

THE ATTACHED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FORM AN INTEGRAL PART OF THIS MANAGEMENT DISCUSSION AND ANALYSIS AND ARE HEREBY INCLUDED BY REFERENCE

Management Discussion and Analysis as of November 26, 2021

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to permitting timelines, currency fluctuations, requirements for additional capital, government regulation, environmental risks, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning general expectations are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors. Forward-looking statements in this MD&A include, but are not limited to, the Debenture Amendments; the ability for the Company to pay future interest payments on the Debentures as such payments become due; the Company receiving the requisite Debentureholder approval to implement the Debenture Amendments; and the anticipated results of the Debenture Amendments on the debt burden and future operations of the Company, the Company's strategies and objectives, both generally and in respect of its existing business and planned business operations; conditions in the financial markets generally, and with respect to the prospects for cannabis companies specifically; the Company's future cash requirements; the acquisition and development of vertically integrated assets; the potential and development of the DHS property (as defined below); the identification and completion of additional investments; investment and expansion opportunities; the development of the social media business and expansion of its client base; the industry, regions and goals of the Company's investment policy; opportunities arising from the relationship with the Strategic Partner; the Company's ability to raise additional equity capital; and the sufficiency of the Company's capital resources.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2021, and with the audited financial statements for the year ended June 30, 2021 and 2020, together with the corresponding notes of Chemistree Technology Inc. (the "Company" or "Chemistree").

This MD&A covers the period ended September 30, 2021, and the subsequent period up to the date of filing. This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators and Staff Notice 51-352 (Revised) – Issuers with US Marijuana Related Activities (“Staff Notice 51-352”).

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements and do not include all the information required for full annual financial statements. Accordingly, they should be read in conjunction with our IFRS financial statements for the fiscal year ended June 30, 2021. The accounting policies applied in the unaudited condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as of November 26, 2021, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements and they are consistent with those disclosed in the annual financial statements.

All amounts are expressed in Canadian dollars unless otherwise noted. Readers are encouraged to read the Company’s public information filings on SEDAR at www.sedar.com

Having completed the Washington Acquisition (as defined herein), the Company indirectly derives, through investments in ancillary operations, revenue from the adult-use cannabis industry in the United States in jurisdictions where local law permits such activities, and may in the future indirectly derive revenue from the medical cannabis industry in the United States and the medical and/or adult-use cannabis industries in Canada.

Although a number of states of the United States have legalized medical and/or recreational use of cannabis, it remains illegal under United States federal laws. Accordingly, there are a number of risks associated with the Company’s plans and current, proposed and potential future investments, even where the Company is not directly involved in the cultivation or sale of either adult-use or medical cannabis. There is a risk that United States federal authorities may enforce federal law prohibiting the cultivation and sale of cannabis or laws relating to the proceeds thereof.

Over half of the states of the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. *Controlled Substances Act* (the “CSA”) in the United States and as such, is in violation of U.S. federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The Supremacy Clause of the *United States Constitution* establishes that the United States Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, the federal law must be applied. Notwithstanding the paramountcy of United States federal law, enforcement of such laws may be limited by other means or circumstances, which are further described in this MDA and the documents incorporated by reference herein. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the likelihood, timing or scope of any such potential amendments there can be no assurance), there is a risk that U.S. federal authorities may enforce current U.S. federal law, which may adversely affect any current or future investments of the Company in the United States. As such, there are a number of risks associated with any of the Company’s current or future investments in the United States, and such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to invest in the United States or any other jurisdiction.

On October 17, 2018, the *Cannabis Act, 2018* (the “Cannabis Act”) came into force with the effect of legalizing adult recreational use of cannabis across Canada. The Cannabis Act provides for the federal government to regulate commercial production of cannabis products and grants the provincial, territorial and municipal governments the

authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements of the Cannabis Act. The provinces of Canada have passed legislation which sets out the scheme for private cannabis sales in each Province. The new framework opens the door for private operators to capitalize on cannabis retail opportunities in Canada.

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

Accordingly, the Company, and its investments in the cannabis sector, may be subjected to heightened scrutiny by applicable regulatory authorities, the CSE, clearing agencies or other governmental bodies. See the sections entitled “Corporate Overview” and “Risk associated with the Company”, below, for further details.

Outlook

Chemistree Technology Inc. is an investment company with holdings in the U.S. cannabis sector and a consumer-targeted biotechnology venture. The Company’s corporate strategy is to focus on opportunistic investments across a broad range of industries, and Chemistree is seeking to invest in early-stage, promising companies where it may be the lead investor and can additionally provide investees with advisory services, mentoring and access to the Company’s management expertise.

Over the last 18-months the Company’s debt burden, combined with a poor capital markets environment has hampered our efforts to access capital to expand our footprint. With renewed interest in the sector, we are now seeing consolidation in the industry, increased capital activity and some investment opportunities that give rise to optimism. To further reduce Chemistree’s discretionary burn-rate, the Company has reached a mutual agreement to terminate certain management agreements and continues to try to trim expenses where possible.

Chemistree’s outstanding convertible debentures are set to mature on March 29, 2022 (the “Debentures”), and bear interest at 10% per annum payable semi-annually at the end of December and June. At this time the Company does not have the wherewithal to redeem the Debentures at maturity, and the Company’s cash resources are constrained by the burden of interest payments. The Company has filed Notice of an Extraordinary Meeting of Debentureholders to be held November 30, 2021 (the “Meeting”). At the Meeting, debentureholders (the “Debentureholders”) will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution, the full text of which is set forth in Appendix “A” to the Meeting’s Circular, approving amendments (the “Debenture Amendments”) to the trust indenture between the Company and Odyssey Trust Company (“Trustee”) dated as of March 29, 2019 (“Indenture”), and authorizing Trustee to execute a supplemental trust indenture giving effect to the Debenture Amendments. The resolutions to be considered at the Meeting would amend the Debentures in the following two key areas:

1. Subsequent to payment of the December 31, 2021 interest amount - which is intended to be paid in cash; allow the Company to choose whether to pay subsequent interest in cash or via the issuance of common shares; and
2. Extend the term of the convertible debentures by twenty-four (24) months to March 29, 2024.

All other terms of the Debentures under the Indenture will remain unchanged. The convertible debentures accrue interest daily, with such accrued interest paid immediately upon conversion of the debentures. The principal amount of the debentures is currently \$7,814,000 and is convertible into common shares of the Company at a price of \$0.50 per share.

In late July 2021, the Company completed the sale of its 9.55-acre land package located in the city of Desert Hot Springs, Riverside County, California. Gross consideration for the sale was \$1,957,000 (U.S.). This infusion of capital will provide some additional working capital and improve our abilities to pursue investment ideas.

The Covid-19 pandemic is creating unprecedented challenges to the global economy and stock markets. Chemistree is dependent on the formation of capital for our liquidity. Our board and management are taking actions to maintain the solvency of the Company as long as possible during this period of uncertainty. Chemistree believes that capital markets will improve for US operators, however, caution is warranted as the industry deals with the large quantity of ‘unregulated’ product that is still widely available in the marketplace.

Business objectives 12 months forward

During calendar 2020 and early 2021, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

Under the Company’s Investment Policy, as amended October 2020, the Company is a publicly traded investment company whose primary objective is to invest its funds for purposes of generating returns from capital appreciation and investment income. It intends to accomplish these goals through the identification of and investment in securities of private and publicly listed entities that are involved in a variety of industries, including, but not limited to, opportunities in the cannabis, technology, health care, biotechnology, medical technology or related consumer products fields.

Investments will be acquired and held for short-term gains, income generation, or long-term capital appreciation, dependent upon the specific investment. The paramount goal of the Company will be to generate maximum returns from its investments.

The composition of the Company’s investment portfolio will vary over time depending on its assessment of a number of factors, including the performance of its investments, developments in existing and potential markets, and risk assessment. The Company’s investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of the investment committee or senior management and approval by the Board. The Company’s board of directors reserves the right and authority to change the general or specific focus of the Company’s investments over time; and reserves the right to diversify the Company’s portfolio of investments by industry, geography, and investment type without prior announcement or notice being given.

The Company anticipates re-investing the profits realized from its investments to further the growth and development of the Company’s investment portfolio. The declaration and payment of dividends to shareholders will become a priority once Company has achieved steady or continuous cash flow from its investments.

