CORE ONE LABS INC.

CSE Form 2A
Listing Statement

November 27, 2020

NOTICE TO READER

Core One Labs Inc. derives a substantial portion of its revenues from the marijuana industry in California, USA, which industry is illegal under United States federal law. Core One Labs Inc. is directly and indirectly involved (through subsidiaries) in the marijuana industry in the United States where local state laws permit such activities. Currently, its subsidiaries are directly engaged in the cultivation, processing, possession, use, sale and distribution of marijuana in the recreational and medicinal cannabis marketplace in the State of California. See Section 17 of this Listing Statement – Risk Factors for additional information on this risk.

Psilocybin is currently a Schedule III drug under the Controlled Drugs and Substances Act (Canada) and it is a criminal offence to possess substances under the Controlled Drugs and Substances Act (Canada) without a prescription.

Health Canada has not approved psilocybin as a drug for any indication.

Core One Labs Inc. does not have any direct or indirect involvement with illegal selling, production or distribution of psychedelic substances in jurisdictions in which it operates.

While Core One Labs Inc. believes psychedelic substances can be used to treat certain medical conditions, it does not advocate for the legalization of psychedelics substances for recreational use. Core One Labs Inc. does not deal with psychedelic substances, except within laboratory and clinical trial settings conducted within approved regulatory frameworks.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Listing Statement and the documents incorporated by reference herein contain or may contain "forward looking statements" or "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "**forward-looking information**"). Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "projects", "goal", "anticipate" or "does not anticipate", "believe", "intend" or "does not intend" and similar expressions or statements that certain actions, events or results "may", "would", "should", "could", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information. Unless otherwise defined or expressly stated herein or something in the subject matter or the context is inconsistent therewith, all capitalized terms have the meanings ascribed to them in the "Glossary of Terms" of this Listing Statement.

Forward-looking information in this Listing Statement may include, but is not limited to:

- the regulatory regime applicable to the Company;
- the risk of a lack of availability of financing opportunities, legal and regulatory risks inherent in the cannabis industry, risks associated with economic conditions, dependence on management and currency risks; and
- the business strategy and objectives of the Company.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. These include, but are not limited to, expectations and assumptions concerning:

- THC and CBD prices, both as raw materials and as consumer goods;
- the availability of capital to fund planned expenditures and research;
- prevailing regulatory, tax and environmental laws and regulations; and
- the ability to secure necessary personnel, equipment and services.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking information is expressly qualified in its entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this Listing Statement under Section 4 – *Narrative Description of the Business,* makes reference to or involves forward-looking information. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this Listing Statement. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this Listing Statement include, but are not limited to, the factors included under Section 17 – *Risk Factors*.

GENERAL

In this Listing Statement, unless the context otherwise requires, the "Company" or "Core One" refers to Core One Labs Inc. together with its wholly-owned subsidiaries, where applicable. All financial information in this Listing Statement is prepared in Canadian dollars using International Financial Reporting Standards. Capitalized terms used herein but not otherwise defined have the definitions set out in the Glossary of Terms. The information contained herein is dated as of November 27, 2020, unless otherwise stated.

Third-Party Data

This Listing Statement includes market and industry data that has been obtained from third-party sources, including industry publications. The Company believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

Currency

All financial information in this Listing Statement is prepared in Canadian dollars. Unless otherwise specified in this Listing Statement, all references to "dollars" or to "$" are to Canadian dollars, and all reference to "US$" are to United States dollars.

The following table reflects the low and high rates of exchange for one United States dollar, expressed in Canadian dollars, during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada noon spot rate of exchange for 2017, and the daily exchange rates for 2018 and 2019.

	Years Ended December 31,		
	2019	**2018**	**2017**
Low for the period	$1.2988	$1.2288	$1.2128
High for the period	$1.3600	$1.3642	$1.3743
Rate at the end of the period	$1.2988	$1.3642	$1.2545
Average	$1.3269	$1.2957	$1.2986

On November 27, 2020, the Bank of Canada daily exchange rate was US$1.00 - $1.2985.

TABLE OF CONTENTS

1. GLOSSARY OF TERMS

In this Listing Statement, unless otherwise defined or expressly stated herein or something in the subject matter or the context is inconsistent therewith, the following terms shall have the following meanings and the grammatical variations thereof shall have the respective corresponding meanings:

"**Acquisition**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Adelanto Facility**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Overview*.

"**adult-use**" has the meaning ascribed thereto in Section 3.3 – *General Development of the Business – Trends, Commitments, Events or Uncertainties*.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below. A corporation is an "**Affiliate**" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A corporation is "**controlled**" by a Person if:

(a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person

"**API**" means active pharmaceutical ingredient, and is further described in Section 3.1 – *General Development of the Business – Overview*.

"**Assets**" has the meaning ascribed thereto in Section 4.1 – Narrative Description of the Business – *Business Objectives*.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

(i) that Person's spouse or child, or

(ii) any relative of the Person or of his spouse who has the same residence as that Person.

"**Audit Committee**" means the audit committee of the Company.

"**AUMA**" means the *Adult Use of Marijuana Act* (California).

"**Bank Secrecy Act**" means the *U.S. Currency and Foreign Transactions Reporting Act of 1970*.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), including the regulations thereunder, as amended.

"**BCC**" means California's Bureau of Cannabis Control.

"**BCSC**" means the British Columbia Securities Commission.

"**Board**" means the board of directors of the Company, from time to time, as applicable.

"**Bonus Shares**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company.*

"**Bonus Payment**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**CAGR**" means compound annual growth rate.

"**CannaStrips™**" means THC infused strips that dissolve instantly when placed on the mouth.

"**CARERS Act**" means the Compassionate Access, Research Expansion and Respect States Act.

"**CBD**" means cannabidiol.

"**CBP**" means the U.S. Customs and Boarder Protection.

"**CDFA**" means the California Department of Food and Agriculture.

"**CDPH**" means the California Department of Public Health.

"**CDS**" means The Canadian Depository for Securities Limited.

"**CDSA**" means the *Controlled Drugs and Substances Act* (Canada).

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**CGOC**" means the Cannabis Growth Opportunity Corporation, a corporation incorporated on October 29, 2018 under the *Canada Business Corporations Act*.

"**Code**" means the U.S. Code.

"**Cole Memorandum**" has the meaning ascribed thereto in Section 17.1 – *Risk Factors – Description of Risk Factors*.

"**Common Shares**" means common shares without par value in the capital of Core One.

"**Consideration Shares**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company.*

"**Consideration Warrants**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company.*

"**Consolidations**" means the consolidations of the Common Shares described in Section 8.1 – *Consolidated Capitalization*.

"**Company**" or "**Core One**" means Core One Labs Inc., a company incorporated on September 14, 2010 under the BCBCA. This legal entity pre-dates the Acquisition.

"**Core Isogenics**" means Core Isogenics Inc., a company incorporated on June 15, 2017 with the Secretary of State for the State of California. This legal entity pre-dates the Acquisition.

"**Credit Facility**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company*.

"**CSA**" means the *Controlled Substances Act* (21 U.S.C. § 811).

"**CSE**" means the Canadian Securities Exchange.

"**CUA**" means California's *Compassionate Use Act of 1996*.

"**CVS**" means CVS Health Corporation.

"**DEA**" means the United States Drug Enforcement Agency.

"**Debenture**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company*.

"**DevCo**" has the meaning ascribed thereto in Section 4.1 – Narrative Description of the Business – *Business Objectives*.

"**DMCL**" means Dale Matheson Carr-Hilton LaBonte LLP.

"**DOJ**" means the United States Department of Justice.

"**ERISA**" means the *Employee Retirement Income Security Act of 1974* (United States).

"**Excluded Assets**" has the meaning ascribed thereto in Section 4.1 – Narrative Description of the Business – *Business Objectives*.

"**FDA**" means the United States Federal Drug Administration.

"**FDCA**" means the *Food, Drug and Cosmetics Act of 1938*.

"**FinCEN**" means the Financial Crimes Enforcement Network of the U.S. Department of the Treasury.

"**FinCEN Memorandum**" has the meaning ascribed thereto in Section 17.1 – *Risk Factors – Description of Risk Factors*.

"**Green Sky**" means Green Sky Labs, Inc., a company incorporated on April 17, 2014 under the *Business Corporations Act* (Alberta). This legal entity pre-dates the Acquisition.

"**Highway 395**" has the meaning ascribed thereto in Section 4.1 – Narrative Description of the Business.

"**Listing Statement**" means this CSE Form 2A Listing Statement of the Company, together with all Schedules hereto.

"**Maturity Date**" means December 31, 2022.

"**MAUCRSA**" means the *Medicinal and Adult-Use Cannabis Regulation and Safety Act* (California).

"**MCRSA**" means the *Medical Cannabis Regulation and Safety Act* (California).

"**MD&A**" means Management Discussion and Analysis.

"**METRC**" has the meaning ascribed thereto in *Regulatory Overview – Regulation of the Cannabis Market at State and Local Levels - California*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**Optimus**" has the meaning ascribed thereto in Section 4.1 – Narrative Description of the Business.

"**Optimus Option**" has the meaning ascribed thereto in Section 4.1 – *Narrative Description of the Business.*

"**OTC**" means over-the-counter.

"**Person**" means any individual, corporation, Company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Pooling Agreement**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Psychedelic Mushrooms**" has the meaning ascribed thereto in Section 3.3 – *General Development of the Business – Trends, Commitments, Events or Uncertainties.*

"**Rainy Daze**" means Rainy Daze Cannabis Corp., a company incorporated on May 31, 2019 under the BCBCA. This legal entity pre-dates the Acquisition.

"**Rejuva**" means Rejuva Alternative Medicine Research Centre Inc., a company incorporated on May 28, 2020 under the BCBCA. This legal entity pre-dates the Acquisition.

"**Rejuva Acquisition**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Rejuva Purchase Agreement**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Required Filings**" has the meaning ascribed thereto in *Directors and Officers - Cease Trade Orders, Bankruptcies, Penalties or Sanctions*.

"**Rohrabacher-Farr Amendment**" has the meaning ascribed thereto in Section 17.1 – *Risk Factors – Description of Risk Factors*.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Sessions Memorandum**" has the meaning ascribed thereto in Section 17.1 – *Risk Factors – Description of Risk Factors.*

"**Shahcor**" means Shahcor Health Services Inc., a company incorporated on June 30, 20199 under the BCBCA. This legal entity pre-dates the Acquisition.

"**Shahcor Acquisition**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Shahcor Purchase Agreement**" has the meaning ascribed thereto in Section 2.4 – *Fundamental Change*.

"**Share-swap**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Three Year History of the Company*.

"**SOP**" means standard operating procedure.

"**Staff Notice 51-352**" means Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana Related Activities*.

"**SUD**" means substance use disorders.

"**T&T System**" has the meaning ascribed thereto in Section 3.3 – *General Development of the Business – Trends, Commitments, Events or Uncertainties.*

"**Tax Act**" means the *Income Tax Act* (Canada).

"**THC**" means Tetrahydrocannabinol.

"**Technology**" has the meaning ascribed thereto in Section 3.1 – *General Development of the Business – Overview*.

"**TMX MOU**" has the meaning ascribed thereto in Section 17.1 – *Risk Factors – Description of Risk Factors*.

"**UBC**" means the University of British Columbia.

"**United States**" and "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

"**Vocan**" means Vocan Biotechnologies Inc., a company incorporated on October 2, 2020 under the BCBCA.

2. CORPORATE STRUCTURE

2.1 Corporate Name and Head and Registered Office

The corporate name of the Company is "Core One Labs Inc." The head office of the Company is located at Suite 3123, 595 Burrard Street, Vancouver, British Columbia, V7X 1J1 and its registered office is located at 2200 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

2.2 Jurisdiction of Incorporation

The Company was incorporated as Kariana Resources Inc. under the laws of the Province of British Columbia on September 14, 2010. On May 1, 2015, the Company changed its name to Lifestyle Delivery Systems Inc. under the laws of the Province of British Columbia. On September 6, 2019, the Company changed its name to Core One Labs Inc. under the laws of the Province of British Columbia.

2.3 Inter-corporate Relationships

The list of the Company's material subsidiaries together with their jurisdiction of incorporation and the percentage of voting securities beneficially owned, directly or indirectly, by the Company prior to the Acquisition is set out below:

Name	Incorporation	Incorporation/ Acquisition Date	Interest	Function
Canna Delivery Systems Inc.	Nevada	May 1, 2015	100%	Holding company
LDS Agrotech Inc.	Nevada	January 24, 2017	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	January 23, 2017	75%	Consulting services – extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	July 7, 2017	100%	Holding company
LDS Development Corporation	California	July 20, 2017	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	July 19, 2017	100%	Financing
Omni Distribution Inc.	California	August 14, 2017	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	February 21, 2014	100%	Holding company
CSPA Group, Inc.	California	October 1, 2018	100%	Manufacturing and transportation
Core Isogenics Inc.	California	June 15, 2017	100%	Nursery and cultivation
Agrotech LLC	California	April 24, 2019	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	November 18, 2019	100%	Microcultivation

The list of the Company's material subsidiaries together with their jurisdiction of incorporation and the percentage of voting securities beneficially owned, directly or indirectly, by the Company after the Acquisition is set out below:

Name	Incorporation	Incorporation/ Acquisition Date	Interest	Function
Canna Delivery Systems Inc.	Nevada	May 1, 2015	100%	Holding company
LDS Agrotech Inc.	Nevada	January 24, 2017	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	January 23, 2017	75%	Consulting services – extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto	California	July 7, 2017	100%	Holding company

Name	Incorporation	Incorporation/ Acquisition Date	Interest	Function
Agricultural Advisors Inc.)				
LDS Development Corporation	California	July 20, 2017	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	July 19, 2017	100%	Financing
Omni Distribution Inc.	California	August 14, 2017	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	February 21, 2014	100%	Holding company
CSPA Group, Inc.	California	October 1, 2018	100%	Manufacturing and transportation
Core Isogenics Inc.	California	June 15, 2017	100%	Nursery and cultivation
Agrotech LLC	California	April 24, 2019	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	November 18, 2019	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	July 10, 2020	100%	Medical clinic
Shahcor Health Services Inc.	British Columbia	July 10, 2020	25%	Medical clinic

2.4 Fundamental Change

On July 10, 2020 Core One acquired interests in two medical clinics located in British Columbia, Canada. The Company acquired 100% of Rejuva and a 25% interest in Shahcor. Shahcor owns and operates two medical clinics—one in downtown Vancouver, British Columbia and one in West Vancouver, British Columbia. Rejuva operates out of the downtown Vancouver clinic and is in the process of developing client guidance in the therapeutic use of psychedelics upon regulatory approval.

On July 9, 2020, the Company entered into a share exchange agreement (the "**Shahcor Purchase Agreement**") with Shahcor, for the acquisition of 25% of the non-voting participating share capital of Shahcor (the "**Shahcor Acquisition**"). Pursuant to the Shahcor Purchase Agreement, the Company made a cash payment of $400,000 and issued 5,555,556 Common Shares at a deemed price of $0.80 per Common Share to the existing shareholders of Shahcor for the Shacor Acquisition. The existing shareholders of Shahcor are also eligible to receive a one-time bonus payment of $1,000,000 (the "**Bonus Payment**") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash or Common Shares based upon the volume-weighted average closing price of the Common Shares on the CSE in the ten trading days prior to the issuance of the shares. In connection with the Shahcor Acquisition, certain shareholders of Shacor entered into a voluntary pooling agreement with the Company (the "**Pooling Agreement**") on July 9, 2020. Pursuant to the Pooling Agreement, 3,888,880 Common Shares issued in connection with the Shahcor Acquisition are subject to a voluntary thirteen-month pooling arrangement, with the first ten percent (10%) of the pooled Common Shares having been released on November 9, 2020 and an additional ten percent being released each month until the last Common Shares are released on August 9, 2021.

Also on July 9, 2020 the Company entered into a share exchange agreement (the "**Rejuva Purchase Agreement**") with Rejuva, for the acquisition of 100% of outstanding share capital of Rejuva the (the "**Rejuva Acquisition**" and together with the Shahcor Acquisition, the "**Acquisition**"). Pursuant to the Rejuva Purchase Agreement, the Company issued 23,000,000 Common Shares at a deemed price of $0.80 per Common Share to the existing shareholders of Rejuva for the Rejuva Acquisition. In connection with completion of the Acquisition, the Company issued 2,300,000 Common Shares at a deemed price of $0.80 per share to an arms-length third-party that assisted in introducing the Acquisition to the Company. The Company also issued 571,111 Common Shares at a deemed price of $0.80 per share and paid $8,000 as an administrative fee to a consultant who assisted with completion of the Acquisition.

The Acquisition constitutes a "major acquisition" pursuant to CSE Policy 8 – *Fundamental Changes and Changes of Business*. The Company is providing this Listing Statement in order to requalify for listing on the CSE following the major acquisition.

2.5 Non-corporate Issuers and Issuers Incorporated Outside of Canada

This section does not apply to the Company.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

Overview

The Company was incorporated as Kariana Resources Inc. under the laws of the Province of British Columbia on September 14, 2010. On May 1, 2015, the Company changed its name to Lifestyle Delivery Systems Inc. under the laws of the Province of British Columbia. On September 6, 2019, the Company changed its name to Core One Labs Inc. under the laws of the Province of British Columbia. The name change to Core One Labs Inc. was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings.

Core One is a research and technology company that has developed a patent pending[1] thin film oral delivery strip (the "**Technology**"), which dissolves instantly when placed in the mouth. The Company's flagship product, CannaStrips™, infuses THC or CBD into the Technology, which allows for effective bioavailability of cannabis constituents. The Technology offers a new way to accurately measure the dosage and assure the purity of the selected product. The Company believes the Technology has potential applications beyond THC and CBD and is pursuing the application of this Technology to the delivery of psilocybin.

Thin film oral delivery strips use a dissolving film to administer drugs via absorption in the mouth by utilizing hydrophilic polymers that rapidly dissolve on the tongue or when contact with liquid is made. Thin film oral delivery has emerged as an alternative to traditional tablets, capsules, liquids and other drug delivery methods often associated with prescription and OTC medication due to the advantages that they offer including, bypassing first pass metabolism, ease of administration, fast onset and dosing flexibility.

From start to finish, the production process, based on the Company's Technology, tests for quality and composition of all the ingredients, resulting in a consistent and effective delivery system. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group, Inc., the Company operates a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California ("**Adelanto Facility**"). The Adelanto Facility also produces cannabis-derived oil, distillates and resin for the Company's own products as well as white-label distribution.

[1] Nanostrips Inc. submitted a patent application with the U.S. Patent and Trademark office on June 18, 2020 (United States Patent Application No. 16/955,674) for a "transmucosal delivery device and method of manufacturing same".

CSPA Group, Inc. holds the following licenses for the operation of the Adelanto Facility: Medicinal – Distributor License (Provisional) (License No. C11-0000259-LIC) granted by the California Bureau of Cannabis Control, which was granted on June 5, 2019 and expires on June 4, 2021.

- Annual Manufacturing License for Adult and Medicinal Cannabis Products – Type 7: Volatile Solvent Extraction (License No. CDPH-10001887) granted by the State of California Department of Public Health – Manufactured Cannabis Safety Branch, which was granted on January 18, 2020 and expires on January 18, 2021.

Core Isogenics Inc. holds the following licenses for the operation of the Adelanto Facility:

- Provisional Cannabis Cultivation License (Adult Use – Small Indoor) (License No. CCL19-0003249) granted by the California Department of Food and Agriculture on September 13, 2020 and expires on September 12, 2021.

- Provisional Cannabis Cultivation License (Adult Use – Nursery) (License No. CCL19-0003249) granted by the California Department of Food and Agriculture on September 13, 2020 and expires on September 12, 2021.

On July 10, 2020 Core One acquired interests in two medical clinics located in British Columbia, Canada. The Company acquired 100% of Rejuva Alternative Medicine Research Centre Inc. or ("**Rejuva**") and a 25% interest in Shahcor Health Services Inc. ("**Shahcor**"). Shahcor owns and operates two medical clinics—one in downtown Vancouver and one in West Vancouver, British Columbia. Rejuva operates out of the same clinics and is in the process of developing client guidance in the therapeutic use of psychedelics upon regulatory approval.

The Shahcor acquisition was completed pursuant to a share exchange agreement, dated effective July 9, 2020, whereby the Company issued 5,555,556 Common Shares (with an aggregate value of $4,444,444.80 based on the closing price of the Common Shares on the CSE on the closing date) to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor; in addition, the Company paid cash of $400,000. The existing shareholders of Shahcor are also eligible to receive a one-time Bonus Payment of $1,000,000 in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash or Common Shares based upon the volume-weighted average closing price of the common shares of the Company on the CSE in the ten trading days prior to the issuance of the shares.

The Rejuva acquisition was completed pursuant to a share exchange agreement dated effective July 9, 2020. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares (with an aggregate value of $18,400,000 based on the closing price of the Common Shares on the CSE on the closing date) to the existing shareholders of Rejuva. In connection with completion of the Acquisition, the Company issued 2,300,000 Common Shares at a deemed price of $0.80 per share to an arms-length third-party that assisted in introducing the Acquisition to the Company. The Company also issued 571,111 Common Shares at a deemed price of $0.80 per share and paid $8,000 as an administrative fee to a consultant who assisted with completion of the Acquisition.

On October 7, 2020, the Company entered into a letter of intent to acquire Vocan Biotechnologies Inc. ("**Vocan**"), a psilocybin research company located in British Columbia, Canada. Vocan is a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. Vocan's team of scientists have discovered a patentable method of producing psilocybin, the active ingredient in psychotropic mushrooms, and is working towards producing cGMP API grade psilocybin. Completion of the acquisition of Vocan remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation. The acquisition cannot be completed until these conditions have been satisfied.

Additionally, the acquisition of Vocan is not expected to close until after the Common Shares have resumed trading on the CSE.

The Company intends to further develop its product offerings through research and development with Vocan (assuming the completion of the acquisition) and Rejuva. In addition, the Company expects to work towards regulatory approval for research at the Rejuva clinic that advances psychedelic-derived treatments for mental health disorders, including addictions. The Company expects to apply under Section 56(1) of the CDSA to the Minister of Health for an exemption to allow the study of psilocybin for a medical and scientific purpose, and in the public interest.

Three-year history of the Company

All references to the number of Common Shares and per Common Share amounts have been retroactively restated to reflect the Consolidations.

2017

On April 25, 2017, the Company filed trademark applications with the Canadian Intellectual Property Office to register the trademarks CANNASTRIPS and CANNASTRIPS SMOKEFREE PAIN RELIEF & Design. The applications were filed on the basis of proposed use of the trademarks in Canada in association with various goods related to the transmucosal delivery of biologically active substances.

Effective May 1, 2017, the Company entered into an exclusive worldwide license agreement with its Chief Science Officer, Dr. John D. Sanderson, and Nanostrips, Inc., a company controlled by Dr. Sanderson. Pursuant to the terms of this license, the Company was granted a worldwide exclusive license to the technology described in the provisional patent application relating to the transmucosal delivery of biologically active substances filed by Dr. Sanderson on November 6, 2016, and any technologies deriving therefrom, in the field of cannabis and cannabis extract related products. In consideration for the license, on May 23, 2017, the Company issued Dr. Sanderson 83,333 Common Shares valued at $590,000 ($7.08 per share), with an additional 83,333 Common Shares issuable upon the granting of a United States patent containing claims directed to the new and innovative subject matter described in the provisional patent application filed on November 6, 2016.

On June 21, 2017 the Company acquired ten acres of land in Adelanto, California for the development of a contract cultivation project. The land parcel was acquired by the Company for total cash consideration of USD$500,000, and is located in close proximity to the 22,000 square foot Adelanto Facility that was being retrofitted by the Company for use in its planned business operations at the time.

On November 21, 2017, the Company arranged a US$500,000 secured credit facility (the "**Credit Facility**") with an unrelated third-party creditor. The Credit Facility permitted the Company to purchase additional raw material without drawing on its development funds. Outstanding principal under the Credit Facility accrued interest at a rate of 3% per month, compounded monthly and payable on maturity on May 16, 2018. The Company repaid the Credit Facility on June 4, 2018, in accordance with a verbal extension granted by the Lender. At the time of the repayment, the total due under the Credit Facility was $788,710 (US$608,385) and consisted of US$500,000 principal and US$108,385 in accrued interest.

2018

In 2018, the Company filed an enhanced provisional patent for the CannaStrips™ technology and two additional applications for CannaStrips trademark protection in the United Kingdom (No. UK00003265774) and European Union (No. 017383712) to complement the Company's current Canadian trademark application (No. 1,834,425).

On March 7, 2018, the Company began trading on OTCQX under the symbol "LDSYF".

On March 28, 2018, CSPA Group, Inc., began the distribution of the Rêveur product line to selected retail stores in California. The new product line, Rêveur (the French word for Dreamer), was designed for the upscale luxury cannabis market using only fresh frozen organically grown cannabis strains processed at minus 50 degrees Celsius.

On October 1, 2018, the Company's wholly-owned subsidiary Rêveur Holdings Inc. (formerly known as Adelanto Agricultural Advisors Inc.) acquired CSPA Group Inc., the holder of California licenses for cannabis manufacturing and cannabis distribution and transportation, for aggregate consideration of 250,000 Common Shares and US$1,400,000 in cash. CSPA Group, Inc. currently holds the following licenses for the operation of the Adelanto Facility:

- Medicinal – Distributor License (Provisional) (License No. C11-0000259-LIC) granted by the California Bureau of Cannabis Control, which was granted on June 5, 2019 and expires on June 4, 2021.

- Annual Manufacturing License for Adult and Medicinal Cannabis Products – Type 7: Volatile Solvent Extraction (License No. CDPH-10001887) granted by the State of California Department of Public Health – Manufactured Cannabis Safety Branch, which was granted on January 18, 2020 and expires on January 18, 2021.

2019

On March 11, 2019, the Company's wholly-owned subsidiary, CSPA Group, Inc., began manufacturing the fourth generation of CannaStrips™ for the California market. The fourth generation of CannaStrips™ had improved taste and increased the speed of bio-availability.

On April 10, 2019, the Company's subsidiary entered into a five-year lease agreement for 20,000 square feet of warehouse space for a monthly fee of US$40,000 in order to expand the Company's transportation and distribution operations in Adelanto, California. At the same time, the Company entered into a sub-lease agreement with TCM Distribution Inc., the wholly-owned subsidiary of Transcanna Holdings Inc. to sub-lease a portion of the warehouse space to Transcanna Holdings Inc. at a monthly fee of US$20,000.

On September 6, 2019, the Company completed a 6 for 1 consolidation and changed its name to Core One Labs Inc. The consolidation reduced the outstanding share capital from 139,465,194 pre-consolidation Common Shares to approximately 23,244,206 Common Shares issued and outstanding, and the Common Shares began trading on a post-Consolidation basis under the symbol "COOL" on the CSE at the open of markets on September 6, 2019.

On September 12, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, completed its first harvest of 1,600 pounds of cannabis from its Sacramento farm and began processing the bio-mass.

On September 27, 2019, the Company's wholly-owned subsidiary, Core Isogenics Inc., was granted a Provisional Nursery License and an annual renewable Provisional Cultivation License, which are issued by the CDFA. The Company currently holds an active Nursery license and an active small indoor cultivation license, both of which expire on September 12, 2021.

On November 18, 2019, the Company completed the acquisition of Rainy Daze Cannabis Corp. ("**Rainy Daze**") by purchasing all of the issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing an aggregate of 1,750,000 Common Shares valued at $1.08 per share to the shareholders of Rainy Daze. The acquisition of Rainy Daze included a long-term lease for a building which was under construction at the time of the acquisition, and which is still under construction. The Rainy Daze facility consists of 2,210 square feet of canopy space and 3,500 square feet of operational-purpose-built building and the tenant improvements are expected to be completed in March 2021, with possession date shortly thereafter. The Company has decided not to proceed with applying for a micro-cultivation license with Health Canada as a result of the continued deterioration Canadian cannabis market and a shift in

management's focus away from cannabis and towards psychedelics. As a result, the Company intends to sell Rainy Daze once the lease of the micro-cultivation facility commences and Rainy Daze is in a position to apply for a micro-cultivation license with Health Canada.

On December 20, 2019, the Company's subsidiary, Core Isogenics Inc., harvested 345 pounds of flower from the Adelanto Facility. This was the first harvest from the Adelanto Facility and accounted for approximately 10% of the cultivation area.

2020

On January 3, 2020, the Company announced that its wholly-owned subsidiary, Core Isogenics Inc., had completed its second and third ongoing harvests at the Adelanto Facility.

On March 18, 2020, the Company signed a definitive agreement with respect to a $1,500,000 convertible debt facility with Cannabis Growth Opportunity Corporation ("**CGOC**"). The Company issued CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "**Debenture**") and 750,000 common share purchase warrants. The Debenture matures on December 31, 2022 (the "**Maturity Date**"), with interest accruing at a rate of 12% per annum. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into Common Shares at a conversion price of $0.40 per share. The warrants issued to CGOC are exercisable at a price of $1.20 per share, expiring on the Maturity Date, and will vest and become exercisable in three equal tranches of 500,000 warrants each upon CGOC making each $500,000 advance under the Debenture. As at the date of this Listing Statement, the Company has received a total of $450,000 from CGOC.

In addition to the Debenture and the warrants issued to CGOC, the Company and CGOC also exchanged approximately $2,000,000 worth of each other's common shares (the "**Share-Swap**"), with the Company issuing to CGOC 2,666,667 Common Shares at an agreed value of $0.27 per share, and CGOC issuing 3,149,606 common shares to the Company at an agreed value of $0.635 per share. In connection with the Share-Swap, the Company and CGOC entered into a voting and resale agreement, with each party agreeing to vote the shares acquired from the other under the Share-Swap as recommended by the issuer of the shares, and with each party agreeing not to trade the shares received in the Share-Swap for a period of 18 months. The Company also agreed that, upon payment of the full amount of the initial advance of $500,000 under the Debenture, CGOC will have the right to nominate one director to the Company's board and, if CGOC's nominee is not appointed or elected to the Company's board, CGOC will have the right to appoint a board observer. The Company is working with CGOC to unwind the Share-Swap so that the CGOC shares are returned to CGOC and the Common Shares are returned to the treasury of the Company.

On July 9, 2020 the Company further consolidated its outstanding Common Shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share, and reduced its share capital from 79,081,741 Common Shares to approximately 39,540,871 Common Shares. The consolidated Common Shares began trading at the opening of markets on July 9, 2020 under the existing ticker symbol "COOL".

On July 10, 2020, the Company completed the acquisition of all of the outstanding share capital of Rejuva and one-quarter of the non-voting participating share capital of Shahcor. Rejuva and Shahcor are privately held companies which operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia, and maintain a database of over 200,000 patients, combined. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 Common Shares at a price of $0.80 per share to the existing shareholders of Rejuva. In consideration for one-quarter of the non-voting participating share capital of Shahcor, the Company made a one-time cash payment of $400,000 and issued 5,555,556 Common Shares at a price of $0.80 per share to the existing shareholders of Shahcor.

The existing shareholders of Shahcor are also eligible to receive a one-time Bonus Payment of $1,000,000 in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash or Common Shares based upon the volume-weighted average closing price of the Common Shares on the CSE in the ten trading days prior to the issuance of the shares.

In connection with the Shahcor Acquisition, certain shareholders of Shacor entered into the Pooling Agreement. Pursuant to the Pooling Agreement, 3,888,880 Common Shares issued in connection with the Shahcor Acquisition are subject to a voluntary thirteen-month pooling arrangement, with the first ten percent (10%) of the pooled Common Shares having been released on November 9, 2020 and an additional ten percent being released each month until the last Common Shares are released on August 9, 2021. In connection with completion of the Acquisition, the Company issued 2,300,000 Common Shares at a deemed price of $0.80 per share to an arms-length third-party that assisted in introducing the Acquisition to the Company. The Company also issued 571,111 Common Shares at a deemed price of $0.80 per share and paid $8,000 as an administrative fee to a consultant who assisted with completion of the Acquisition.

On October 7, 2020 the Company signed a letter of intent to acquire all of the issued outstanding share capital of Vocan. Vocan is a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. Under the terms of the letter of intent with Vocan, the Company would issue 23,500,000 Common Shares (the "**Consideration Shares**"), and 4,000,000 Common Share purchase warrants (the "**Consideration Warrants**"), to the existing shareholders of Vocan. Each Consideration Warrant will be exercisable to acquire an additional common share of the Company at a price equal to the volume weighted average trading price of the Common Shares on the Exchange for the ten (10) trading days prior to the signing of a definitive agreement for a period of twenty-four months. The Consideration Shares will be issued *pro rata* to the shareholders of Vocan based on a price equivalent to the volume-weighted average trading price of the Common Shares on the Exchange for the ten (10) trading days prior to the date the signing of a definitive agreement.

In addition to the Consideration Shares, and the Consideration Warrants, the existing shareholders of Vocan will also be eligible to receive bonus payments of up to 5,000,000 Common Shares (the "**Bonus Shares**"). The Bonus Shares will be issuable in two tranches, of which 2,500,000 will be issuable upon the successful synthesis of psilocybin, and a further 2,500,000 will be issuable upon the filing of a patent application for such synthesis method in at least one jurisdiction. The Bonus Shares will be issued at a price equivalent to the volume-weighted average trading price of the Common Shares on the Exchange for the ten (10) trading days prior to the date the signing of a definitive agreement.

Expected Changes in the Business of the Company

Core One is in the process of selling its operations related to the cultivation of cannabis in the United States. The Company also expects to shift production from THC CannaStrips™ at a highly regulated T&T facility to CBD CannaStrips™ at a less regulated facility. The shift from THC CannaStrips™ to CBD CannaStrips™ will also allow the Company to move away from the highly regulated and fractured marijuana market to the less regulated CBD market where the products can be sold via eCommerce to every state in the U.S. and across state lines. The Company also expects to broaden its focus away from cannabinoids and to research the adaptation of its CannaStrips™ to be used with psilocybin. In connection with these expected changes, the Company has begun to acquire Canadian assets (Rejuva and Shahcor) and investigate Canadian acquisition targets in the psilocybin space (Vocan) in order to further advance the Company's product development efforts.

Vocan

On October 7, 2020 the Company signed a letter of intent to acquire all of the issued outstanding share capital of Vocan, a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. Under the terms of the letter of intent with Vocan, the Company will issue the Consideration Shares and the Consideration Warrants to the existing shareholders of Vocan for all of the issued and outstanding securities of Vocan. Each Consideration Warrant will be exercisable to acquire an additional common share of the Company at a price equal to the volume weighted average trading price of the Common Shares on the Exchange for the ten (10) trading days prior to the signing of a definitive agreement for a period of twenty-four months. The closing of the acquisition of Vocan is expected to occur shortly after the Common Shares resume trading on the CSE.

Vocan was incorporated under the BCBCA on October 2, 2018 with the mission to use science and technology to advance the knowledge of natural-based medicines for the treatment of mental health illnesses, including addictions. Vocan's team of scientists are specialized in protein expression and biosynthetic fermentation and have discovered a patentable method of producing psilocybin, the active ingredient in psychotropic mushrooms. Vocan believes that it will be able to use its patentable processes and methods to produce cGMP API grade psilocybin. Assuming completion of the acquisition of Vocan, and upon regulatory approval, the Company anticipates that the psilocybin could be delivered via the Company's Technology or sold to pharmaceutical companies. While Vocan has focused first on psilocybin, the API's are not limited to only psilocybin. Other possible API's include DMT, LSD, ibogaine, mescaline, 2C-B, 2C-1, AMT, DOM, CBD, THC and more.

Vocan is currently engaged in research related to the production of psilocybin, and operates in a licensed laboratory in Victoria, British Columbia operated by Green Sky Labs, Inc. ("**Green Sky**"). Green Sky holds a Health Canada Controlled Substances License which Vocan operates under. Vocan utilizes the Health Canada Controlled Substances License to focus on psilocybin and other biosynthetic research. The license details are as follows:

- License No: 6-8056
- Issuer: Health Canada
- Regulation / Act: *Controlled Drugs and Substances Act*
- Effective Date: January 1, 2020
- Expiry Date: May 31, 2021

The Health Canada Controlled Substances License allows for the conduct of possession, production, sale/provision and sending, transportation and delivery. The Company operates under Green Sky's license pursuant to a 24-month operating agreement with Green Sky that was entered into on June 1, 2020. Pursuant to the agreement, Vocan pays Green Sky $1,500 per month for the use of the lab and license, and all work performed by employees or contractors of Vocan and any technology developed from this work is the sole property of Vocan. Green Sky reserves no right, interest, or title to any work product performed by the employees or contractors of Vocan. Vocan anticipates operating under Green Sky's Health Canada Controlled Substances License upon each renewal of the license.

Vocan Management

Robert E. W. Hancock, OC OBC FRSC – CEO

Robert Hancock is a leading researcher at the University of British Columbia, a Killam Professor of Microbiology and Immunology, and a Canada Research Chair in Health and Genomics. Receiving his PhD in microbiology from the University of Adelaide in 1975, he has become one of the world's most highly cited researchers, and has published over 770 papers and reviews and has 69 patents awarded. Dr. Hancock has taught at the University of British Columbia since 1978 and currently runs his own laboratory. He is a co-founder of several companies, both private and public, including Migenix, Inimex Pharmaceuticals, ABT Innovations, Sepset Biotherapeutics and the Centre for Drug Research and Development.

Jan Burian, PhD – Founder / Chief Technical Officer

Dr. Jan Burian is a biochemist and molecular biologist with extensive knowledge in operations, scale-up of fermentative API production, and research and development. He has numerous academic publications to his name and previously held a site directorship with Pfizer Animal Health Clinic from 2010 to 2014. Dr. Burrian was Chief Science and Technology Officer at Green Sky Labs, Inc. from 2015 to 2019. Dr. Burrian obtained his Candidate of Science in Biochemistry (equivalent to a Ph.D.) from the Comenius University in Bratislava, Slovakia in 1991. He obtained his Doctor Rerum Naturalis majoring in chemistry and biochemistry (equivalent to an MSc.) from Comenius University in 1990.

Jen Gretchen, CPA, CA – CFO

Jen Gretchen obtained her CA designation in 2014 after articling with KPMG in Vancouver. She has managerial experience in financial planning, analysis and reporting. She has spent her career working with progressive tech companies, including Qualcomm, and has assisted multiple companies through IPO and M&A transactions. Ms. Gretchen has been a finance and accounting consultant since 2017, and previously worked as a Financial Analyst with Pinnacle Renewable Energy from 2016 to 2017 and with Qualcomm Incorporated from 2014 to 2016.

Jay Van der Vlugt, BSC – Senior Biochemist

Jay Van der Vlugt is a trained biochemist with extensive experience working with narcotics and controlled substances over the last 6 years, and is the qualified person in charge under the Health Canada license for the production of psilocybin. He has held senior roles in regulatory, compliance and intellectual property management. Mr. Van der Vlugt obtained his B.Sc in biochemisty from the University of Victoria in 2012. From 2014 to present, he has acted as Senior Biochemist, Director in Intellectual Property & Regulatory Compliance with Green Sky Labs, Inc. and Nectar Health Sciences, Inc.

3.2 Significant Acquisitions and Dispositions

Rainy Daze Cannabis Corp

On November 18, 2019, the Company completed the acquisition of Rainy Daze by purchasing all of the issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing an aggregate of 1,750,000 Common Shares to the shareholders of Rainy Daze. The acquisition of Rainy Daze included a long-term lease for a bay in a micro-cultivation facility that is currently under construction with a lease term of five years, commencing on the day immediately following Rainy Daze receiving the required occupancy permit. As at the date of this Listing Statement, the Rainy Daze micro-cultivation unit remains under construction and this lease has not commenced. The Rainy Daze facility will consist of 2,210 square feet of canopy space and 3,500 square feet of operational-purpose-built building. The Company has decided not to proceed with applying for a micro-cultivation license with Health Canada as a result of the continued deterioration Canadian cannabis market and a shift in management's focus away from cannabis and towards psychedelics. As a result, the Company intends to sell Rainy Daze once the lease of the micro-cultivation facility commences and Rainy Daze is in a position to apply for a micro-cultivation license with Health Canada.

Rejuva and Shahcor

On July 10, 2020, the Company completed the acquisition of all of the outstanding share capital of Rejuva and one-quarter of the non-voting participating share capital of Shahcor. Rejuva and Shahcor are privately held companies which operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 Common Shares at a deemed price of $0.80 per Common Share to the existing shareholders of Rejuva . In consideration for one-quarter of the non-voting participating share capital of Shahcor, the Company made a one-time cash payment of $400,000 and issued 5,555,556 Common Shares at a deemed price of $0.80 per Common Share to the existing shareholders of Shahcor. The existing shareholders of Shahcor are also eligible to receive a one-time bonus payment of $1,000,000 (in cash or Common Shares, at the discretion of the Company) in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the acquisition.

Shahcor

Shahcor was incorporated on June 30, 2011 under the BCBCA and operates a medical clinic in Coal Harbour Vancouver as well as a medical clinic in West Vancouver. Shahcor provides medical services to patients via its doctors, both onsite and through telemedicine. Shahcor currently has two medical directors,

and 10 total employees at both sites. Its key management consists of Dr. Masoud Shahrokhi and Dr. John S. Corey. Shahcor leases its Coal Harbour Medical Clinic through a lease with Reliance Corporation that expires in 2021, and a sublease with Pure Pharmacy for the West Vancouver Medical Clinic which expires in 2030. Shahcor intends to renegotiate its lease with Reliance Corporation in 2021, and to increase its telemedicine presence. Shahcor has a significant amount of patient data in its database, with over 220,000 registered patients. Current daily volume of the clinics of Shahcor is approximately 150 to 175 patients per day due to Covid-19. Prior to Covid-19, Shahcor exceeded over 300 patient visits a day. The Coal Harbour location is located in the downtown core of Vancouver and is accessible by foot and by transit to individuals dealing with addiction and mental health issues.

Rejuva

Rejuva was incorporated on May 28, 2020 under the BCBCA and is in the process of opening a specialized medical clinic within Shahcor's Coal Harbour location in downtown Vancouver. Rejuva received a business license from the City of Vancouver on September 9, 2020 and currently has two medical directors, Dr. Masoud Shahrokhi and Dr. John S. Corey. Rejuva has a sublease to rent an exam/office room from Shahcor until July 8, 2021 for $5,000 per month.

Rejuva is currently building out an educational platform and developing a research program to collect information from qualified patients of Shahcor related to psilocybin. Over the next year, Rejuva intends to conduct surveys of patients at the Shahcor medical clinic and provide patients with information related to psilocybin research opportunities. The initial surveys are expected to be tailored to determine people's experience, if any, with psilocybin, and to pose in depth questions about dosing and the impact of psilocybin on people's emotional, physical or mental health. The long-term objective of Rejuva is to seek approval for research that will advance psilocybin-derived treatments for mental health issues, including medication resistant depression and addiction issues. Management of Rejuva is currently looking for research partnerships with qualified institutions, such as the University of British Columbia, to advance psilocybin-derived treatments for mental health issues, including treatment resistant depression and addiction issues.

In connection with the initiatives noted above, Rejuva has built a library of credited surveys related to the following fields: alcohol abuse, depression, psilocybin and anxiety disorders. The credited surveys have been collected to guide the development of Rejuva's questionnaires and surveys for its research initiatives. Rejuva intends, with the assistance of a university partner, to use these surveys to develop its own tailored suite of surveys and questionnaire for patients related to psilocybin and Rejuva's health care initiatives.

Rejuva was founded by Chad Clelland, who has significant experience in Canadian cannabis medical clinics. Mr. Clelland spent six years helping build the company and now Greenleaf Medical Clinic has grown to over 75,000 patients supported by five doctors and is still successfully operating today. Chad also co-founded Folium Life Sciences, a Canadian licensed producer, and has more than fifteen years of compliance experience working with Health Canada in the heavily regulated natural health industry. The Company believes that Mr. Clelland's experience and contacts make him the ideal person to lead Rejuva to accomplish its short- and long-term objectives. