



Global Hemp Group Inc.

**Management Discussion and Analysis
Three and Six-Month periods ended
March 31, 2024 and 2023**

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Management's Discussion and Analysis

The following is management's discussion in respect of the results of operations and financial position of Global Hemp Group Inc. (the "Company" or "GHG") for the three and six-month periods ended March 31, 2024, and 2023 and should be read in conjunction with the Company's audited annual financial statements for the most recent year ended September 30, 2023. The Company's interim condensed consolidated financial statements have been presented in accordance with International Financial Reporting Standards and are presented in Canadian dollars unless otherwise specified. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history of the Company are available on SEDAR (www.sedar.com) and at the Company's website (www.globalhempgroup.com)

This MD&A has been prepared effective as of May 30, 2024.

Forward Looking Statements

In the interest of providing the shareholders and potential investors of Global Hemp Group Inc. with information about the Company, including management's assessment of the Company's future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company (the "Management") in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate.

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (a) the regulatory climate in which the Company operates will continue to be favorable to the Company's business; (b) the continued sales success of the Company's products; (c) the continued success of sales and marketing activities; (d) there will be no significant delays in the development and commercialization of the Company's products; (e) the Company will continue to maintain sufficient and effective production and R&D capabilities to compete on the attributes and cost of its products; (f) the Company's ability to deal with adverse growing conditions (due to pests, disease, fungus, climate or other factors) in a timely and cost-effective manner; (g) there will be no significant reduction in the availability of qualified and cost-effective personnel resources; (h) new products will continue to be added to the Company's portfolio; (i) demand for hemp-based wellness products will continue to grow in the foreseeable future; (j) there will be no significant barriers to the acceptance of the Company's products in the market; (k) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; (l) there will be adequate liquidity available to the Company to carry out its operations; and (m) superior products do not develop that would render the Company's

current and future product offerings undesirable and the Company is otherwise able to minimize the impact of competition and keep pace with changing consumer preferences; and (n) the Company will be able to successfully manage and integrate acquisitions.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, revenue fluctuations, nature of government regulations, economic conditions, loss of key customers, retention and availability of executive talent, competing products, common share price volatility, loss of proprietary information, product acceptance, system infrastructure functionality, information technology security, cash available to fund operations, crop risk, availability of capital and, international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in this MD&A. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

Background & Nature of Business

Global Hemp Group (the "Company" or "GHG") was incorporated on October 30, 2009, in British Columbia, Canada, originally under the name Arris Holdings Inc., and on March 24, 2014, changed its name to Global Hemp Group Inc.

The Company's registered office is #106 – 1169 Mt. Seymour Road, North Vancouver, BC, V7H 2Y4. The Company's common shares are currently traded on Canadian Securities Exchange ("CSE") under the symbol "GHG", on Börse Frankfurt under the symbol "GHG0", and on the U.S. OTC Markets under the symbol "GBHPF".

Effective September 28, 2023, the Company executed a consolidation of its issued share capital on a ratio of twenty old common shares for each new post-consolidated common share. All existing and comparative mentions of the number of common shares, weighted average number of common shares, loss per share, stock options, and warrants have been adjusted to reflect this share consolidation (referred to as the "Share consolidation").

GHG is presently concentrating its efforts on two primary business segments: Industrial Hemp and Health & Wellness (Biopharma).

Industrial Hemp: Our primary focus is on the environmental applications of hemp for construction and sustainable bio-energy sources, aligning with our HAIZ strategy to achieve a carbon-negative footprint.

GHG's HAIZ strategy encompasses the following key aspects:

- **Economic Benefits:** The HAIZ strategy was conceived during a time when hemp was experiencing a resurgence following decades of suppression and regulatory uncertainty. This period saw limited market depth for most hemp products, resulting in price volatility. Cannabinoid extraction, a characteristic of such markets, presented the best opportunity to fund the production of less prominent hemp products. In recent years, traditional hemp products such as hurd and fiber have begun to gain traction, offering substantial opportunities. Management

anticipates that these alternative hemp products will play a central role in the Company's future.

- **Social Impact:** The HAIZ concept emphasizes collaboration over competition across the entire value chain, benefiting all stakeholders involved. By fostering partnerships across sectors, rural development, and job creation, the HAIZ approach supports a holistic approach from crop cultivation to the end products.
- **Environmental Sustainability:** Global Hemp Group is dedicated to eco-friendly practices and products throughout the entire supply chain, from farm to consumer. The lightweight nature of hemp intermediate goods facilitates environmentally sustainable transportation practices.

By focusing on these principles within our HAIZ strategy, GHG aims to drive innovation and positive impact within the industrial hemp sector.

Health and Wellness: GHG's Health & Wellness focus is centered on acquiring exclusive patents and intellectual property (IP) through licensing agreements and strategic alliances. These agreements serve as the foundation for the commercialization of promising hemp formulations that have been independently pre-clinically tested. This underscores our dedication to pioneering innovation within the commercial biopharmaceutical sector.

Business Update

Over the last 18 months the Company has experienced significant challenges to developing its business, much of which is a result of limited available capital to expand opportunities in its two business sectors. On May 21, 2024, trading in the Company's common shares resumed on the CSE after the Company had been suspended for failure to file the financial statements by the prescribed timeframe for the periods ending September 30, 2023, and December 31, 2023. With the revocation of the Cease Trade Orders, the Company will now look to close the remaining balance (\$532,500) of its previously announced \$600,000 non-brokered private placement (see the [Company's news announcement of May 29, 2024 for further detail](#)). This will provide the necessary funding to expand the sublicensing of the Company's Exclusively Licensed Patents and Intellectual Property, as well as provide initial funding to begin developing other initiatives currently under discussion.

INDUSTRIAL HEMP DIVISION

GHG has been committed to exploring the vast potential of industrial hemp since its establishment, with a focus on sustainable applications such as hemp-based building materials and bio-energy sources. The company has long recognized the valuable contributions that hemp can make to society. GHG is actively pursuing strategic partnerships, joint ventures, and acquisitions with like-minded companies that share a vision for the transformative potential of industrial hemp.