In terms of composition, the nature and timing of the Company’s investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time, and may include equity investments, cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, majority ownership, joint ventures and licensing arrangements, among others. All investments shall be made in compliance with applicable laws in relevant jurisdictions and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

Recent developments

In late October 2021, the Company filed Notice of an Extraordinary Meeting of Debentureholders to be held November 30, 2021 (the “Meeting”). At the Meeting, debentureholders (the “Debentureholders”) will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution, the full text of which is set forth in Appendix

“A” to the Meeting’s Circular, approving amendments (the “Debenture Amendments”) to the trust indenture between the Company and Odyssey Trust Company (“Trustee”) dated as of March 29, 2019 (“Indenture”), and authorizing Trustee to execute a supplemental trust indenture giving effect to the Debenture Amendments. The resolutions to be considered at the Meeting would amend the Debentures in the following two key areas:

1. Subsequent to payment of the December 31, 2021 interest amount - which is intended to be paid in cash; allow the Company to choose whether to pay subsequent interest in cash or via the issuance of common shares; and
2. Extend the term of the convertible debentures by twenty-four (24) months to March 29, 2024.

Chemistree’s outstanding convertible debentures are set to mature on March 29, 2022 (the “Debentures”), and bear interest at 10% per annum payable semi-annually at the end of December and June. At this time the Company does not have the wherewithal to redeem the Debentures at maturity, and the Company’s cash resources are constrained by the burden of interest payments.

In late July 2021, Chemistree completed the sale of its 9.55-acre land package located in the city of Desert Hot Springs, Riverside County, California. Gross consideration for the sale was \$1,957,000 (U.S.). The DHS property was acquired in 2019 as raw land, and over the course of the intervening two years the Company’s development team advanced the land to a shovel-ready state. Advanced planning, permitting and engineering work was completed together with the required anthropological and environmental studies. In conjunction with the sale, the Company has negotiated a back-in option agreement with the purchaser, such that as the purchaser advances the construction of the project, renamed AMP Industrial Park, the company has the unilateral option to acquire a new 16,460-square-foot cannabis production and processing building at a predetermined price.

On July 13, 2021, Chemistree reported that investee company ImmunoFlex Therapeutics Inc. (“ImmunoFlex”) has completed and analyzed its clinical trial of 21 patients 60 to 70 years of age. The exploratory trial was the latest of several small trials where ImmunoFlex has focused on analyzing immune system modulation at a genomic level resulting from treatment with compounds including CBD (cannabidiol), THC (tetrahydrocannabinol), NAC (N-acetylcysteine) and several other widely available compounds. In this latest study, traditional blood chemistry markers were not informative; however, genomic analysis of the immune system’s T-cell receptor recognition regions (called CDR3s) extracted from patient RNA showed immune system changes resulting from treatment. In one particular group, all patients showed consistent results across multiple genomic analyses. ImmunoFlex believes that the immune system changes observed in this clinical study are beneficial changes with the potential to improve immune system competence. ImmunoFlex has submitted non-provisional (U.S.) and PCT (Patent Cooperation Treaty; international) patent applications based on the research carried out by ImmunoFlex in 2020 and 2021.

In early March, the Company was pleased to learn of two important developments in cannabis regulation in New Jersey. Chemistree investee, CHM Consulting LLC, doing business as Applied Cannabis Sciences of New Jersey (ACS), currently has an application pending with the New Jersey Department of Health (“DOH”) for a vertically integrated licence that will allow for the cultivation, manufacturing and processing, and retail sales of medical marijuana. After 18 months on pause, pending the outcome of an industry-wide judicial appeal, the DOH is restarting the review process. Chemistree has written-down its investment in ACS due to the length of inactivity in the New Jersey regulatory environment, however, the Company remains hopeful that ACS will be awarded licensure in this round considering the strong nature of the company’s New Jersey team, operational history and the municipal approvals already received within the company’s operating jurisdictions. Additionally, the goal of ACS is to continue to submit applications until licences are secured in all major functions (cultivation, manufacturing/processing, distribution/wholesale and retail sales) of the now rapidly expanding cannabis industry in New Jersey.

In January 2021, Chemistree investee, ImmunoFlex, announced that it has received approval of FLEX 10™ from Health Canada. In February 2021, ImmunoFlex announced that it has secured advisory services and conditional research and development financing from the National Research Council of Canada Industrial Research Assistance Program for its FLEX 20™ product. Chemistree believes that both developments will assist in building the value of ImmunoFlex and providing foundational support for the eventual launch of its products related to the immune system to strengthen, support, and enhance the body’s natural surveillance and response system. By combining natural health products with pharmaceutical-grade ingredients and genomics, ImmunoFlex creates patented, premium, immune-boosting products.

On October 30, 2020, the Company announced that it had completed the internal review of its investment policy as announced April 9, 2020. Chemistree's board of directors amended the Company's investment policy (the "Investment Policy") to broaden the investment mandate to include potential opportunities in the cannabis sector plus additional opportunities unrelated to the cannabis sector. Prior to broadening the mandate, the Company's investment objectives were to seek opportunities in the cannabis sector, initially in the U.S. Pacific Northwest and California and potentially other jurisdictions where cannabis-related activities are permitted, and to achieve an acceptable rate of return by focusing on opportunities with attractive risk to reward profiles. In order to deploy the remaining investment capital with a more diversified approach, the amended Investment Policy includes, but is not limited to, other opportunities in the cannabis, health care, technology, biotechnology, medical technology or related consumer products fields. Investments by the Company are to be made in accordance with and are otherwise subject to the Investment Policy, which may be amended from time to time at the sole discretion of the Company without shareholder approval, unless required by applicable laws or CSE policies.

On August 5, 2020, the Company announced that the Washington State Liquor and Cannabis Board (WSLCB) had approved Chemistree Washington's expanded facility in Sedro Woolley for cultivation and processing operations. The expansion increases the size of the cultivation area by approximately 30 per cent. Chemistree commenced construction of the additional grow room in early March, but progress was delayed by the statewide restrictions brought on by the COVID-19 pandemic. Management is pleased that the project was completed safely and expeditiously by all the contractors and sub-trades involved, always keeping workers protected. The expanded space was turned-over to the licensee, Sugarleaf, for planting and active cannabis operations.

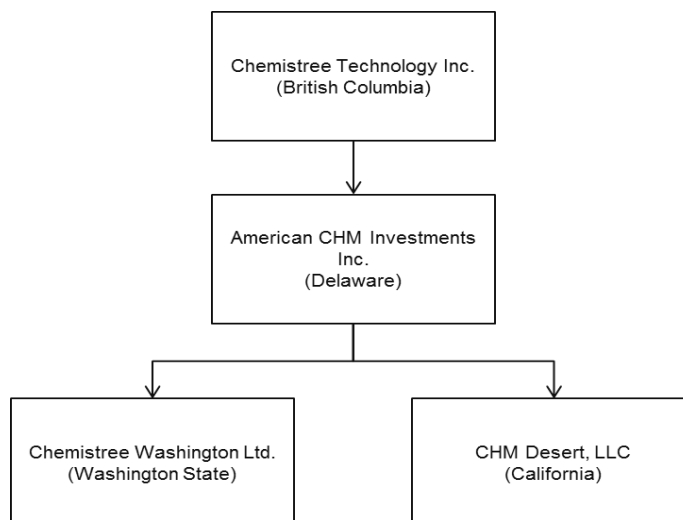
On July 9, 2020, and further to its earlier announcements on June 15 and June 18 – Chemistree confirmed that it had now closed the first tranche of the investment into ImmuoFlex. The definitive investment agreement includes Chemistree's initial common share purchase of \$500,000, together with Chemistree being granted a gross sales royalty on ImmunoFlex's North American sales. A further \$500,000 second tranche common share purchase is conditional on certain performance by ImmunoFlex or at the election of Chemistree. In addition, ImmunoFlex has now appointed Chemistree's Chief Financial Officer, Douglas Ford to ImmunoFlex's board of directors. Chemistree is also entitled to anti-dilution pre-emptive rights regarding its share ownership. ImmunoFlex's products are targeted at prevention and treatment of viruses and improving vaccine effectiveness by safely improving immunity biomarkers and enhancing the immune system as it actively responds to disease.

Corporate Overview

Chemistree was incorporated in the Province of British Columbia on March 14, 2008 under the *Business Corporations Act* (British Columbia) ("BCBCA"). The name change to Chemistree Technology Inc. became effective August 3, 2017. The Company's registered office is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, British Columbia, V7X 1L3, Canada and its head office is located at Suite 204 – 998 Harbourside Drive, North Vancouver, British Columbia, V7P 3T2, Canada.

On July 20, 2018, the Company requalified for a listing following a change of business to an "investment company" on the Exchange.

