income taxes – 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.

IRC Section 280E - as the Company derives revenue from the cannabis industry and taking into account the potential impact of ongoing US tax cases that interpret the application of IRC Section 280E, the Company 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 the products. This results in permanent differences between ordinary and necessary business expenses deemed not allowable under IRC Section 280E.

Recovery of amounts receivable and deposits - the Company estimates the collectability and timing of collection of its receivables, classifying them as current assets or long-term assets, and applies provisions for collectability when necessary.

Valuation of inventory – the provision for obsolescence and the estimated net realizable value.

Legal provisions and contingent liabilities - judgment is required in making a determination for recognition and disclosure requirements as it relates to lawsuits faced by the Company.

Going concern - at each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends, and are consistent with those used to evaluate the impairment of goodwill and intangible assets as at March 31, 2024. Management believes there is sufficient cash inflow to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserves, contributed surplus and deficit which at March 31, 2024 totaled $5,570,899 (2023 - $16,722,590). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its investments. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2024.

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with reputable financial institutions. Amounts receivable are in good standing as of March 31, 2024. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is minimal.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2024, the Company had a cash balance of $12,125,570 (2023 - $15,087,180) to settle current liabilities of $19,457,240 (2023 - $16,238,037). The Company generates cash flow primarily from its financing activities and management is of the opinion that additional funding is available to allow the Company to meet its financial obligations when they become due. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

The Company has the following contractual obligations as of March 31, 2024:

	< 1 year	**1 to 3 years**	**3 to 5 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	$9,679,509	-	-	-	$9,679,509
Lease liabilities	1,031,914	2,372,235	2,699,876	610,987	6,715,012
Total	**$10,711,423**	**$2,372,235**	**$2,699,876**	**$610,987**	**16,394,521**

The Company has the following contractual obligations as of March 31, 2023:

	< 1 year	**1 to 3 years**	**3 to 5 years**	**> 5 years**	**Total**
Accounts payable and accrued liabilities	$9,918,789	-	-	-	$9,918,789
Promissory note payable	79,086	440	-	-	79,526
Loan and notes payable	154,954	-	-	-	154,954
Lease liabilities	1,195,247	2,083,742	2,440,148	1,938,857	7,657,994
Total	**$11,348,076**	**$2,084,182**	**$2,440,148**	**$1,938,857**	**$17,811,263**

Market Risk

(i) Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and interest-bearing debt at fixed interest rates. The Company considers interest rate risk to be immaterial.

(ii) Foreign Currency Risk
Foreign currency risk arises from commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company maintains United States dollar bank accounts and pays certain expenses in United States dollars. The Company's reporting currency is the Canadian dollar and is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars.

(iii) Price Risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period. The sensitivity analysis shown in the notes below may differ materially from actual results.

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents accounts receivable, promissory notes, accounts payable and accrued liabilities and loans payable that are denominated in United States dollars. As at March 31, 2024, had the United States dollar varied by 5% against the Canadian dollar with all other variables held constant, the Company's reported net income and comprehensive income for the year ended March 31, 2024 would have varied by approximately $185,000.

(ii) The Company's investments are sensitive to an estimated plus or minus 10% change in equity prices which would affect net income and comprehensive income by approximately $337,000.

As at March 31, 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value	$1,372,519	$ -	$1,004,841	$2,377,360
As at March 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value	$1,477,349	$ -	$1,997,190	$3,474,539

Disclosure Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date at and for the periods presented.

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

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

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risks and Uncertainties

Commercial cannabis activity and business involves a high degree of risk. In addition to the other information included in this report, you should consider carefully the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect our business, products, financial condition and operating results. There are many factors that affect our business and our results of operations, some of which are beyond our control. As a result, the securities of the Company must be considered speculative. A prospective investor in the Company should carefully consider the following factors:

U.S. Federal Cannabis Illegality

In the US, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 44 states, plus the District of Columbia, Puerto Rico and Guam, have legalized some form of cannabis for medical use. 19 of those states, including California, and Washington D.C., have legalized cannabis for adult-use. Notwithstanding the permissive regulatory environment of cannabis at the state level, the Federal Controlled Substances Act (the "FCSA") makes it illegal under federal law to cultivate, manufacture, distribute, sell, or dispense cannabis. 21 U.S.C § 801, et seq. Cannabis is categorized as a Schedule I controlled substance under the FCSA and as such, violates federal law in the US. Companies that engage in any form of commerce in the cannabis industry and individuals investing in a cannabis business may be subject to federal criminal prosecution along with civil fines and penalties. Federal enforcement could lead to dissolution, asset forfeiture and total loss of investment. Thus, enforcement of relevant laws is a significant risk. See additional discussion of U.S. Federal illegality in the section below *Canadian Companies with U.S. Cannabis-Related Operations*.