Hemp Agro-Industrial Zone Development in Quebec

In line with its ongoing commitment to hemp-related business ventures, GHG is in advanced planning stages for the development of a project to establish a [Hemp Agro-Industrial Zone \("HAIZ"\)](#) in the Province of Quebec. This initiative aims to focus on developing a variety of building materials for constructing affordable housing in the region. GHG has been engaged in discussions with potential partners, government entities, funding sources, farmers, builders, and other stakeholders to advance this project. The HAIZ is specifically focused on harnessing the potential of the hemp hurd (inner woody core) and fiber to develop products with substantial environmental benefits. The design of the HAIZ is intended to be scalable and adaptable to regions where hemp cultivation is viable.

Quebec is currently grappling with two significant challenges: an immediate housing crisis and the long-term, but equally critical, climate crisis. Vacancy rates in Quebec have reached historically low levels, with many cities experiencing rates as low as 0.3%, far below the recognized equilibrium rate of 3.0%. The urgent need to construct approximately 860,000 homes in Quebec over the next six years has been acknowledged by both federal and provincial governments. While the recent budget announcement of \$1.8 billion by the Quebec government for the construction of 8,000 affordable housing units is a step forward, it falls short of making a meaningful impact on this pressing issue. The current housing situation in Quebec presents a compelling opportunity to enter the market, given the widespread public support for affordable housing, competitive conditions offered by municipal industrial parks, a thriving agricultural community, and access to lime sources for hempcrete production. Decarbonizing the economy stands as a key objective of the Quebec government.

In 2022, the building sector accounted for 18% of Canada's greenhouse gas emissions. These emissions consist of both an operational component and an embedded component. The operational component encompasses heating, ventilation, lighting, and mechanical functions, and varies across provinces based on the primary source of energy. The embedded component, which accounts for approximately one third of the total emissions, is a significant factor. The carbon footprint of building materials is influenced by the nature and sourcing of raw materials, their transportation to manufacturing sites, and the distribution of these materials to construction sites. An often-overlooked aspect of the construction sector's carbon footprint is the disposal of waste, which according to the World Bank, constitutes 30% of all waste disposal.

The solution lies in the production of natural building materials, such as hempcrete, located as close as possible to the building sites. Hempcrete construction is gaining traction globally, although North America is currently trailing behind Europe. The publication of the 2024 International Residential Code's (IRC) appendix for hempcrete construction is anticipated to foster greater acceptance of this building material in North America. This method of construction only requires hemp hurd, lime and water. Currently there are approximately 1,500 ha of hemp grown in Quebec, and no industrial facilities east of Alberta are available to process the hemp. GHG's current endeavour in Quebec looks to change that.

Bringing Hemp Processing to Quebec

Potential Revenue Sources for the Project – The bulk of the revenue of this project will be derived from hemp-based construction capitalizing on the urgency of the housing crisis. One third of decortication revenues are estimated to come from the sale to construction projects under the management of GHG and its associates and partners.

Farming – Farming will be done on a contract basis. Under the current vision for the project, the Company will look to cultivate up to 450 ha (1,111 acres) by 2028. The region under consideration for this cultivation covers more than 16,000 ha over 150 farms and is currently focused on dairy production of which a significant portion of the acreage is required for feed. Hemp's regenerative/bioremediation qualities make it an ideal crop rotation plant for the area. It is within this farming community that GHG's initial hemp tests were conducted on four farms, over a three-year period. These tests yielded more than 5 tons/ha of dried straw and provides the baseline for the project. The anticipated hemp farm area is within 50 km of where the production facilities are likely to be located.

Primary Processing – The core of the division is the decortication plant, where fibre and hurd are separated. Several options are under consideration with capacity varying from 0.5 tonne/hr to 1.5 tonne/hr. A capacity of one tonne/hr would be able to process the output of approximately 400 ha of hemp and provide sufficient quantities of hurd to

build 600 units, assuming the whole output being dedicated to that purpose.

Secondary Processing – GHG intends to fully integrate its production from farm to the building site. This will call for the establishment of two additional manufacturing facilities, one for hempcrete blocks and one for hemp insulation panels. The planned block plant will reach its annual capacity of 6,000 m³ of blocks on one shift only by 2028 and could be doubled with the addition of an additional shift. This is compatible with the anticipated growth in construction of housing units. Hemp fibre will be processed into insulation matts in a separate plant to meet the insulation requirements (roofs) of GHG's construction projects. Excess output will be marketed locally as insulation matts or into alternate products.

A small pellet plant will complete the Hemp Agro-Industrial Zone to process the dust and waste recovered from the decortication plant into pellets as a bio-energy source.

Construction – GHG has initiated discussions with prospective partners of the housing development industry that are dedicated to green building. As these green building materials are not well known in the building industry at large, it makes sense that GHG develops its own construction arm to market its products. In addition to being a profit center on its own, the construction unit will provide a showcase for the industry at large and broaden the market for the Company's hemp-based building products.

Funding – Financial models and budgeting are currently being developed and will largely depend on the final capacity of the processing facilities chosen for the project. Once complete, this will determine the final debt to equity ratio that the Company will seek for the project. Funding will come from three sources; funds raised by GHG (current and future funding initiatives), participating farmers wanting to be a part of the processing facilities where they will be selling their hemp, and Quebec and Regional Government Financing Agencies. Certain agencies have programs to provide loans at competitive rates to support up to 100% of capital expenditures and allow applicants to focus their own resources on covering operational expenses. The Company is in contact with various agencies for project funding.

A planning grant from the Green Municipal Fund of \$30,000 (recently increased from \$25,000) has been applied for to advance the project with Innov Habitat Victo (IHV), an affordable housing non-profit body in Victoriaville. The Company expects to hear shortly from IHV if the grant has been awarded. With this initial grant, architects and engineers already identified for this project will initiate the preparation of designs for the project. In the event that this grant is not awarded; Management will seek funding from other sources to develop this project.

Submission of detailed plans to the Green Municipal Fund for a construction grant of up to \$500,000 to cover 80% of the building costs is anticipated to be submitted in September 2024, with a decision on the awarding of the construction grant expected in early 2025. Subject to receiving this construction grant and completion of additional funding being secured by GHG, the Company and its partners will look to begin construction as quickly as practicable. The current total estimated cost for this project is \$730,000.

GHG has identified a niche in the global hemp market where new hemp-based building materials can be manufactured and utilized in a region that has a chronic housing shortage that will take years of ongoing development to solve. Couple that with bringing together partners/developers in the region that share GHG's vision and commitment to green construction, will provide an end use for the Company's products. This will create perfect synergies and an opportunity to generate multiple revenue streams for the Company and build shareholder value

in the years to come.