The Company has three wholly-owned subsidiaries. Effective October 17, 2017, the Company incorporated a wholly-owned subsidiary, Chemistree Washington Ltd. ("**Chemistree Washington**"), incorporated under the laws of Washington State. Effective July 17, 2018, the Company incorporated American CHM Investments Inc., under the laws of the State of Delaware. Effective July 18, 2018, the Company incorporated CHM Desert LLC ("**CHM Desert**") under the laws of the State of California. The following diagram presents the organizational chart of the Company:



After reviewing a number of potential opportunities, the Company focused its efforts and conducted further due diligence on an opportunity in Washington State to invest in certain assets that Chemistree believes will enable it to provide a “turn-key” facility from which it expects to derive licensing revenue.

On June 29, 2018, Chemistree Washington completed the acquisition of a suite of Washington-based assets used in cannabis cultivation, production, distribution and branding (the “Washington Acquisition”) pursuant to a definitive asset purchase agreement (the “Washington Acquisition Agreement”) with Elite Holdings Inc. (the “Washington Vendor”) with respect to the Washington Acquisition. Pursuant to the Washington Acquisition Agreement, Chemistree Washington acquired certain assets, including, but not limited to, all inventory, leases, software, furniture, systems, equipment, and lighting (collectively, the “Washington Assets”) from the Washington Vendor. The acquisition did not include any receivables, payables, warranties, employee or tax liabilities of the Washington Vendor.

Consideration for the Washington Assets was US\$1,000,000 payable in cash, comprised of US\$800,000 payable upon closing of the Washington Acquisition, and four instalments of US\$50,000 each payable at the end of each of the four calendar months following closing.

Following the August 6, 2019 receipt of approval from the Washington State Liquor and Cannabis Board (“WSLCB”), Chemistree Washington entered into agreements with a Strategic Partner, which is an arm’s length party to and unaffiliated with Chemistree, whereby the Strategic Partner subleases and licensed the Washington Assets from Chemistree Washington, in order for the Strategic Partner to operate the “Sugarleaf” brand of retail cannabis products in Washington state. The Strategic Partner operates under the Washington State “Tier 3” Production and Processing License No. 423406 (the “Sugarleaf Licence”) acquired from Sugarleaf Farm LLC (“Sugarleaf”), along with any and all related brands, trademarks, websites, URLs, packaging, goods in process, and social media accounts. The Sugarleaf brand is an established cannabis brand within Washington state, and is currently sold in approximately 75 retail locations. In addition to the license and sub-lease arrangements, the relationship with the license holder also provides opportunities for Chemistree’s social media marketing business.

Chemistree’s change of focus, and the pursuit of the Washington Acquisition, was determined to be a “change of business” for the Company and was treated as a Fundamental Change under Policy 8 of the CSE. The Company filed the appropriate documentation with the CSE to seek approval of the acquisition and the change in classification of the Company from a technology issuer to an investment company. On July 20, 2018, the Fundamental Change was approved by the CSE.

On July 17, 2018, the Company formed a new wholly-owned subsidiary, American CHM Investments Inc. (“American CHM”), in the State of Delaware. It is intended that American CHM will become the Company’s master subsidiary in the United States and that all U.S. holdings will fall under American CHM’s ownership.

In turn, on July 18, 2018, American CHM formed a wholly-owned subsidiary CHM Desert LLC (“CHM Desert”) to hold the Company’s initial assets in the State of California. Effective August 7, 2018, CHM Desert closed on its acquisition of 9.55 acres of bare land located within the City of Desert Hot Springs, Riverside County, California “Light Industrial Lands Designated for Marijuana Cultivation” area (the “DHS property”). Consideration for the purchase is \$1,233,800 USD. Since the acquisition, the Company completed the engineering and development work to build-out the site including two 63,980 square foot state-of-the-art light deprivation green houses, and a future 40,572 square foot engineered steel building and 171 parking stalls to accommodate staff and visitors. In late July 2021, CHM Desert completed the sale of the DHS Property. Gross consideration for the sale was \$1,957,000 (U.S.). In conjunction with the sale, the Company has negotiated a back-in option agreement with the purchaser, such that as the purchaser advances the construction of the project, renamed AMP Industrial Park, the company has the unilateral option to acquire a new 16,460-square-foot cannabis production and processing building at a predetermined price

Overall Performance

The ability of the Company to continue to operate as a going concern is dependent on its ability to generate profitable operations and positive cash flows. To date, the Company has generated limited revenues from operations and will require additional funds to meet ongoing obligations and investment objectives. As a result, further losses are anticipated. As at September 30, 2021, the Company had a working capital deficit of \$ 5,193,936 (June 30, 2021 year-end: \$6,342,110) and an accumulated deficit of \$26,250,093 (June 30, 2021 year-end: \$26,233,624).

As at September 30, 2021, the Company has insufficient working capital to discharge its existing financial obligations. The Company’s future capital requirements will depend on many factors, including the operating and capital costs of locating, researching, developing, and acquiring investments that comply with its investment strategy. The Company’s anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations. The ability of the Company to continue to operate as a going concern is dependent on its ability to generate profitable operations and positive cash flows. To date, the Company has generated limited revenues from operations and will require additional funds to meet ongoing obligations and investment objectives. Most significant in the near term are the convertible debentures, which come due on March 29, 2022. The Company does not have sufficient working capital to repay these debentures if they are not converted, and management and the Board of Directors have evaluated potential options for restructuring the terms of the debentures with the debenture holders. The Company filed Notice of an Extraordinary Meeting of Debentureholders to be held November 30, 2021 (the “Meeting”). At the Meeting, debentureholders (the “Debentureholders”) will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution, the full text of which is set forth in Appendix “A” to the Meeting’s Circular, approving amendments (the “Debenture Amendments”) to the trust indenture between the Company and Odyssey Trust Company (“Trustee”) dated as of March 29, 2019 (“Indenture”), and authorizing Trustee to execute a supplemental trust indenture giving effect to the Debenture Amendments. There are no guarantees that such an agreement will be achieved

Selected Financial Data [Annual]

The following tables show selected summary financial information which have been derived from the annual financial statements of the Company.

		Year ended	
	June 30, 2021	June 30, 2020	June 30, 2019
Operating Revenue	\$ -	161,050	317,736
Net income (loss)	\$ (4,533,978)	(5,453,452)	(4,665,101)
Income (Loss) per share	\$ (0.12)	(0.14)	(0.13)
Share capital	\$ 17,603,443	17,207,845	17,075,475
Common shares issued	39,034,430	37,714,430	37,384,430
Weighted average shares outstanding	38,440,868	37,641,534	34,589,602
Total Assets	\$ 3,743,435	7,453,343	11,744,835
Net Assets (liabilities)	\$ (5,409,165)	(1,217,959)	4,054,611

Operations Overview

Prior to July 1, 2017, the Company was not generating revenue. The Company obtained revenue from providing consulting services at \$US 10,000 per month to the Washington Strategic Partner. Due to a prolonged period of collection uncertainty, the Company determined that these arrangements no longer met revenue recognition criteria in the year ended June 30, 2021, nor at September 30, 2021.

Results of OperationsThree months ended September 30, 2021

During the period, the Company continued to reduce all discretionary expenses where possible. Total expense for the period were reduced by 19% when compared to the equivalent period in the prior year; \$707,548 compared with 2020's \$872,932. All expense categories were reduced on a comparative basis with the largest reductions being is management fees, consulting and professional fees. Similarly, comprehensive loss for the 2021 period was reduced to \$16,469 from \$757,496; the large reduction was mostly attributable to recognizing a \$657,710 one-time gain on the sale of the DHS Property and the foreign exchange gain associated with that sale. All the Company's expenditures related to delivery of its services, ongoing business development and general corporate operations.

Fiscal year ended June 30, 2021

During the year, the Company focused on reducing all discretionary expenses as applicable and in reducing monthly commitments. Overall, total expense was reduced by a further 19% in 2021 to \$4,624,934 compared with \$5,735,269 in 2020. A 58% further reduction in general and administrative expenses in 2021 resulted in expense of \$297,985 versus \$719,229 in 2020. Similarly, the annual comprehensive loss for 2021 was reduced by a further 17% to \$4,533,978 compared with \$5,453,452 in 2020. Operating results were impacted by the recognition of non-cash expenses including depreciation of \$105,413 [2020: \$124,243], accretion and finance costs of \$1,874,998 [2020: \$1,726,366], bad debt expense of \$199,231 [2020: \$689,125] and impairment of \$943,197 [2020: \$685,429]. Significant non-operating items were included in the loss, including foreign exchange (loss) gain, interest income and gain related to the investment in the sublease.