Marketability of Investments

There is no assurance that the investment objectives of the Company will actually be achieved. The value of the shares of the Company will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Company's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

Lack of Liquidity

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Company may not be able to liquidate investments without a listed market for their securities, when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Company's investments and, consequently, the value of the shares of the Company.

Fluctuation in Investments

The Company's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the Company's control, including, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of our investments.

Reliance on the Board

Shareholders will be required to rely on the business judgment, expertise and integrity of the directors and officers of the Company. The Company must rely substantially upon the knowledge and expertise of its directors and officers in entering into any investment agreement or investment arrangements, in determining the composition of the Company's investment portfolio, and in determining when and whether to dispose of securities owned by the Company. The death or disability of any of the Company's directors and officers could adversely affect the ability of the Company to achieve its objectives. The success of the Company will be dependent upon management, the Board successfully identifying and managing the Company's investments.

Trading Price of Common Shares Relative to Net Asset Value

The Company is neither a mutual fund nor an investment fund and due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of its common shares, at any time, may vary significantly from the Company's net asset value per share. This risk is separate and distinct from the risk that the market price of the common shares may decrease.

Ability to Raise Investment Capital

If the Company is unable to raise additional investment capital either through revenues or new financing through securities offerings, then it will be limited in its ability to fulfill its business objectives. This may adversely affect its long-term viability of the Company. The Company will require additional capital to continue its business and to raise additional capital the Company may have to issue additional shares which may dilute the interests of existing shareholders. Due to the Company's involvement in cannabis activities in the United States, the number of potential investors willing to purchase securities of the Company may be limited as a result of cannabis being illegal under U.S Federal Law. *Please see "Canadian Companies with U.S. Cannabis-Related Operations" below.*

Competitive Risks

The Company faces competition from other capital providers, all of which compete for investment opportunities. These competitors may limit the Company's opportunities to acquire interests in investments that are attractive to the Company. The Company may be required to invest otherwise than in accordance with its investment policy and strategy in order to meet its investment objectives. If the Company is required to invest other than in accordance with its investment policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose the conflict of interest.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values.

If such global volatility, market turmoil and the global recession continues, the Company's operations and financial condition could be adversely impacted.

Private Issuers and Illiquid Securities

The Company may invest in securities of private companies, illiquid securities of public companies and publicly-traded securities that have low trading volumes. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Company and there is no assurance that an adequate market will exist for investments made by the Company. Many of the cannabis investments made by the Company may be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Company or other investors.

Volatility of Stock Price

The market price of the common shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the common shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Canadian Companies with U.S. Cannabis-Related Operations

Effective as of July 31, 2019, Company believes that it is subject to certain disclosure requirements set forth in the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Cannabis-Related Activities ("Staff Notice 51-352"). Below is a discussion of the federal and state-level United States regulatory regimes in those jurisdictions where the Company is currently directly involved, through its subsidiaries, in the cannabis industry. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended 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 Company makes the following disclosures necessary to fairly present all material facts, risks and uncertainties:

Nature of the Company Involvement in the U.S. Cannabis Industry

The Company is a commercial cannabis operating company operating in the state of California with licenses for commercial cannabis manufacturing, distribution, and retail (for more information on the Company's current and intended future operations, please *see* the "Description of Business" section above). The Company is currently engaged in commercial cannabis activities in the state of California and is therefore considered as having U.S. marijuana-related activities with direct involvement in the retail of cannabis.

Cannabis Illegality

In the US, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 44 states, plus the District of Columbia, Puerto Rico and Guam, which allow their residents to use medical cannabis. 19 of those states, including California, and Washington D.C., have legalized cannabis for adult-use. Notwithstanding the permissive regulatory environment of cannabis at the state level, the Federal Controlled Substances Act (the "FCSA") makes it illegal under federal law to cultivate, manufacture, distribute, sell, or dispense cannabis. 21 U.S.C § 801, et seq. Cannabis is categorized as a Schedule I controlled substance under the FCSA and as such, violates federal law in the US. Companies that engage in any form of commerce in the cannabis industry and individuals investing in a cannabis business may be subject to federal criminal prosecution along with civil fines and penalties. Federal enforcement could lead to dissolution, asset forfeiture and total loss of investment. Thus, enforcement of relevant laws is a significant risk.

Guidance from Federal Authorities

The US Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of cannabis pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

As a result of the conflicting views between state legislatures and the US federal government regarding cannabis, investments in cannabis businesses in the US are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013, when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all US district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the US, several US states have enacted laws relating to cannabis for medical purposes, as may be supplemented or amended indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

(1) Distribution of cannabis to minors;
(2) Criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis;
(3) Transfer of cannabis from States where it is legal to States where it is illegal;

(4) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity;
(5) Violence or use of firearms in cannabis cultivation and distribution;
(6) Drugged driving and adverse public health consequences from cannabis use;
(7) Growth of cannabis on federal lands; and
(8) Cannabis possession or use on federal property.

The Cole Memorandum outlined certain priorities for the US Department of Justice (the "DOJ") relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that, in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

The DOJ has issued official guidance regarding cannabis enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use cannabis. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to cannabis. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to cannabis and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the US Attorney's Manual creating broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use cannabis businesses even if they are not engaged in cannabis-related conduct enumerated by the Cole Memorandum, the memorandum dated August 29, 2013, as being an enforcement priority.

On January 4, 2018, former Attorney General Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of US 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. Those principals are included in chapter 9.27.000 of the US Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now 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 resultantly it is uncertain how actively 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 enacted legislation from US Congress in the form of the Rohrabacher-Blumenauer Amendment, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, 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. Such potential proceedings could involve significant restrictions being imposed upon the Company or third-parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

As the Sessions Memorandum demonstrates, the US approach to enforcement of cannabis violations of the FCSA can change at any time. However, there does exist a federal legislative safeguard for the medical commercial cannabis businesses that are compliant with the respective state cannabis laws and regulations. This legislative safeguard is the Rohrabacher-Blumenauer Amendment to the budget bills that have been passed by Congress in fiscal years 2015, 2016, 2017, 2018, 2019, and most recently in December 2019 for the 2020 fiscal year. The 2020 Consolidated Appropriations Act (H.R. 1158) prohibits the DOJ from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. The amendment applies to medical cannabis but not recreational cannabis and does not change the designation of cannabis as a Schedule I controlled substance under the FCSA.

While there are no explicit federal protections for adult-use commercial cannabis activity, on April 11, 2018, former president, Donald Trump made a verbal commitment to Republican Senator, Cory Gardner, to not interfere with the Colorado cannabis industry. Further, Senator Gardner stated, "President Trump has assured me that he will support a federalism-based legislative solution to fix this states' rights issue once and for all." At this time, such bipartisan legislation has not yet been finalized, but Senate Garner went on to say, "[m]y colleagues and I are continuing to work diligently on a bipartisan legislative solution that can pass Congress and head to the President's desk to deliver on his campaign position." The Company was pleased to see reports that former president, Donald Trump promised top Senate Republicans that the administration would support congressional efforts to protect states that have legalized cannabis. The Company is cautiously optimistic that the foregoing represents a clear and positive sign that the industry is shifting towards a climate where cannabis users and business can participate in the industry without fear of interference from the federal government.

While cannabis remains illegal at the federal level, there have been recent developments relevant to the federal government taking a position that respects states' rights to legalize and regulate commercial cannabis and refrain from prosecuting commercial cannabis businesses. Senator Gardner and Senator Elizabeth Warren have introduced federal legislation that would bar the federal government from interfering with any state-approved cannabis legalization and permit cannabis businesses to use the federal banking system.

On June 8, 2018, former president, Donald Trump was asked about the bill in an interview and replied, "we're looking at it. But I probably will end up supporting that, yes." Such a bill would effectively prevent the federal government from taking any action that interferes with legal commercial cannabis businesses in California.