HEALTH AND WELLNESS DIVISION

In January 2023 the Company acquired the exclusive perpetual license for North America to Intellectual Property and proprietary technology, including, but not limited to, four key patents and associated preclinical and clinical data relating to the patents and proprietary technology (the “IP”) from Apollon Formularies plc, a UK-based international pharmaceutical company developing cancer treatments from natural biologics, including medical cannabis, functional mushrooms, psychedelic mushrooms and combinations of these compounds, which have shown successful independent, third-party results in pre-clinical testing.

To date the Company has sublicensed this IP to Medicinal One LLC (“MO”), a Florida corporation, specifically for online eCommerce sales of the Apollon branded products including both functional mushroom and hemp-based products which includes Apollon’s unique patent protected mushroom/hemp-based combination product line. MO has experienced delays in completing the build out of its portal, as well as implementation of its regulatory compliance, but has advised Management that they continue to work towards becoming operational so they can begin marketing the products under this sublicense.

While the result of this year’s audit (September 30, 2023) impaired the value of this IP for accounting purposes, as it has yet to produce revenue in the first year of operation due to prolonged delays of the Company’s sublicensee to put their ecommerce portal into operation and a lack of corporate funding to expand the marketing of its licenses, the Company continues to work with the initial sublicensee to make their ecommerce portal operational and begin generating revenue from the sale of products licensed to them. In addition, with the completion of the current non-brokered private placement, the Company will look to increase the number of sublicensees that will generate revenue from the sale of licensed products. As the Company executes on the above, and if the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods.

Letter of Intent with B-Organic R&D Corp.

In October 2023 GHG executed a Letter of Intent (“LOI”) with B-Organic R&D Corp. (“B-Organic”), a bio-chemical research company that concentrates on the development of molecular structures that have scientific or commercial value for industry partners in the Pharmaceutical, Nutraceutical and Agricultural sectors, to exclusively license its Bioactive Lipid Agents (“BLA”) technology, a patented innovative matrix which is able to increase the solubility and bioavailability of numerous “poorly soluble pharma ingredients” including cannabinoids. The application of BLA extends to numerous industries such as food, pharmaceuticals, healthcare, drugs, agriculture, and nutraceuticals and is being licensed for the development/enhancement of products which include any form of cannabinoid, including terpenes or flavonoids, as well as compounds extracted from functional mushrooms, either alone or in any combination



This LOI marks the next step in the Company's strategic expansion of its bio pharma business segment. Early in 2023, GHG launched this segment with the Exclusive Licensing of Apollon Formularies plc patents and intellectual property. Research is also an important component of this expanding business segment. The Company will work with the B-Organic team in collaboration with Prof. Víctor M. Castaño, Ph.D., head of GHG’s R&D team, to bring together additional advisors that can assist in developing this business segment.

The Parties will work together by way of establishing a collaboration and/or joint venture through a new entity to be formed by way of a share allocation on a 50/50 basis (the “Proposed Transaction”). The Parties are to complete a definitive agreement setting forth the detailed terms of the Proposed Transaction which shall contain, but not limited to, milestones, budgets, terms and conditions as set out in the LOI, and such other terms and conditions as are customary for transactions of the nature and magnitude contemplated herein. The Parties continue their discussion on how they will work together on this project, and will look to complete the definitive agreement upon conclusion of these discussions.

For further background information on B-Organic, BLA and complete details of the deal terms relating to this LOI, see the [Company’s news release of October 11, 2023](#).

Execution of Exclusive Option Agreement to Acquire Serres Thériault (2021) Inc., a Multi-Faceted, Vertically Integrated Cannabis Operator in New Brunswick

On January 15, 2024, the Company announced that it has executed an Exclusive Option Agreement (the “Agreement”) to acquire Serres Thériault (2021) Inc. (“STI”), a multi-faceted vertically integrated cannabis operator in New Brunswick. The option granted to GHG is for a period of 24 months to January 11, 2026.



LES SERRES THERIAULT (2021) INC.

This transaction provides the Company a clear pathway to further diversify its activities in the industry and importantly, access to licenses from Health Canada. This will be an important step in furthering the Company’s R&D ambitions for its Health and Wellness division.

About STI and its Holdings

The facility is currently licensed for Cannabis Micro Processing, a Farmgate Retail Store and Research & Development. The Agreement covers the acquisition of the 8.6-acre compound with five buildings for production and sales, along with 6,000 square feet of greenhouse space, equipment, inventory, genetics, Intellectual Property, an onsite retail location, and one offsite retail location.

In Addition, STI also has an exclusive agreement with a hemp producer in New Brunswick that will be focusing on production of 500 acres of hemp for cannabinoid extraction for the 2024 cultivation season.

Per the Exclusive Option Agreement, the Company issued on January 25, 2024, 2,000,000 restricted common shares (the “Common Shares”) to STI’s nominees. These Common Shares which will carry three separate trading restriction release dates as listed below and were issued at a price of \$0.055 and in accordance with securities regulations that are applicable:

- 1,000,000 Common Shares having the applicable four months plus one day regulatory hold period, being until May 25, 2024
- 500,000 Common Shares to be released on the eight-month anniversary of the Effective Date of the agreement, being until September 11, 2024; and
- 500,000 Common Shares to be released on the twelve-month anniversary of the Effective Date of the agreement, being until January 11, 2025.

For complete details of the deal terms relating to the acquisition of the Option, see the [Company’s news release of January 15, 2024](#).

RESEARCH & DEVELOPMENT DIVISION

With an 80+ year moratorium on hemp being removed in many parts of the world, a resurgence of Research and Development for the industrial applications of hemp has begun in earnest. We are now seeing new and innovative products that are utilizing the hurd and fibre of the hemp plant. This will only gain momentum over time as more countries legalize hemp and more people become aware of the properties of hemp.

The R&D Division in Querétaro, Mexico continues to be an important component of Company's business model. The R&D team is currently focused on development of patented technology ("IP") that can be utilized in the Company's project, as well as widely marketed.

The group is working on two initial areas of development and will complete the development of these projects as additional funding becomes available. The first, a novel building material utilizing hemp fibre that has been chemically modified to increase its mechanical performance and then combined with rice husks, an important agricultural by-product found worldwide, creating a product that could be used as a replacement for Medium-Density Fibreboard (MDF) in construction. As rice husks are not biodegradable, this is an ideal method for utilizing the waste from the rice industry. The second area of development is an environmentally friendly procedure to extract CBD and other cannabinoids from hemp utilizing enzymes from natural products. The process has proven to be economical, while leaving no residual chemicals or solvents.

Expansion of R&D Activities

The R&D group continues to explore additional collaborations with both the private sector and local governments for academic and economic partnerships throughout Mexico. They will continue to pursue hemp licensing to grow and process hemp material for direct use by the R&D Division, and development of patentable Intellectual Property.

Debt Restructuring and Settlement

On January 15, 2024 the Company announced that further to its [news release of September 19, 2023](#), the Company settled \$150,000 of its outstanding long term unsecured debt (due March 8, 2025) for units at \$0.05 per unit. Each Unit is comprised of one common share in the capital of the Company (each a "Common Share") and one non-transferable Common Share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of \$0.10 per share, exercisable until January 15, 2027. The remaining balance of \$300,000 plus accrued interest at 12% per annum, will continue to accrue interest until maturity on March 8, 2025, if not converted prior to maturity into units with the same terms and conditions as the above referenced initial debt settlement amount. All securities issued and issuable in connection with this debt settlement were subject to a statutory hold period of four months and one day, expiring on June 1, 2024. No finder's fees were paid in connection with this transaction.

Equity Funding Initiative

On January 26, 2024, the Company completed the first tranche of a non-brokered private placement pursuant to which it issued an aggregate of 1,350,000 units ("Units") at a price of \$0.05 per Unit to raise aggregate gross proceeds of \$67,500. Each Unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share of the Company at an exercise price of \$0.10 until January 15, 2027. Proceeds of the Offering will be used for working capital. All securities issued and issuable in connection with the first tranche of the Offering are subject to a statutory hold period of four (4) months and one (1) day, expiring on May 27, 2024. There was no Finder's Fee

paid in connection with this tranche of the placement. The Company will look to secure additional funding of between \$500,000 to \$1MM for its projects in Q3. Terms of this next funding initiatives will be dependent on market conditions at the time of the placement.

Director & Officer Changes During the Quarter

On January 10, 2024, Stephen Barnhill Jr. resigned as a Director of the Company.

Yousef Kamhiyah CPA, CBV was appointed Chief Financial Officer on January 11, 2024, replacing Veronique Laberge who resigned as Director and CFO of GHG in December 2023. Mr. Kamhiyah is a Chartered Professional Accountant with a complementary Chartered Business Valuations license. He brings over 15 years of extensive Canadian experience in accounting, business valuation, tax, and business strategy.

Addition to the Company's Advisory Board

Louis René Vallée was appointed Business Development Advisor on February 21, 2024. Mr. Vallée is President & CEO of Montreal, Québec based Power Food Group. He is a marketing specialist and an expert in brand creation, new product introductions, and positioning of products across retail and wholesale sectors in Canada and the United States. Mr. Vallee will play a key role is spearheading GHG's business development and marketing efforts for both the Company's Industrial Hemp Division and its Health and Wellness Division. He brings to GHG an impressive network of relationships in the financial, banking and governmental sectors, along with C-Suite contacts to major grocery chains in both Canada and the United States.

Subsequent Events

On May 21, 2024, trading in the Company's common shares on the CSE resumed after the Company had been suspended for failure to file the financial statements by the prescribed timeframe for the periods ending September 30, 2023, and December 31, 2023. With the revocation of the Cease Trade Orders, the Company will now look to complete its ongoing non-brokered private placement.

On May 29, 2024 the Company announced that it had increased the size of its non-brokered private placement from a total of 8,900,000 units (each a "Unit") at \$0.05 per Unit for gross proceeds of up to \$445,000 (the "Offering"), to 12,000,000 units at \$0.05 per Unit for gross proceeds of up to \$600,000. Each Unit is comprised of one common share in the capital of the Company (each a "Common Share") and one non-transferable Common Share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to acquire one Common Share at a price of \$0.10 per share, exercisable until January 15, 2027. The Company intends to use the net proceeds from the Offering for general working capital purposes. It is anticipated that this placement will close in multiple tranches, with the first tranche of \$67,500 for 1,350,000 Units having been closed on January 26, 2024, and having a balance of \$532,500 remaining available for subscription.

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Selected Quarterly Information

The following table summarizes the results of operations for the Company's eight most recent quarters.

	Quarter Ended							
	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22	30-Jun-22
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Operating (expenses) recovery	(71,659)	(60,373)	(397,332)	(90,178)	(116,549)	(20,691)	746,995	(231,299)
Net Income (Loss)	(338,979)	(89,392)	(2,298,541)	(104,878)	(89,284)	(90,490)	(2,078,946)	(165,418)
Loss per share, basic & diluted	(0.02)	0.00	(0.13)	(0.01)	(0.01)	(0.01)	(0.14)	(0.02)

Results of Operations

Three Months Ended March 31, 2024 ("2024 Q2") and 2023 ("2023 Q2")

Loss for 2024 Q2 was \$338,979 (2023 Q2 – Loss of \$89,284). The 2024 Q2 loss was mainly a combined result of having operating loss of \$71,659 (2023 Q2 – loss of \$116,549), exchange loss of \$84,968 (2023 Q2 – 1,427), interest and bank charges of \$138,437 (2023 Q2 – \$128,252) and change in fair value of derivative liability resulting loss of \$43,915 (2023 Q2 – gain of \$156,944).

The 2024 Q2 operating expenses mainly consist of: advertising and promotion of \$Nil (2023 Q2 - \$14,448), insurance of \$17,782 (2023 Q2 \$Nil), consulting fees of \$Nil (2023 Q2 - \$25,000), professional fees of \$49,679 (2023 Q2 - \$46,409), trust and filing fees of \$3,699 (2023 Q2 - \$27,146). The operating expenses in 2023 Q2 compared against 2023 Q2 was at about the same level.

Loss from non-operating items were at about the same level in 2024 Q2 versus in 2022 Q2 except for 1) change in fair value of derivative liability which was related to the revaluation of the conversion feature on March 31, 2023, for the 11,006,400 GHG Prefs shares issued on May 14, 2021; and 2) the increase in exchange loss was due to unfavourable foreign exchange effect on Company's outstanding US dollar denominated liabilities.

Six Months Ended March 31, 2024 ("2024 Q2 YTD") and 2023 ("2023 Q2 YTD")

Loss for 2024 Q2 YTD was \$419,371 (2023 Q2 YTD – Loss of \$177,116). The 2024 Q2 YTD loss was mainly due to the operating losses of \$132,032 (2023 Q2 YTD – \$137,240), the exchange loss of \$13,747 (2023 Q2 YTD – gain of \$31,213), change in fair value of derivative liability of \$23,867 increase in the profit (2023 Q2 YTD - \$180,602), and interest and bank charges of \$297,459 (2023 Q2 YTD – \$251,691).

Main components of operating expense are advertising and promotion fee of \$Nil (2023 Q2 YTD - \$17,055), insurance of \$31,532 (2023 Q2 YTD - \$Nil), professional fee of \$95,374 (2023 Q2 YTD - \$55,379), and trust and filing fee of \$4,149 (2023 Q2 YTD - \$33,294). The decrease in advertising and promotion fee was due to the discontinuation of the

marketing campaign which was initiated in 2023 Q2. The operating expenses in 2024 Q2 YTD compared against 2023 Q2 YTD was at about the same level.

The changes in the losses from the other items were as follows: 1) the decrease in exchange gain was due to unfavorable foreign exchange effect on Company's outstanding US dollar denominated liabilities; (2) interest and bank charges remains about the same level in 2023 Q2 YTD and 2023 Q2 YTD; (3) the change in fair value of derivative liability in 2023 Q2 YTD for \$23,867 increase in the profit (2023 Q2 YTD - \$180,602) was related to the revaluation of the conversion feature on March 31, 2023 for the 11,006,400 GHG Prefs shares issued on May 14, 2021.

As at March 31, 2024, the Company had \$6,806 cash (September 30, 2023 - \$4,503), accounts receivable of \$338 (September 30, 2023 - \$10,654), prepaid expenses of \$55,000 (September 30, 2023 - \$27,604), accounts payable and accrued liabilities of \$1,005,410 (September 30, 2023 - \$980,912), notes payable – current portion of \$293,731 (September 30, 2023 - \$Nil), Convertible debenture liability – current portion of \$335,734 (September 30, 2023 - \$Nil), and \$10,788,065 in share capital (September 30, 2023 - \$10,570,565).

Liquidity and Capital Resources

Financing of operations has been achieved primarily through equity and debt financing. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they are due. As at March 31, 2024, the Company had a working capital deficit of \$1,572,731. Management realizes that the current liquidity and capital on hand is not sufficient to develop the Company into a viable business. In order to improve the working capital, the Company may further raise capital in the future to finance the Company's operations through equity or debt financing, including related party loan, or through other arrangements including but not limited to joint venturing.

While the Company believes it will be able to raise additional financing when required, there is no guarantee that the Company can complete equity or debt financing in the future. There are inherent risks associated with the equities market and fluctuations in this market could negatively impact the Company's liquidity and access to capital resources. See the "Risks and Uncertainties" for further discussion of the risks the Company may have.

Proposed Transactions

There are no proposed transactions that may have a material impact to the Company.

Outstanding Share Data

As at the date of this MD&A, the Company has the following shares or equities that are convertible to the Company's share capital on a one-to-one basis:

Class A Common Shares	24,291,458
Warrants	5,530,000
Stock Options	775,000

Off-Balance Sheet Arrangements

The company does not have off-balance sheet arrangements.

Transactions with Related Parties

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 members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the six months ended March 31, 2024, and 2023 was as follows:

Key Management Compensation:

Key Management include	Nature of transactions	Six months ended March 31,	
		2024	2023
		\$	\$
President/CEO	Salaries/Consulting fees	-	3,000
CFO	Accounting fees	-	5,000
Former Director	Legal fees	17,144	46,536
		17,144	54,536

Included in accounts payable and accrued liabilities, there was \$186,175 (September 30, 2023 - \$118,953) due to directors and officers for unpaid consulting fees and expense reimbursements. These amounts are unsecured, non-interest bearing with no fixed payment terms.

During the six months ended March 31, 2024, the Company incurred salaries of \$Nil for the service of the President/CEO (2023 - \$3,000).

During the six months ended March 31, 2024, the Company incurred accounting fee of \$Nil for the service of the Company's CFO (2023 - \$5,000).

During the six months ended March 31, 2024, the Company incurred legal fees of \$17,144 (2023 - \$46,536) to a law firm controlled by a former director of the Company.

Financial Instruments and Other Instruments

Refer to Notes 3 to the Company's financial statements for the year ended September 30, 2022.

Changes in Accounting Policies including Initial Adoption

Refer to Notes 3 to the Company's financial statements for the year ended September 30, 2022.

Disclosure For Issuers with Exposure to the U.S. Marijuana Industry

While the Company does not currently distribute or sell cannabis-based products, the Company may, in the future, expand its business to include the distribution and sale of cannabis-based products in the United States. Accordingly, the Company may be considered to be in the process of developing "marijuana-related activities" in the United States, as defined in CSA Staff Notice 51-352 (Revised) – Issuers with US Marijuana-Related Activities (the "CSA Staff Notice").

In the United States, medical cannabis is currently legal in thirty-seven states, Washington D.C. and the territories of Guam and Puerto Rico. Recreational, adult-use cannabis is legal in eleven states and Washington D.C. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices, or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

In accordance with the CSA Staff Notice, the Company will evaluate, monitor, and reassess its disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended, and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Currently the Company has no revenues are derived from sales of cannabis or CBD-related accessories and ancillary products to customers in the United States. The Company is not aware of any non-compliance in respect of its business activities as they relate to applicable licensing requirements and regulatory frameworks enacted by the U.S. states in which the Company is looking to expand its business to sublicense its exclusive licenses of the Apollon Formularies plc IP.

See below for risk factors relating specifically to the CBD and U.S. cannabis industry.

Risks Factors

General Risk Factors

The occurrence of any of the following risks could harm the Company's business, results of operations, financial condition and/or growth prospects or cause the Company's actual results to differ materially from those contained in forward-looking statements it has made in this report. The risks and uncertainties described in this report are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

New Business

The Company's business is subject to risks inherent in the establishment of a new business enterprise, such as limited historical financial information, limited capital resources and the inability to raise additional funds when required. No commitments to provide additional funds have been made by management or other shareholders.

The Company is operating at a regulatory frontier.

The hemp and cannabis industries are new industries that may not succeed and are susceptible to constant changes in laws, regulations and guidelines and non-compliance with federal, provincial, or state laws and regulations, or the expansion of current or enactment of new laws and regulations, could adversely affect the Company's business.