Fluctuations in Results

As stated above, operating results fluctuated due to the launching of the Company's service offerings and the pursuit of investment and expansion opportunities under the Company's Investment Policy.

Fourth Quarter

For the year-ended June 30, 2021, the Company adjusted the carrying value of receivables to recognize the risks associated with overdue collections. As a result, the Company has taken allowances for \$199,231 (2020 - \$689,125) in receivables, recognized as bad debt expense in profit and loss. In addition, a review of carrying values resulted in the Company recording an impairment of expense \$943,197 [2020: \$685,429]. In 2020, the Company adjusted the carrying value of receivables to recognize the risks associated with overdue collections. As a result, the Company has taken allowances for \$689,125 (2019 - \$Nil) in receivables, recognized as bad debt expense in profit and loss.

Selected Financial Data [Quarterly - unaudited]

(Expressed in Canadian Dollars)

	Quarter Ended							
	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020	12/31/2019
Operating revenue	-	(117,054)	37,986	39,097	39,971	(38,568)	80,838	79,181
Comprehensive (loss) gain	\$ (16,469)	(2,058,210)	(819,652)	(898,620)	(757,496)	(1,413,976)	(1,877,631)	(1,164,484)
Earnings (loss) per share	\$ (0.00)	(0.06)	(0.02)	(0.02)	(0.02)	(0.03)	(0.05)	(0.03)
Share capital	\$ 18,906,377	17,603,443	17,603,443	17,300,827	17,255,088	17,207,845	17,199,863	17,180,306
Common shares issued	41,670,430	39,034,430	39,034,430	37,914,430	37,814,430	37,714,430	37,694,430	37,644,430
Weighted average shares outstanding	41,052,647	39,034,430	38,797,541	37,7867,691	37,760,082	37,703,221	37,652,672	37,644,430
Total Assets	\$ 4,075,104	3,743,435	5,800,473	6,104,257	7,142,255	7,453,343	8,573,333	10,073,815
Net Assets (liabilities)	\$ (4,218,890)	(5,409,165)	(3,350,955)	(2,790,944)	(1,934,415)	(1,217,959)	132,578	1,990,652

Liquidity and Capital Resources

As at September 30, 2021, the Company had a working capital deficit of \$ 5,193,936 (June 30, 2021 year-end: \$6,342,110) and an accumulated deficit of \$26,250,093 (June 30, 2021 year-end: \$26,233,624). As at September 30, 2021, the Company had cash and equivalents on hand of \$2,379,816 (June 30, 2021 year-end: \$395,682)

Effective September 30, 2021, 7,889 debentures remained outstanding - representing a debt of the Company in the amount of \$7,889,000. The debt bears interest at 10% per annum payable at the end of June and December; maturity is March 29, 2022. The Company does not have sufficient working capital to repay these debentures if they are not converted.

During the period, the Company did dispose of the DHS Lands. The net proceeds of the sale did increase the Company's cash on hand by approximately \$2,189,000.

Given the various projects the Company is handling in the short and medium terms, management considers the current cash balance and forecast net cash flows from operating activities for the next 12 months to be inadequate for its planned business development activities. The success of development projects depends greatly on the Company's ability to generate sufficient cash to meet its needs.

Additional Disclosure for Issuers Without Significant Revenue

The business of the Company entails significant risks, and following is a general description of all material risks, which can adversely affect the business and in turn the financial results, ultimately affecting the value of an investment the Company.

The Company does not have significant revenues. The Company has limited funds. There is no assurance that the Company can access additional capital. The future requirements for additional capital will require issuance of common shares resulting in a dilution of the share capital issued previously.

General and administrative expense breakdown	Three months ended September 30,	
	2021	2020
	\$	\$
Communications	34,805	41,996
Bank service charges	70	59
Miscellaneous	-	194
Office	2,332	60
Rent	7,500	7,500
	44,707	49,809

Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the following risks in addition to the other information included in this MD&A and our financial statements, including related notes, before you decide to purchase our common shares. If any of the following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our securities, including common shares, could decline and you could lose part or all of your investment. The risks set out below are not the only risks we face; risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations. You should also refer to information set out in our consolidated financial statements for the year ended June 30, 2021 and the period ended September 30, 2021.

Risks Related to Uncertain Regulatory Environments Where We Operate

The activities of the Company will be subject to evolving regulation by governmental authorities. The legality of the production, extraction, distribution, marketing, advertising and use of cannabis differs among North American jurisdictions.

United States

Inconsistent treatment in certain states and federally

In the United States, the cultivation, manufacturing, importation, distribution, use, and possession of cannabis is illegal under U.S. federal law. However, medical and adult-use cannabis has been legalized and regulated by individual states. As of the date of this MD&A, 33 states plus the District of Columbia and certain U.S. territories recognize in one form or another the medical use of cannabis, while 11 of those states plus the District of Columbia and certain U.S. territories recognize in one form or another the full adult-use of cannabis. Notwithstanding the regulatory environment with respect to cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act (the “CSA”) and as such violates U.S. federal law. As a result, cannabis businesses in the United States are subject to inconsistent state and federal legislation, regulation, and enforcement.

Under former President Barack Obama, in an effort to provide guidance to U.S. federal law enforcement regarding the inconsistent regulation of cannabis at the U.S. federal and state levels, the U.S. Department of Justice (the “DOJ”) released a memorandum on August 29, 2013, entitled “Guidance Regarding Marijuana Enforcement” from former Deputy Attorney General James Cole (the “Cole Memorandum”). The Cole Memorandum acknowledged that, although cannabis is a Schedule I controlled substance under the CSA, the U.S. Attorneys in states that have legalized cannabis in some form should prioritize the use of the U.S. federal government’s limited prosecutorial resources by focusing enforcement actions on the following eight areas of concern (the “Cole Priorities”):

- Preventing the distribution of cannabis to minors;
- Preventing revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of cannabis from states where it is legal under state law in some form to states where it is not legal;
- Preventing legal cannabis activity from being used as a pretext for trafficking other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of cannabis;

- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use;
- Preventing the growing of cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and
- Preventing possession or use of cannabis on U.S. federal property.

In January 2018, under the administration of President Donald Trump, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. While this did not create a change in U.S. federal law, as the Cole Memorandum was not itself law, the rescission added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is legal and regulated. Former Attorney General Sessions, concurrent with the rescission of the Cole Memorandum, also issued a one-page memorandum known as the “Sessions Memorandum.” The Sessions Memorandum explained that the Cole Memorandum was “unnecessary” due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney’s Manual (the “USAM”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the U.S. federal government’s limited resources and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance under the CSA and states that it is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise provide that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide for prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys who determine whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that permitted under the Cole Memorandum. While certain U.S. Attorneys have publicly affirmed their commitment to proceeding in a manner contemplated under the Cole Memorandum, or otherwise affirmed that their views of U.S. federal enforcement priorities have not changed as a result of the rescission of the Cole Memorandum, others have publicly supported the rescission of the Cole Memorandum.

At a U.S. Senate appropriations hearing on April 10, 2019, the current U.S. Attorney General, William Barr, stated that he personally “would still favor one uniform federal rule against marijuana,” but if “there’s not sufficient consensus to obtain that, then the way to go is to permit a more federal approach so states can make their own decisions within the framework of a federal law so we’re not just ignoring the enforcement of federal law.” When asked to provide any guidance in the meantime, Attorney General Barr stated that “I’ve generally left it up to the U.S. Attorneys in each state to determine what the best approach is.”

He also stated that the DOJ is currently reviewing the recently reintroduced Strengthening the Tenth Amendment Through Entrusting States Act (“STATES Act”), which would shield individuals and businesses complying with state cannabis laws from federal intervention.

Other federal legislation provides or seeks to provide protection to individuals and businesses acting in violation of U.S. federal law but in compliance with state cannabis laws. For example, what is now known as the Joyce Amendment (previously known as the Leahy Amendment, the Rohrabacher-Farr Amendment, and the Rohrabacher-Blumenauer Amendment) has been included in annual spending bills passed by Congress since 2014. The Joyce Amendment restricts the DOJ from using federal funds to interfere with states implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis.

U.S. courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals or businesses engaged in cannabis-related activities to the extent operating in compliance with state medical cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should the U.S. Congress at any time choose to appropriate funds to fully prosecute individuals or businesses acting in violation of the CSA, such individuals or businesses could be prosecuted for violations of U.S. federal law even to the extent operating in compliance with applicable state medical cannabis laws.