On November 7, 2018, former Attorney General Sessions resigned after the US Mid-Term Elections. From the Mid-Term Elections, US voters delivered a split verdict for Congress, as the Democrats secured a majority in the House of Representatives (the "House") while the Republicans expanded their majority in the Senate. With the Democrats taking back control of the House, there may be opportunity for bi-partisanship on a number of issues including the Strengthening the Tenth Amendment Through Entrusting States Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bi-partisan efforts initiated by Senator Gardner together with Senator Warren. Senator Warren won re-election which ensures she will push the change to federal law regarding cannabis. In addition, constituents of Michigan voted to legalize adult-use cannabis, making Michigan the first state in the Midwest to do so and the 10th in the US overall demonstrating growing sentiment amongst Americans towards legalization. Voters in Missouri and Utah approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

Although Jeff Sessions was replaced with William Barr by former president, Donald Trump, there is still very little clarity as to how the federal government intends to enforce federal law or how they will deal with states that have legalized medical or recreational cannabis. There is no guarantee that the current presidential administration will not change its policy regarding the low-priority enforcement of US federal laws that conflict with State laws. Additionally, any new US federal government administration that follows could change this policy and decide to enforce the US federal law vigorously. Any such change in the US federal government's enforcement of current US federal law could cause adverse financial impact and remain a significant risk to the Company's businesses.

On December 20, 2018, the 2018 Farm Bill was signed by former president, Donald Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the FCSA. Prior to its enactment, the 2014 Farm Bill allowed industrial hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. Under federal law, hemp is to be treated as an agricultural commodity, and the regulation of hemp products, including those containing CBD, will be enforced by the FDA under the Federal Food, Drug, and Cosmetic Act of 1938. As of this date, federal authorities have not set regulations that govern the manufacturing, advertising, or sale of hemp products. However, the FDA has issued statements that declare that CBD products intended for human or pet consumption are illegal. The FDA's position is that consumable CBD products, whether cannabis or hemp-derived, are untested "new drugs" and, thus are illegal for consumption until FDA approval. However, the FDA is taking strides to legalize consumable CBD products. On May 31, 2019, the FDA held the first stakeholder hearing to discuss the pathway to the potential legalization of consumable CBD products.

Enforceability of Contracts

Since cannabis is illegal at a federal level, judges in multiple U.S. states have on several 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. Therefore, there is uncertainty that the Company will be able to legally enforce its material agreements.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by them 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 could result in increased costs, could adversely affect the reputation of the Company and could have a material adverse effect on the business, results of operations and financial condition of the Company. There can be no assurances that product liability insurance will be obtained or maintained on acceptable terms or with adequate coverage against potential liabilities.

Risks Inherent in an Agricultural Business

Medical and adult-use cannabis is an agricultural product. There are risks inherent in the cultivation business, such as insects, plant diseases, drought, and similar agricultural risks. Although the products are usually grown indoors or green houses under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the supply-chain and supply of the Company's products and, consequentially, on the business, financial condition, and operating results of the Company.

Restricted Access to Banking

In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the federal administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the United States Congress is contemplating the SAFE Act, the passage of which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, if Congress fails to pass the SAFE Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Third-Party Service Providers

As a result of any adverse change to the approach in enforcement of the U.S. cannabis laws, adverse regulatory or political changes, additional scrutiny by regulatory authorities, adverse changes in the public perception in respect to the consumption of cannabis or otherwise, third-party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the business, revenues, operating results, financial condition or prospects of the Company.

Balance Sheet/Operating Exposure

Approximately sixty percent (60%) of the Company's balance sheet is comprised of U.S.-based commercial cannabis operations. By these measures, approximately 60% of the Company's balance sheet were related to and exposed to U.S. marijuana related activities. Forty percent (40%) of the Company's loss is comprised of U.S.-based commercial cannabis operations.

Legal Advice, Compliance, and Potential Exposure

The Company is monitoring compliance with California Laws on an ongoing basis. The Company has engaged California-based cannabis regulatory compliance counsel and provides the Company with ongoing compliance advice. Counsel has substantial experience advising cannabis companies on how to comply with California law and the potential exposure to federal law. The Company's counsel has been tasked with monitoring California law on an ongoing basis and ensuring that the Company's operations comply with all California cannabis laws and regulations. The Company has regularly scheduled calls with compliance counsel to discuss compliance matters. Nevertheless, there is no assurance that the Company will be able to maintain or remain in compliance with California or other state laws. Moreover, even if the Company complies with each and every law and regulation, they may still be subject to federal criminal prosecution along with civil fines and penalties. Federal enforcement could lead to dissolution, asset forfeiture and total loss of investment.

Regulation of the Cannabis Market in California

In 1996, California was the first state to legalize medical cannabis through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). This provided an affirmative defense for defendants charged with 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, decriminalizing the use, possession, and collective cultivation of medical cannabis, and 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 testing laboratories, 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 Cannabis Act" ("AUMA") creating an adult-use cannabis program for adult-use 21 years of age or older. 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 amalgamated MCRSA and AUMA to provide a set of regulations to govern the medical and adult-use licensing regime for cannabis businesses in the State of California. MAUCRSA went into effect on January 1, 2018. The five agencies that regulate cannabis at the state level are BCC, California Department of Food and Agriculture, California Department of Public Health, the California Environmental Protection Agency, and California Department of Tax and Fee Administration.

One of the central features of MAUCRSA is known as "local control." In order to legally operate a medical or adult-use cannabis business in California, an operator must have both express local authority and a state license. This requires license-holders to operate in cities or counties that offer a path to local approval for cannabis businesses. Cities and counties in California can determine the number and type of licenses they will issue to cannabis operators or can choose to outright ban local cannabis activity, except they may not prevent the transportation of cannabis through their jurisdictions.

California License Types

Once an operator obtains local approval, the operator must obtain state licenses before conducting any commercial cannabis activity. There are 12 different license types that cover all commercial activity. License types 1-3 and 5 authorize the cultivation of medical and/or adult-use cannabis plants. Type 4 licenses are for nurseries that cultivate and sell clones and "teens" (immature cannabis plants that have established roots but require further vegetation prior to being sent into the flowering period). Type 6 and 7 licenses authorize manufacturers to process cannabis biomass into certain value-added products such as shatter or cannabis distillate oil with the use of volatile or non-volatile solvents, depending on the license type. Type 8 licenses are held by testing facilities who test samples of cannabis products and generate "certificates of analysis," which include important information regarding the potency of products and whether products have passed or failed certain threshold tests for pesticide and microbiological contamination. Type 9 licenses are issued to "non-storefront" retailers, commonly called delivery services, who bring cannabis products directly to customers and patients at their residences or other chosen delivery location. Type 10 licenses are issued to storefront retailers, or dispensaries, which are open to the public and sell cannabis products onsite. Type 11 licenses are known as "Transport-Only" distribution licenses, and they allow the distributor to transport cannabis and cannabis products between licensees, but not to retailers. Type 12 licenses are issued to distributors who move cannabis and cannabis products to all license types, including retailers.

California Agencies Regulating the Commercial Cannabis Industry

There are three agencies tasked with issuing and regulating the cannabis license types in California. The California Department of Food and Agriculture ("CDFA") oversees nurseries and cultivators; the California Department of Public Health ("CDPH") oversees manufacturers, and the newly-created Bureau of Cannabis Control ("BCC") oversees distributors, retailers, delivery services, and testing laboratories. Operators must apply to one or more of these agencies for their licenses, and each agency has released regulations specific to the operation of the types of businesses they oversee. The BCC has a number of regulations that apply to all licensees, but generally the CDFA and CDPH regulations only apply to the licensees in their charge.

The Cannabis Supply Chain in California

In California, depending on a local government's own cannabis ordinances, plants may be cultivated outdoors, using mixed-light methods, or fully indoors. Cultivators must initially acquire seeds, clones, teens, or other immature plants from nurseries. The cultivation, processing, and movement of cannabis within the state is tracked by the METRC system, into which all licensees are required to input their track and trace data (either manually or using another software that automatically uploads to METRC). Immature plants are assigned a Unique Identifier number ("UID"), and this number follows the flowers and biomass resulting from that plant through the supply chain, all the way to the consumer. Each licensee in the supply chain is required to meticulously log any processing, packaging, and sales associated with that UID.

When cannabis plants mature and complete their life cycle, they are harvested, cured, and trimmed, in preparation of being sold to distributors or manufacturers. Cultivators have two main products: flowers, or "buds," and the biomass, or "trim," which is typically removed from the mature flowers. Trim is commonly sold to manufacturers for further processing into cannabis extracts. Buds may also be sold to manufacturers, or to distributors for sale to retailers. The cultivator may package and label its cannabis flowers or may sell flower in bulk and the distributor may package and label the flower. Manufactured cannabis goods may be sold from a manufacturer to a distributor but have to be provided to distributors in their final packaging. Distributors may not package manufactured cannabis goods. Certain tax rates apply to the cannabis flower and biomass, which are assessed per ounce of product sold. The tax is paid by the cultivator to the distributor, or alternatively the manufacturer to the distributor, who has the responsibility of tendering the fees to the State of California.