A segment of the Company's business is related to the licensing of formulations of products for the medical

cannabis industry, and changes in such markets may directly affect the Company's business. The medical cannabis industry is subject to various local and federal laws, regulations, guidelines, and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage, and disposal of medical cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment in Canada, the United States and abroad. As the industry develops and matures, any changes to such laws, regulations, guidelines, and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of existing cannabis laws in the jurisdictions where the Company operates may cause adverse effects to the Company's operations.

As well, should the federal government in the U.S. change course and decide to prosecute those dealing in medical cannabis under applicable law, there may not be any market for the Company's products and services in the U.S.

Furthermore, if in the future the Company expands its business to distribute and/or sell products containing cannabis, achievement of the Company's business objectives will depend, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of such products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for such products, or the extent of testing and documentation that may be required by applicable governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development and/or sale of such products and could have a material adverse effect on the business, financial condition, and results of operation of the Company.

The cannabis industry is also subject to extensive controls and regulations in the various jurisdictions where such industry has been legally regulated, and those controls and regulations may also affect the financial condition of market participants. The marketability of cannabis products may be affected by numerous factors beyond the control of the Company, and which cannot be predicted, such as packaging requirements, marketing and advertising restrictions, restrictions as to the product formats that may be used, as well as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, generally the outcomes of which cannot be reliably predicted, which may significantly affect the financial condition of market participants which could in turn affect the cannabis industry.

There is no assurance that the Company will turn a profit or generate immediate revenues.

There can be no assurance that the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the operations and further development of its business.

The payment and amount of any future dividends will depend on, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Permits and Licenses

The hemp and cannabis industries may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain

all necessary permits and licenses that may be required to carry out the Company's hemp and cannabis business.

Going Concern Risk

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the ancillary cannabis product market and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations while also obtaining the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. The risks referred to herein indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

Speculative Nature of Investment

An investment in the Company's common shares carries a high degree of risk, should be considered as a speculative investment by purchasers, and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of an individual's investments and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should carefully evaluate the risk factors set out in this section associated with an investment in the Company's securities prior to purchasing any of the shares.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's Management

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes and delays in its operating plans. As a result, the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Reliance on Management's Expertise

GHG strongly depends on the expertise of its management team and there is little possibility that this dependence will decrease in the near term. The loss of the services of any member of such team could have a material adverse effect on the Company. GHG does not have any key person insurance in place for management.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its directors and executive officers may be engaged in a range of business activities. In addition, the Company's directors and executive officers may devote time to their outside business interests, so long as such activities do not materially

or adversely interfere with their duties to the Company and subject to any contractual restrictions restricting such activities. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with business interests that interfere with their ability to devote time to the Company's business and affairs, which could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and policies of the Company. For example, a director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. In accordance with applicable laws, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

Intellectual Property Infringement

The Company executed an exclusive licensing agreement covering the licensing of the right to Apollon Formularies plc's Patent Applications and the Technology for the United States, Canada, Mexico, European Union, Israel and Morocco. Third parties may in the future assert, that the Company's exclusive license to the Apollon patents infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by the Company's competitors seeking to obtain a competitive advantage or by other parties. Additionally, non-practicing entities purchasing intellectual property assets for the purpose of making claims of infringement may attempt to extract settlements from the Company.

Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or enhanced services or technology, materially disrupt the conduct of the Company's business and have a material and adverse effect on the Company's brand, business, financial condition and results of operations. Litigation is inherently uncertain and can cause the Company to expend significant money, time and attention to it, even if the Company is ultimately successful. Any adverse decision could result in a loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses for alternative technologies from third parties, prevent the Company from offering all or a portion of its products and services and otherwise negatively affect the Company's business and operating results.

Third Parties

The Company anticipates that the growth of its business will depend on third-party relationships, including relationships with manufacturers, distributors, fulfillment and shipping partners, providers of online sales channels and other partners. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third-party content and technology. These third parties may choose to terminate their relationships with the Company or to make material changes to their businesses, products or services.

The Company's competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce demand and sales for the Company's products and services. In addition, these third parties may not perform as expected under the Company's agreements, and the Company may in the future have disagreements or disputes with such third parties. If the Company loses access to products or services from a particular supplier or experiences a significant disruption in the supply of products or services from a current

supplier, especially a single-source supplier, it could have an adverse effect on the Company's business and operating results.

Estimates of the Addressable Market

Data for retail sales of hemp-based CBD products is limited, and as a result, it is difficult to estimate the size of the market and predict the rate at which the market for the Company's products will grow, if at all. While the Company's market size estimate was made in good faith and is based on assumptions and estimates that the Company believes to be reasonable, this estimate may not be accurate. If the Company's estimates of the size of its addressable market are not accurate, the Company's potential for future growth may be less than the Company currently anticipates, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Because the cannabis and CBD industries are in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Increased Costs of Being a Public Company

The requirements of being a public company require the Company to incur costs and may strain its resources, divert management's attention and affect its ability to attract and retain qualified board members.

As a public company, the Company has incurred and will continue to incur significant legal, accounting and other expenses. The Company is subject to the reporting requirements which require, among other things, that it file quarterly and annual reports with respect to its business and financial condition. The Company expects the rules and regulations applicable to public companies to continue to increase its legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of management and personnel from other business concerns, they could have a material adverse effect on the business, financial condition and results of operations. The Company cannot predict or estimate the amount or timing of costs it may incur to respond to these requirements.

Future Financing

The Company requires additional financing to achieve its goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force it to delay, limit, reduce or terminate its product and service development, and other operations.

The Company may, from time to time, report a working capital deficit. To maintain its activities, the Company may need to seek additional funds through public or private equity or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to shareholders, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect the Company's business. In addition, the Company may seek additional capital due to favorable market conditions or strategic considerations even if it believes it has sufficient funds for its current or future operating plans.

There can be no assurance that financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. Failure to obtain additional financing could also result in delay or indefinite postponement of further research and product development.

Risks Related to Ownership of Company Shares

The Company's Common Share price has been, and the Company Shares may continue to be, highly volatile, and you could lose all or part of your investment. The market price of the Company Shares is likely to be highly volatile and could be subject to wide fluctuations in response to many factors discussed in this "Risk Factors" section, including:

- actual or anticipated fluctuations in financial condition and operating results, including fluctuations in quarterly and annual results;
- announcements of innovations by the Company or competitors;
- overall conditions in the industry and the markets in which the Company operates;
- market conditions or trends in the e-commerce industry, technology industry, retail industry, or in the economy as a whole;
- addition or loss of significant customers or other developments with respect to significant customers;
- adverse developments concerning partners or suppliers;
- changes in laws or regulations applicable to the Company's products and services;
- ability to effectively manage growth;
- ability to effectively research, develop and launch products and services;
- actual or anticipated changes in growth rate relative to competitors;
- announcements by the Company or competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- competition from existing services or new services that may emerge;
- issuance of new or updated research or reports about the Company or the industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry;
- failure to meet the estimates and projections of the investment community or that the Company may otherwise provide to the public;
- fluctuations in the valuation of companies perceived by investors to be comparable to the Company;
- disputes or other developments related to proprietary rights, including patents, and the Company's ability to obtain intellectual property protection for its products;
- litigation or regulatory matters;
- announcement or expectation of additional financing efforts;
- cash position;
- sales of Company Shares by the Company or its shareholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of the Company Shares;
- changes in accounting practices;
- ineffectiveness of internal controls;
- general economic, market and political conditions; and
- other events or factors, many of which are beyond the Company's control.

Furthermore, financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company Shares may be materially adversely affected.

Active Trading Market

An active trading market may not be sustained. You may not be able to sell your Company Shares quickly or at a recently reported market price if trading in the Company Shares does not remain active. The lack of an active market may also reduce the fair market value of the Company Shares and the liquidity of a shareholder's investment may be limited. An inactive market may also impair the Company's ability to raise capital to continue to fund operations by selling Company Shares.

Public Market Sales

Future sales of the Company Shares in the public market could cause the Company Share price to fall. Sales of a substantial number of Company Shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of Company Shares intend to sell Company Shares, could reduce the market price of the Company Shares.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Company Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company Shares will be affected by such volatility.

Volatility in the Market Price of the Company Shares

Securities of companies operating in the cannabis industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Company Shares is also likely to be significantly affected by short-term changes in the industry, by the Company's financial condition or results of operations as reflected in its quarterly price of the Company Shares at any given point in time may not accurately reflect their long-term value.

Consequently, any gains from an investment in the Company Shares will likely depend on whether the price of the Company Shares increases.

Risk Factors Specifically Related to the CBD Industry

Limited Research on the Effect of CBD and Functional Mushrooms

To date, there is limited standardization in the research of the effects of CBD and functional mushrooms (non-psychedelic), and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of this type of product. Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of CBD remains in relatively early stages.

Future research and clinical trials may draw opposing conclusions to statements in this report or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to CBD, which could adversely affect social acceptance of CBD and the demand for these products when formulations have been licensed by the Company.

Relative Newness of the CBD Industry and Market

The Company will be operating its business in a relatively new industry and market, and the Company's success in the CBD related products market will depend in part on its ability to attract and retain customers through third party licensing. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, the Company will need to make significant investments in its business strategy. The Company expects that competitors will undertake similar investments to compete with it. Competitive conditions, consumer preferences, customer requirements and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and cause the Company's future efforts to develop its business to be unsuccessful or to have undesired consequences for it. As a result, the Company may not be successful in its efforts to attract customers or to develop new CBD products and produce and license/distribute these CBD products, or these activities may require significantly more resources than it currently anticipates in order to be successful.

CBD Publicity and Consumer Perception

The Company believes that the CBD industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of CBD and related products distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of CBD 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 CBD 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 the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of CBD and related products in general, or the Company's products specifically, or associating the consumption of CBD or related products with illness or other negative effects or events, could have such a material adverse effect. 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 appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on its financial performance, financial condition, cash flows and growth prospects.

Operating at a Regulatory Frontier

The medical and adult use CBD industry is subject to various local and federal laws, regulations, guidelines and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage and

disposal of CBD products, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment in Canada, the United States and abroad. While the Company is treating the CBD industry as a deregulating industry with significant unsatisfied demand for its proposed products and services and will adjust its future operations, product mix and market strategy as the industry develops and matures, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of existing CBD laws in the jurisdictions that the Company operates may cause adverse effects to the Company's operations.

As well, should the federal government in the U.S. change course and decide to prosecute those dealing in medical or adult use CBD under applicable law, there may not be any market for the Company's products and services in the U.S. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Company should be comparable to other companies in the same business as the Company.

Furthermore, if in the future the Company expands its business to distribute and/or sell products containing CBD, achievement of the Company's business objectives will depend, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of such products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for such products, or the extent of testing and documentation that may be required by applicable governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development and/or sale of such products and could have a material adverse effect on the business, financial condition and results of operation of the Company.

Furthermore, if the Company expands its business to distribute and/or sell products containing CBD, the Company can be expected to incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and results of operation of the Company.

The CBD industry is also subject to extensive controls and regulations in the various jurisdictions where such industry has been legally regulated, and those controls and regulations may also affect the financial condition of market participants. The marketability of CBD products may be affected by numerous factors beyond the control of the Company, and which cannot be predicted, such as packaging requirements, marketing and advertising restrictions, restrictions as to the product formats that may be used (i.e., alternative manners of consumption such as edibles or beverages), as well as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants which could in turn affect the CBD industry generally the outcomes of which cannot be reliably predicted.

Heightened Scrutiny of CBD Companies

The Company's existing operations in the United States (a non-exclusive license for online eCommerce sales of

the Apollon Branded products including both functional mushroom and hemp-based products), and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada. Although the Company will not sell cannabis or CBD and hemp-derived products directly, given the heightened risk profile associated with cannabis in the United States, the CDS may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

Risk Factors Specifically Related to the United States' Regulatory System

Cannabis Illegality under United States Federal Law

To the Company's knowledge, some form of cannabis has been legalized in 37 States, the District of Columbia, and the territories of Guam and Puerto Rico. Additional States have pending legislation regarding the same. Although each state in which the Company is currently proposing to operate authorizes, as applicable, medical and/or adult use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act. The concepts of "medical cannabis", "retail cannabis", "recreational cannabis" and "adult use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I drug under the US Controlled Substances Act. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Although the Company believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company. Even where the Company's cannabis-related activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The enforcement of relevant laws is a significant risk. The CBP enforces the laws of the United States. Crossing the border while in violation of the US Controlled Substances Act and other related United States federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the United States Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Company, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States 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, the listing of its securities on the CSE, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it will be 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.

Re-classification of Cannabis in the United States

If cannabis, THC or CBD derived from cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FFDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the United States Drug Enforcement Agency; however, the FDA has enforced the FFDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis, THC or CBD derived from cannabis were to be rescheduled to a federally controlled, yet legal, substance, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the United States Drug Enforcement Agency, the FDA, and others to enforce the US Controlled Substances Act and FFDCA against businesses that comply with state but not federal law. The potential for multi-agency enforcement post-rescheduling could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Company.

Certain Business Activities Illegal under Federal Law

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the US Controlled Substances Act. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company does not distribute or sell cannabis-related accessories and ancillary products, but may, in the future (depending on, among other things, market opportunity and local regulatory requirements), license product formulations IP that contain cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, and aiding and abetting another's criminal activities. The Federal aiding and abetting statute provide that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations.

With the Cole Memorandum rescinded, as confirmed by the Sessions Memorandum, U.S. federal prosecutors have been given greater discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the DOJ policy under former Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or

derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the US Controlled Substances Act for aiding and abetting and conspiring to violate the US Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite contrary state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the DOJ, to become even more aggressive. If the DOJ policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the US Controlled Substances Act for aiding and abetting and conspiring to violate the US Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Additionally, there can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat cannabis differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the 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 licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its Company Shares. In addition, it is difficult 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.

Legality of Cannabis Could be Reversed

The voters or legislatures of states in which cannabis has been legalized could potentially repeal applicable laws which permit both the operation of medical cannabis and CBD businesses. These actions may cause the Company to cease some or all of the Company's business.

Demand May Decline

State laws that allow cannabis consumers to cultivate cannabis, may result in a reduction in the demand for cannabis, cannabis products and cannabis accessories. Many states that allow medical cannabis or adult use allow the citizens of those states to cultivate cannabis. It is possible that large-scale adoption of home cannabis production, and the home production of cannabis products based on home cannabis production, could have

substantial effects on cannabis prices and cannabis product prices, which could have material adverse financial consequences for the future performance of the Company in connection with the Company's business.

Travel Bans and Entry Bans for Investors, Directors and Officers

Recent media articles have reported that certain Canadian citizens have been rejected for entry into the United States, due to their involvement in the CBD sector.

Because cannabis remains illegal under United States federal law, those employed at or investing in legal and licensed Canadian CBD companies could face detention, denial of entry or lifetime bans from the United States (in respect of non-U.S. citizens) for their business associations with CBD businesses. Entry to the United States happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national.

United States Forfeiture Laws

As an entity that conducts business in the CBD industry, the Company will be potentially subject to United States federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with CBD-related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be from proceeds of crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the burden in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Shareholders of the Company located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Shareholders and prospective shareholders of the Company should be aware of these potentially relevant federal and state laws in considering whether to invest in the Company.

Financial Institutions and the Cannabis Industry

The Company will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the US Controlled Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking

account or credit card in violation of the Bank Secrecy Act could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the US Controlled Substances Act. The Company may also be exposed to the foregoing risks.

In February 2014, FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the US Controlled Substances Act. Although the FinCEN Memo remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ’s current enforcement priorities could change for any number of reasons. A change in the DOJ’s enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If the Company does not have access to a U.S. banking system, its business and operations could be adversely affected.

Other potential violations of federal law resulting from cannabis-related activities include the RICO. RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the US Controlled Substances Act), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business’ operations.

In the event that any of the Company’s operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the Company’s ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject the Company to civil and/or criminal penalties. Furthermore, in the event that a determination was made that the Company’s proceeds from operations (or any future operations or

investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. The Company could likewise be required to suspend or cease operations entirely.

Cannabis Contract Enforceability

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Accessing Bank and Credit Card Payment Services

The FinCEN Memorandum was issued in February 2014, in respect of financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the government. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S. and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN Memorandum and existing disclosures around cash management and reporting to the IRS.

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

In addition, there is a risk that the Company's merchant accounts through which payments are made by the Company's customers for its cannabis-related accessories and ancillary products (e.g., VISA, MasterCard or American Express) may be frozen or shut down which would be outside the control of the Company. Many financial institutions in the U.S. are unwilling to take deposits, issue credit cards, open bank accounts, or assist with payroll services for cannabis businesses. Given that the Company's business is based on ecommerce products and services, the processing of electronic payments is critical to the Company's business. The Company addresses these issues by continually monitoring merchant accounts and identifying new providers of similar services. However, even if the Company takes adequate protective measures, no assurance can be provided that the Company's accounts will not be shut down and any funds on deposit or payments owing may not be recoverable. Any interruption, freeze or shutting down of the Company's merchant accounts would have a material adverse effect on the Company's business, financial condition and results of operations.

Tax Liabilities in the Cannabis Industry

Under Section 280E of the U.S. Tax Code no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the US Controlled Substances Act) which is prohibited by federal law or the law of any state in which such trade or business is conducted.” This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations or operations associated with the delivery or development of cannabis ancillary products. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after considering its U.S. income tax expenses.

Entities with which the Company does business, including entities owned, controlled or managed by the Company, may from time to time be disputing and in litigation with the IRS related to an IRS determination that certain expenses of cannabis businesses are not permitted tax deductions under Section 280E. Although the status of a service provider is unclear with respect to Section 280E it is possible that the Company could be found to have significant tax liabilities that may become due and payable if the IRS. The Company may not have sufficient reserves to satisfy any possible future judgments. A judgement, therefore, would likely result in material adverse effects to the Company’s business operations and financial condition.

Access to United States Bankruptcy Protections

Because cannabis is a Schedule I substance under the US Controlled Substances Act, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Regulatory Scrutiny of the Company’s Interests in the United States

For the reasons set forth above, the Company’s interests in the United States market for cannabis and cannabis ancillary products may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies 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 carry on its business in the United States.

Financial and Disclosure Controls and Procedures

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 make. Investors should be aware that inherent limitations on the ability of the Company’s certifying officers 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.

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management’s Discussion and Analysis.

In contrast to the certificate under National Instrument (“NI 52-109”) (Certification of Disclosure in Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Directors and Officers

Curt Huber	Director, Interim President & CEO
Yousef Kamhiyah	CFO
Aurelio Useche	Director
Ramsey Douglas	Director