If Congress declines to include the Joyce Amendment in future fiscal year appropriations bills or fails to pass necessary budget legislation causing a government shutdown, the U.S. federal government will have the authority to spend federal funds to prosecute individuals and businesses acting contrary to the CSA for violations of U.S. federal law.

Further, the appropriations protections only apply to individuals or businesses operating in compliance with a state's medical cannabis laws and provide no protection to individuals or businesses operating in compliance with a state's adult-use cannabis laws. On June 20, 2019, however, the U.S. House of Representatives passed the Blumenauer-Norton-McClintock Amendment, which would expand the protections afforded by the Joyce amendment to individuals and businesses operating in compliance with applicable state adult-use cannabis laws. The U.S. Senate did not include the Blumenauer-McClintock-Norton Amendment in its appropriations bill, and ultimately, the Blumenauer-McClintock-Norton Amendment was not included in the Consolidated Appropriations Act, 2020. On July 30, 2020, the U.S. House of Representatives again passed the Blumenauer-Norton-McClintock Amendment in its 2021 appropriations bill. However, it is unclear whether the U.S. Senate will include the Blumenauer-McClintock-Norton Amendment in its 2021 appropriations bill.

Additionally, there are a number of marijuana reform bills that have been introduced in the U.S. Congress that would amend federal law regarding the legal status and permissibility of medical and adult-use cannabis, including the STATES Act and the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act"). The STATES Act would create an exemption in the CSA to allow states to determine their own cannabis policies without fear of federal reprisal; whereas, the MORE ACT, which was passed by the House Judiciary Committee on November 20, 2019, would remove cannabis from the CSA, expunge federal cannabis offenses, and establish a 5% excise tax on cannabis to fund various federal grant programs. Nevertheless, it is uncertain which federal marijuana reform bills, if any, will ultimately be signed into law.

Businesses in the regulated cannabis industry, including the Company, are subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping, and proceeds of crime, including the Bank Secrecy Act and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "USA PATRIOT Act") and the rules and regulations thereunder, and any related or similar rules, regulations, or guidelines, issued, administered, or enforced by governmental authorities in the United States. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering, aiding and abetting, or conspiracy.

Despite these laws, the Financial Crimes Enforcement Network ("FinCEN"), a bureau within the U.S. Department of the Treasury ("U.S. Treasury"), issued a memorandum on February 14, 2014 (the "FinCEN Memorandum"), which provides instructions to banks and other financial institutions seeking to provide services to cannabis-related businesses. The FinCEN Memorandum explicitly references the Cole Priorities and states that in some circumstances it is permissible for banks and other financial institutions to provide services to cannabis-related businesses without risking prosecution for violation of U.S. federal money laundering laws. Under these guidelines, financial institutions are subject to a requirement to submit a suspicious activity report ("SAR") in certain circumstances as required by federal money laundering laws.

These cannabis related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated, respectively. The FinCEN Memorandum refers to supplementary guidance in the Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA.

Despite the rescission of the Cole Memorandum, this did not affect the status of the FinCEN Memorandum, and to date, the U.S. Treasury has not given any indication that it intends to rescind the FinCEN Memorandum. While the FinCEN Memorandum was originally intended to work in tandem with the Cole Memorandum, the FinCEN Memorandum appears to remain in effect as standalone guidance. Although the FinCEN Memorandum remains intact, indicating that the U.S. Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the Trump administration will continue to follow the guidelines set forth under the FinCEN Memorandum.

In March 2019, the U.S. House of Representatives Financial Services Committee passed the Secure and Fair Enforcement Banking Act (the "SAFE Banking Act"), which creates protections for financial institutions that provide banking services to

businesses acting in compliance with applicable state cannabis laws. The U.S. Senate held a hearing on the SAFE Banking Act in July, 2019. On September 25, 2019, the U.S. House of Representatives passed the SAFE Banking Act, but it is uncertain whether it will be passed by the U.S. Senate and ultimately signed into law.

There also can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it difficult or impossible to operate cannabis businesses in certain jurisdictions.

Application of Cannabis Laws and Regulations in the United States

Violations of U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from either civil or criminal proceedings brought by either the U.S. federal government or private citizens, including, but not limited to, disgorgement of profits, seizure of property or products, cessation of business activities, or divestiture. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined. See “Risk Factors – Risks Specifically Related to the United States Regulatory System”. The Company’s cannabis business activities and the cannabis business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

U.S. anti-money laundering laws and regulations

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Certain Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Department of the Treasury’s FinCEN issued a memorandum on February 14, 2014 (the “FinCEN Memorandum”) outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“SAR”) in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws.

These marijuana-related SARs are divided into three categories – marijuana limited, marijuana priority, and marijuana terminated – based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. However, this memorandum was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

As a result of its investments in the cannabis space, Chemistree or its subsidiaries may face difficulty obtaining bank or certain other traditional forms of financing in the U.S., as well as banking services. Although there has been an increase in private sources of financing and growing acceptance of cannabis related businesses in recent years, there can be no assurance that additional financing will be available to the Company on acceptable terms or at all. The Company’s inability to raise additional financing to fund new investments or invest further capital in its existing investments could limit its growth and have a material and adverse effect on its ability to generate investment returns or profits.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of

cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's investments in such businesses would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

Enforcement

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law. The CSA classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company's investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company or its investments. Any such proceedings brought against the Company or its investments may adversely affect the Company's operations and financial performance and its ability to realize gains or profits from its investments.

There can be no assurances the federal government of the U.S. or other jurisdictions will not seek to enforce the applicable laws against the Company or its investments. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis related investments in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The Company's proposed investment in the U.S., and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction.

Washington State

Washington State has both medical and adult-use marijuana programs. Washington voters initially passed its original medical law in 1998, which allowed physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a patient/caregiver system without explicitly permitting businesses to cultivate and sell cannabis. However, various cannabis businesses developed in Washington State. In 2012, Initiative 502 legalized cannabis at a state-level in Washington for adults 21 years of age and older. Initiative 502 regulated adult-use marijuana businesses but left the unregulated medical marijuana establishments in an uncertain situation.

In 2015, the Governor of Washington signed Senate Bill 5052 which forced the closure of existing unregulated medical dispensaries and allows existing adult-use retail marijuana stores to apply for a "medical marijuana endorsement" to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The WSLCB regulates adult-use marijuana businesses and those with a medical endorsement. The WSLCB licenses cultivation facilities, product manufacturing facilities ("processors"), retail stores, transportation licensees, and testing facilities. All individuals and entities considered a "true party of interest" in a marijuana business license must have at least six months of Washington residency. Accordingly, Chemistree Washington will not have a WSLCB license and instead will be leasing or licensing certain assets to a WSLCB license holder. Although Chemistree Washington will not hold the WSLCB it will face many of the same risks as the license holder, as the loss of the WSLCB license would leave it unable to make the requisite

payments to Chemistree Washington. Chemistree may in turn be materially and adversely affected if it is unable to enter into new lease and license arrangements with a WSLCB license holder on terms acceptable to Chemistree or at all.

Unlike many other states, Washington prohibits vertical integration between adult-use marijuana retailers and cultivators. Common ownership between cultivation and processors is permitted. A single entity, and/or principals within an entity, are limited to no more than three marijuana producer licenses, and/or three marijuana processor licenses, or five retail marijuana licenses.

Chemistree is not aware of any non-compliance by the WSLCB license holder with applicable WSLCB license requirements or any notices of violation. However, any future violations by the WSLCB license holder may have a material and adverse effect on Chemistree or the value of the Washington Assets.

Balance Sheet Exposure

The Washington Acquisition and potentially a substantial portion of the Company's future investments may be in the U.S. Accordingly, a significant portion of the Company's success, ability to generate returns on its investments, realize on its investments or otherwise generate income will be subject to risks associated with U.S. cannabis related activities.

Canada

Cannabis production, distribution, sale, and use is illegal in Canada except where specifically permitted by law. On October 17, 2018, the federal Cannabis Act and accompanying Regulations, including the *Cannabis Regulations* ("Cannabis Regulations"), the new *Industrial Hemp Regulations* ("IHR", and together with the Cannabis Regulations, collectively, the "Regulations"), came into force, legalizing the production, distribution and sale of cannabis for adult recreational purposes, as well as incorporating the pre-existing medical cannabis regulatory scheme under one complete framework. Amendments legalizing the sale of edible cannabis, cannabis extracts, and cannabis topicals in the Canadian market came into force on October 17, 2019. A federally licensed entity with authorization to produce and sell edible cannabis, cannabis extracts, and cannabis topicals must provide 60-days' notice to Health Canada of its intent to sell these newly legalized classes of products. Pursuant to the federal regulatory framework in Canada, each province and territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessories within the province or territory. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions.

The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licences and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp. Patients who have the authorization of their healthcare provider have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

Provincial Regulatory Framework

While the Cannabis Act provides for regulation of the commercial production of cannabis and related matters by the federal government, the provinces and territories of Canada have authority to adopt their own laws and regulations governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19, except for Alberta, where the minimum age is 18, and Québec, where the minimum age is 21.

All Canadian provinces and territories have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances as exclusive retailers.

Some municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis. In some provinces, municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

Additional Risks Associated with our Business and Industry

Loss of business and/or opportunities due to perceived risk

Third parties with whom the Company and its investments do business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities. Because cannabis remains illegal under U.S. federal law, a third-party service provider could reach the conclusion that their activities as a service provider are aiding and abetting the violation of the U.S. federal law. Any provision of services or sale of goods to a cannabis business could be construed as aiding and abetting violations of the U.S. Controlled Substances Act of 1970, in addition to other possible violations. Financial institutions may also be concerned that they would be at risk of prosecution for violation of U.S. money laundering laws and the Bank Secrecy Act, in addition to other potential violations. Any third-party service provider could suspend or withdraw its services to the Company or its investee companies if it perceives that the potential risks exceed the potential benefits to such services. If the Company's investments operating in the U.S. are unable to utilize financial institutions or third-party services providers, or bank accounts are subject to special restrictions preventing the processing of wire transfers, they may be unable to meet payment obligations to the Company or pay dividends or other amounts to the Company.

Cash flows insufficient to meet capital expenditures

Lack of cash flow may affect the Company's ability to continue as a going concern. Presently, the Company's operating cash flows are not sufficient to meet operating and capital expenses. The Company's business plan calls for continued research and development of the Company's services and products and expansion of market share. The Company will require additional financing to fund working capital and pay for operating expenses and capital requirements until it can achieve a positive cash flow.

In particular, additional capital may be required in the event that: The occurrence of any of the aforementioned events could adversely affect the Company's ability to carry out proposed business plans. The Company depends on a mix of revenues and outside capital to pay for the continued development of its business offering and the marketing of its products. Such outside capital may include the sale of additional stock and/or commercial borrowing. There can be no assurance that capital will continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to the Company. Disruptions in financial markets and challenging economic conditions have and may continue to affect the Company's ability to raise capital. The issuance of additional equity securities by the Company would result in a dilution, possibly a significant dilution, in the equity interests of current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

The Company's future revenue, operating results and gross margin may fluctuate significantly and unpredictably from quarter-to-quarter and from year-to-year, which could have a material adverse effect on its operating results.

However, there is no assurance that actual cash requirements will not exceed the Company's estimates. In particular, additional capital may be required in the event that:

- the Company incurs delays and additional expenses as a result of technology failure;
- the Company is unable to create a substantial market for its products and services; or
- the Company incurs any significant unanticipated expenses. The rate at which the Company's customers order its products, and the size of these orders, are highly variable and difficult to predict. Because any substantial adjustment to expenses to account for lower levels of revenue is difficult and takes time, if the Company's revenue declines, its operating expenses and general overhead would likely be high relative to revenue, which could have a material adverse effect on the Company's operating margin and operating results.

If the Company is not able to manage operating expenses, then the Company's financial condition may be adversely affected. The Company's ability to reach and maintain profitability is conditional upon its ability to manage operating expenses. There is a risk that the Company will have to increase operating expenses in the future. Factors that could cause the Company's operating expenses to increase include the Company's determination to spend more on sales and marketing in order to increase product sales or the Company's determination that more research and development expenditures are required in order to keep current software products competitive or in order to develop new products for the market. To the extent that the Company's operating expenses increase without a corresponding increase in revenue, the Company's financial condition would be adversely impacted.

Cannabis is highly regulated

The Company's business and activities are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities (including, in Canada, Health Canada) relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of cannabis, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities. The commercial cannabis industry is still a new industry and, in Canada, in particular the ACMPR, is a new regime that has no close precedent in Canadian law. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The Company faces larger and better-financed competitors, which may affect its ability to achieve or maintain profitability and complete investments. Competition exists for social media, branding and marketing companies in the jurisdictions in which the Company conducts operations and competition is significant in the cannabis investment sector, with a number of non-traditional sources of financing emerging and growing acceptance of cannabis related activities among more traditional sources of financing. As a result of this competition, much of which is with large, established companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional clientele or identify additional investments on terms it considers acceptable or at all. The Company also competes with other investment, cannabis, social media, technology, design and branding companies in the recruitment and retention of qualified employees.

Intellectual property litigation

The Company may in the future be subject to damaging and disruptive intellectual property litigation that could materially and adversely affect business, results of operations and financial condition, as well as the continued viability of the Company. The Company may be unaware of filed patent applications and issued patents that could relate to its products and services. Intellectual property litigation, if determined against the Company, could:

- result in substantial employee layoffs or risk the permanent loss of highly-valued employees;
- materially and adversely affect the Company's brand in the marketplace and cause a substantial loss of goodwill;
- affect the Company's ability to raise additional capital;
- cause the Company's stock price to decline significantly; and
- lead to the bankruptcy or liquidation of the Company.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block the Company's ability to provide its products or services and could cause the Company to pay substantial royalties, licensing fees or damages. The defense of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims.

The Company could lose its competitive advantages if it is not able to protect any proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly. The measures the Company takes to protect the proprietary technology software, and other intellectual property rights, which presently are based upon a combination of patents, patents pending, copyright, trade secret and trademark laws, may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights. The Company may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and divert resources from intended uses. In addition, notwithstanding any rights we have secured in the Company's intellectual property, other persons may bring claims against us

that we have infringed on their intellectual property rights, including claims based upon the content we license from third parties or claims that the Company's intellectual property right interests are not valid. Any claims against the Company, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with the Company's service marks or require the Company to make changes to its website or its other technologies.

Fast changing technology and consumer demands

The Company's industry is characterized by rapid changes in technology and customer demands. As a result, the Company's products may quickly become obsolete and unmarketable. The Company's future success will depend on its ability to adapt to technological advances, anticipate customer demands, develop new products and enhance current products on a timely and cost-effective basis. Further, the Company's products must remain competitive with those of other companies with substantially greater resources. The Company's may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products or enhanced versions of existing products. Also, the Company may not be able to adapt new or enhanced services to emerging industry standards, and the Company's new products may not be favorably received.

Uncertain market acceptance for the Company's products and services

The Company expects that a substantial portion of its future revenue will be derived from the sale of its services. The Company expects that these product offerings and their extensions and derivatives will account for a majority of the Company's revenue for the foreseeable future. Broad market acceptance of the Company's services is, therefore, critical to its future success and its ability to continue to generate revenues. Failure to achieve broad market acceptance of the Company's services as a result of competition, technological change, or otherwise, would significantly harm the Company's business. The Company's future financial performance will depend primarily on the continued market acceptance of the Company's current service offerings and on the development, introduction and market acceptance of any future enhancements. There can be no assurance that the Company will be successful in marketing its current product offerings or any new product offerings, applications or enhancements, and any failure to do so would significantly harm the Company's business.

Risks associated with developing and promoting products and brands

The Company expects that new products and/or brands it develops may expose the Company to risks that may be difficult to identify until such products and/or brands are commercially available. Any negative events or results that may arise as the Company develops new products or brands may adversely affect the business, financial condition and results of operations.

Dependence upon, and need for, key personnel

The Company is, and will be for the foreseeable future, dependent upon the performance of a limited number of key personnel. The loss of a key individual or a reduction in the time devoted by such persons to the Company's business could have a materially adverse effect on the Company's business. The Company's future success will depend on part on its ability to attract and retain highly qualified personnel. The Company faces competition for such personnel from other companies, governmental/academic institutions and other organizations, many of which have significantly greater resources than the Company. There is no assurance that the Company will be able to attract and retain the necessary personnel on acceptable terms, or at all.