Cannabis in California may only be transported between licensees by a licensed distributor. Some cultivators and manufacturers have their own distribution licenses, and others contract with third-party distributors. Distributors may or may not take possession of the cannabis and cannabis products but ultimately all cannabis goods must be taken to a distributor facility for testing before they can be transported to retail. How this is evolving in California currently is that, similar to the alcohol distribution model, retailers are choosing from a portfolio of products carried by the distributors they work with. Brands are doing some direct marketing to retailers, but many brands target their marketing to distributors.

Distributors are the point in the supply chain where final quality assurance testing is performed on products before they go to a retailer. Retailers may not accept product without an accompanying certificate of analysis (COA). Distributors must hold product to be tested on their premises in "quarantine" and arrange for an employee of a licensed testing laboratory to come to their premises and obtain samples from any and all goods proposed to be shipped to a retailer. Cannabis and cannabis products are issued either a "pass" or "fail" by the testing laboratory. Under some circumstances, the BCC's regulations allow for failing product to be "remediated" or to be re-labeled to more accurately reflect the COA.

Retail Compliance in California

California requires that certain warnings, images, and content information be printed on all cannabis packaging. BCC regulations also include certain requirements about tamper-evident and child-resistant packaging. Distributors and retailers are responsible for confirming that products are properly labeled and packaged before they are sold to a customer.

Consumers aged 21 and up may purchase cannabis in California from a dispensary with an "adult-use" license. Some localities still only allow medicinal dispensaries. Consumers aged 18 and up with a valid physician's recommendation may purchase cannabis from a medicinal-only dispensary or an adult-use dispensary. Consumers without valid physician's recommendations may not purchase cannabis from a medicinal-only dispensary. All cannabis businesses are prohibited from hiring employees under the age of 21.

Security Requirements

Each local government in California has its own security requirements for cannabis businesses, which usually include comprehensive video surveillance, intrusion detection and alarms, and limited access areas in the dispensary. The State also has similar security requirements, including that there be limited-access areas where only employees and other authorized individuals may enter. All licensee employees must wear employee badges. The limited access areas must be locked with "commercial-grade, nonresidential door locks on all points of entry and exit to the licensed premises."

Each licensed premise must have a digital video surveillance system that can "effectively and clearly" record images of the area under surveillance. Cameras must be "in a location that allows the camera to clearly record activity occurring within 20 feet of all points of entry and exit on the licensed premises."

The regulations list specific areas which must be under surveillance, including places where cannabis goods are weighed, packed, stored, loaded, and unloaded, security rooms, and entrances and exits to the premises. Retailers must record point of sale areas on the video surveillance system.

Licensed retailers must hire security personnel to provide on-site security services for the licensed retail premises during hours of operation. All security personnel must be licensed by the California Bureau of Security and Investigative Services.

Inspections

All licensees are subject to annual and random inspections of their premises. Cultivators may be inspected by the California Department of Fish and Wildlife, the California Regional Water Quality Control Boards, and the California Department of Food and Agriculture. manufacturers are subject to inspection by the California Department of Public Health, and retailers, distributors, testing laboratories, and delivery services are subject to inspection by the Bureau of Cannabis Control. Inspections can result in notices to correct, or notices of violation, fines, or other disciplinary action by the inspecting agency.

Cannabis sales and excise taxes in California

Several taxes are imposed at the point of sale and are required to be collected by the retailer. The State imposes an excise tax of 15%, and a sales and use tax is assessed on top of that. Cities and counties apply their sales tax along with the State's sales and use tax, and many cities and counties have also authorized the imposition.

Compliance

The Company believes it is in compliance with all applicable state and local laws/licensing framework related to its cannabis operations based on its ongoing compliance program described in this MD&A. As set forth above, the Company has engaged California counsel specializing in regulatory compliance for California cannabis businesses. The Company works with counsel regularly to ensure its operations remain compliant. Moreover, the Company has not received any non-compliance notices or citations from any regulatory agency. Company will promptly disclose any such notices or citations if received.