Dependence on management

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Potential conflicts of interest

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Risks relating to statutory and regulatory compliance

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company is not currently covered by any form of environmental liability insurance. See “*Insurance Risk*”, below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Insurance risk

No assurance can be given that insurance to cover the risks to which the Company’s activities are subject will be available at all or at commercially reasonable premiums. The Company seeks to maintain insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its corporate operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. In addition, the Company may not be able to obtain insurance with respect to cannabis related operations or investments at any cost. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Operating losses; dividends unlikely

The Company has a history of operating losses and may have operating losses and a negative cash flow in the future. The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

Investments may be pre-revenue

The Company may make investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company’s investments are subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company’s investments will not be able to: (i) implement or execute their current business plan, or create a business plan that is sound; (ii) maintain their anticipated management team; and/or (iii) raise sufficient funds in the capital markets or otherwise to effectuate their business plan. If the Company’s investments cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Lack of control over operations of investments

The Company will depend upon its investments or strategic relations to execute on their business plans and produce medical and/or recreational cannabis products, and holds contractual rights and minority equity interest relating to the operation of the Company’s investments. The operators of the Company’s investments have significant influence over the results of operations of the Company’s investments. Further, the interests of the Company and the operators of the Company’s investments may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company’s policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company, to regulators or under applicable laws, which may result in the loss of necessary governmental approvals or licenses; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party’s ability to perform its obligations. In addition, payments may flow through the Company’s investments, and there is a risk of delay and additional expense in receiving such revenues. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Company’s investments, and uses such information in its analysis, forecasts and assessments relating to its own business. If the information provided by investment entities to the Company contains material inaccuracies or omissions, the Company’s ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Investments in private companies and illiquid assets

The Company may invest in securities of or lend or otherwise provide financing to private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

Unfavourable perception or publicity

The regulated cannabis industry in the U.S. and Canada is at an early stage of development. The Company believes the medical and recreational cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of recreational and medical cannabis. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on the business of the Company. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

The ability of Chemistree's investments to gain or increase market acceptance of their Products or services may require them to establish and maintain brand names and reputation. In the U.S., it may be difficult or impossible to obtain federal trademark protection. While state-level protection may be available, this nevertheless increases the risks in protecting investments' brands until such time as the Controlled Substances Act is amended by federal legislation. Furthermore, in order to obtain such protection, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful, and their failure may have an adverse effect on the Company.

Laws and regulations are subject to unforeseen changes

The Company's operations may be subject to the ACMPR, the CSA and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. If any changes to such laws, regulations and guidelines occur (and in Canada the laws and regulations are currently changing at a rapid pace), which are matters beyond the Company's control, the Company may incur significant costs in complying with such changes or may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operations.

Risks associated with investments

As part of the Company's investment strategy, the Company intends to pursue strategic investment or acquisitions, which could provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such investments or acquisitions will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company. Future investments may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses; and (g) exposure to additional regulatory or legal regimes or risks. In addition, any proposed acquisitions may be subject to regulatory approval.

While Chemistree seeks to conduct due diligence that its management believes is reasonable given the scale and scope of its investments, there are both foreseen and unforeseen risks inherent in any investment. Specifically, there could be unknown or

undisclosed risks or liabilities of such companies or liabilities that transfer by operation of law with respect to asset acquisitions for which the Company may not be indemnified sufficiently or at all. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations and lead to write downs or write offs of the value of its investments. The Company may incur additional transactional and integration related costs or experience other factors such as the failure to realize all of the benefits from the acquisition.

Operating licenses

The Company's investments may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate their respective businesses. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on, or a loss of, an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the value of the Company's investments.

Litigation risks

Chemistree's investments in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company or its investments. Litigation, complaints, and enforcement actions involving either of the Company or its investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Regulatory or agency proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require payment of substantial amounts of money, harming the Company's financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operations.

Product Liability

Certain of the Company's investments or strategic partners may manufacture, process and/or distribute products for consumption by humans and, as a result, face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury or adverse health effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against Chemistree's investments or strategic partners may result in increased costs, adversely affect the Company's reputation, and have a material adverse effect on the results of operations and financial condition of the Company or its investments.

Fraudulent or Illegal activity by its employees, contractors and consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Chemistree, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's

operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations

Currency fluctuations

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results.

Risks associated with managing growth

The Company is currently in an early development stage and may be subject to growth-related risks, including capacity constraints and pressure on the Company's internal systems and controls, which may place significant strain on operational and managerial resources. The Company's ability to manage growth effectively will require it to continue to implement and improve operational and financial systems and to expand, train and manage its employee base. There can be no assurances that the Company will be able to manage growth successfully. Any inability to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

Perception of reputational risk from third-parties

The parties the Company does business with may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company's business, financial condition and results of operations. Any third-party service provider could suspend or withdraw its services to the Company if it perceives that the potential risks exceed the potential benefits to such services.

An exchange on which our common shares are listed may initiate a delisting review

The listing of the Company's common shares on a particular stock exchange is dependent on complying with the listing requirements of the applicable exchange. As the Company operates in the cannabis industry, it may from time to time be subject to additional listing requirements that are not applicable to companies in other industries.

Risks Related to Ownership of Chemistree's Common Shares

Stock price volatility

A decline in the price of the Company's common shares could affect its ability to raise further working capital and adversely impact our operations. A prolonged decline in the price of the Company's common shares could result in a reduction in the liquidity of the Company's common shares and a reduction in its ability to raise capital, or a delisting from a stock exchange on which the Company's common shares trades. Because the Company's operations have been partially financed through the sale of equity securities, a decline in the price of its common shares could be especially detrimental to the Company's liquidity and continued operations. Any reduction in the Company's ability to raise equity capital in the future would force the Company to reallocate funds from other planned uses and would have a significant negative effect on business plans and operations, including the Company's ability to develop new products and continue current operations. If the Company's shares price declines, there can be no assurance that the Company can raise additional capital or generate funds from operations sufficient to meet its obligations.

Sales by shareholders of a substantial number of Common Shares

A substantial portion of total outstanding Common Shares may be sold into the market. Such sales could cause the market price of Common Shares to drop, even if the business is doing well. Such sales may include sales by officers and directors of the Company. Furthermore, the market price of Common Shares could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

Dilution

Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

No Requirement to make representations relating to disclosure controls and procedures and internal control over financial reporting.

In contrast to the certificate required for non-venture issues under NI 52-109, the certifying officers of Chemistree, as a venture issuer, are not required to make 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 of Chemistree are not required to make any representations that they have:

- designed, or caused to be designed, DC&P to provide reasonable assurance that information required to be disclosed by Chemistree 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
- designed, or caused to be designed, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Chemistree’s GAAP.

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 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Unfavorable or lack of research and reports from research analysts

The trading market for Chemistree’s common shares will rely in part on the research and reports that equity research analysts publish about Chemistree and Chemistree’s business. Chemistree does not control these analysts. The price of Chemistree’s common shares could decline if one or more equity analysts downgrade Chemistree’s common shares or if analysts issue other unfavorable commentary or cease publishing reports about Chemistree or Chemistree’s business.

Related Party Transactions

Related party transactions occurred in the normal course of business and have been recorded at the exchange amount; which is the fair value agreed to between the parties. Amounts due to related parties are unsecured, non-interest bearing and without specific terms of repayment.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company’s Board of Directors and Officers.

During the periods ended September 30, 2021 and 2020, the Company entered into transactions with key management personnel and related parties as follows:

Related party	Nature of transactions
Pacific Equity Management Corp. (“PEMC”)	Management fees for services provided by CEO, CFO, VP Corporate Development, VP Finance, Accountant, Secretary, Administrator and all support staff; includes rent and shared office expenses. Rent and shared office expenses commenced under a separate agreement on July 1, 2017.
Contact Financial Corp. (“CFC”)	Investor relations and communication services commenced under separate agreement on July 10, 2018.
Black Label (“BL”)	Expenses incurred by a company in which a Director is the principal shareholder.
Sheldon Aberman (“Aberman”), director	Fees for services provided by a Director. Investment in ACS, a company of which he is an officer
Nicholas Zitelli (“Zitelli”), director	Investment in ACS, a company of which he is an officer

The aggregate value of transactions involving key management personnel were as follows:

	2021	2020
Management fees ⁽¹⁾	\$ 90,000	\$ 180,000

⁽¹⁾Until February 28, 2021, management fees were paid to PEMC, a company controlled by two officers of the Company for services provided by CEO, CFO, VP Corporate Development, Accountant, Secretary, Administrator and all support staff at the rate of \$60,000 per month. Effective March 1, 2021 the PEMC agreement was terminated by mutual consent; and under new agreements the CEO and President provides services at \$10,000 per month; the CFO/Secretary at \$10,000 per month; and the VP Corporate Development at \$10,000 per month. All of the March 1, 2021 agreements can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Rent (general and administrative) ⁽²⁾	\$ 7,500	\$ 7,500

⁽²⁾For the period ended September 30, 2021, rent was paid to PEMC for office rent and other office services. The Company is required to pay \$2,500 per month to PEMC (2020: \$2,500 per month). The agreement with PEMC can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Marketing (general and administrative) ⁽³⁾	\$ 10,800	\$ 18,000

⁽³⁾For the period ended September 30, 2021, fees were paid to CFC for investor relations and communications services. The Company was required to pay \$6,000 per month until February 28, 2021. Effective March 1, 2021, the monthly amount was reduced to \$3,600.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Management fees ⁽⁴⁾	\$ 67,232	\$ 95,599

⁽⁴⁾For the period ended September 30, 2021, management fees were paid to Aberman. The Company was required to pay \$US 24,000 per month until February 28 2021. Effective March 1, 2021, the monthly amount was reduced to US\$18,000 per month for third party consulting services. All of the March 1, 2021 agreements can be terminated by either party with six months' notice.

The aggregate value of transactions with other related parties were as follows:

	2021	2020
Consulting ⁽⁴⁾	\$ -	\$ -
Equipment additions ⁽⁴⁾	\$ -	\$ 31,046
Investment ⁽⁵⁾	\$ -	\$ -

⁽⁴⁾For the year ended June 30, 2020, expenditures were paid to BL for various categories.

⁽⁵⁾Aberman and Zitelli were officers of ACS at the time of the investment.

Due to related parties include the following amounts:

	2021	2020
PEMC	-	\$ 695

Table of Contractual Obligations

<i>Contractual Obligations:</i>	<i>Payments Due by Period</i>
Rent & Office Services Contract with Pursuant to a Services Agreement dated as of July 1, 2017, the Company has agreed to pay to PEMC \$2,500 per month, plus taxes for the provision of office space, office equipment and associated administrative services. The Agreement may be terminated by either party on six months' notice.	PEMC \$2,500 per month
Services Agreement with Pursuant to a Service Agreement dated as of July 10, 2018, and amended February 16, 2021, the Company has agreed to pay to Contact \$3,600 per month, plus taxes to provide Investor Relations, Digital Marketing, Shareholder Relations, Database Development and Corporate Consultation. Services. The Agreement is a month-to-month engagement.	CFC \$3,600 per month
Services Agreement with Pursuant to a Service Agreement dated as of March 1, 2021, the Company has agreed to pay \$10,000 per month, plus taxes to provide the services of Karl Kottmeier as CEO and President. The Agreement is terminable by either party upon the provision of six months written notice.	CEO and President \$10,000 per month
Services Agreement with Pursuant to a Service Agreement dated as of March 1, 2021, the Company has agreed to pay \$10,000 per month, plus taxes to provide the services of Douglas Ford as CFO and Secretary. The Agreement is terminable by either party upon the provision of six months written notice.	CFO and Secretary \$10,000 per month
Services Agreement with Pursuant to a Service Agreement dated as of March 1, 2021, the Company has agreed to pay \$10,000 per month, plus taxes to provide the services of Kirk Gamley as Vice President, Corporate Development. The Agreement is terminable by either party upon the provision of six months written notice.	Vice President, Corporate Development \$10,000 per month
Services Agreement with Pursuant to a Service Agreement dated as of March 1, 2021, the Company has agreed to pay to Elbert Wong \$5,500 per month, plus any applicable taxes to provide accounting services. The Agreement is terminable by either party upon the provision of six months written notice.	Accountant \$5,500 per month
Services Agreement with Pursuant to a Service Agreement dated as of March 1, 2021, the Company has agreed to pay US\$18,000 per month, plus taxes to provide the services of Sheldon Aberman as Chief Cannabis Officer. The Agreement is terminable by either party upon the provision of six months written notice.	CCO US \$18,000 per month

Commercial Lease Agreement with	Landlord
Effective July 1, 2018, the Company entered into a Commercial Lease agreement with the landlord of the facility in which the Washington Assets are situated. The Commercial Lease agreement is for an initial term expiring on June 30, 2022, with an option to extend to June 30, 2026.	The Company's commitment for basic rent amounts payable are as follows: <ul style="list-style-type: none"> • 2022: US\$120,300

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Critical Accounting Estimates

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Proposed Transactions

See "Events after September 30, 2021", below.

Accounting Changes

Change in Accounting Policies

New Accounting Standards

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

IAS 16 - "Property, Plant and Equipment"

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment is not currently applicable.

IAS 1 - "Presentation of Financial Statements"

The IASB issued an amendment to IAS 1, Presentation of Financial Statements to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes: (i) specifying that an entity's right to defer settlement must exist at the end of the reporting period; (ii) clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (iii) clarifying how lending conditions affect classification; and (iv) clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. An assessment will be performed prior to the effective date of January 1, 2023 to determine the impact to the Company's financial statements.

Financial Instruments and Other Instruments

Capital Disclosure

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject.

Capital is comprised of the Company's shareholders' equity. There were no changes made to the Company's capital management approach during the years presented.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

Financial Instruments, Fair Value Measurement and Risk

a) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, note receivable, investment, accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and convertible debenture.

b) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents and marketable securities are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The carrying values of accounts receivable, note receivable, accounts payable and accrued liabilities, due to related parties, interest payable, notes payable, and convertible debenture all approximate their fair values.

c) Financial Risks

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk is \$2,493,727, consisting of cash and cash equivalents, receivables and taxes receivable. The Company limits its exposure to credit loss for cash and cash equivalents by placing such instruments with high credit quality financial institutions. The values of these instruments may exceed amounts insured by an agency of the Government of Canada. In management's opinion, the Company's credit risk related to these instruments, is low.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at September 30, 2021, the Company had a working capital deficit of \$5,193,936. Except for notes payable and convertible debentures, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at September 30, 2021, the Company has insufficient working capital to discharge its existing financial obligations.

(iii) Interest Rate Risk

The Company is subject to interest rate risk as its cash and cash equivalents, and notes payable bear interest at variable rates. The impact of a 1% change in interest rates would have an insignificant impact on the Company's profit or loss.

(iv) Foreign Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Amounts subject to currency risk are primarily cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities denominated in United States dollars. A 10% change in foreign exchange rates is expected to have a US\$ 7,000 impact on the Company's profit or loss.

(v) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. As at June 30, 2021 the Company is exposed to this risk with respect to its Investments. A 10% increase/decrease in the price of Investments would impact net loss by approximately \$50,000.

Disclosure Controls and Procedures

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence 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 that (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 of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company utilizes 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 controls over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing Venture Issuer Basic 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 GAAP.

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 the Company 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.

Share Capital Data

The following table sets forth the Company's share capital data as at November 26, 2021:

Common Shares			
-issued & outstanding	41,820,430		
Options	750,000	Exercise price: \$0.10	Expiry: 6/7/2022
Options	250,000	Exercise price: \$0.41	Expiry: 7/11/2023
Options	1,200,000	Exercise price: \$0.60	Expiry: 4/5/2024
Options	850,000	Exercise price: \$0.06	Expiry: 4/9/2025
Convertible Debentures	7,814,000	Conversion price: \$0.50	Expiry: 3/29/2022
Warrants	21,639,500	Exercise price: \$0.70	Expiry: 3/29/2022
Warrants	1,474,200	Exercise price: \$0.50	Expiry: 3/29/2022

Events after September 30, 2021

- a) 75 convertible debentures, representing \$75,000 in debt obligation of the Company were converted into 150,000 common shares.
- b) The Company has filed Notice of an Extraordinary Meeting of Debentureholders to be held November 30, 2021 (the “Meeting”). At the Meeting, debentureholders (the “Debentureholders”) will be asked to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution, the full text of which is set forth in Appendix “A” to the Meeting’s Circular, approving amendments (the “Debenture Amendments”) to the trust indenture between the Company and Odyssey Trust Company (“Trustee”) dated as of March 29, 2019 (“Indenture”), and authorizing Trustee to execute a supplemental trust indenture giving effect to the Debenture Amendments. The resolutions to be considered at the Meeting would amend the Debentures in the following two key areas:
 1. Subsequent to payment of the December 31, 2021 interest amount - which is intended to be paid in cash; allow the Company to choose whether to pay subsequent interest in cash or via the issuance of common shares; and
 2. Extend the term of the convertible debentures by twenty-four (24) months to March 29, 2024.

All other terms of the Debentures under the Indenture will remain unchanged. The convertible debentures accrue interest daily, with such accrued interest paid immediately upon conversion of the debentures. The principal amount of the debentures is currently \$7,814,000 and is convertible into common shares of the Company at a price of \$0.50 per share.

Further Information

Additional information about the Company, including its annual financial statements for the year ended June 30, 2021, is available at the Company’s website www.chemistree.ca and on the SEDAR website at www.sedar.com.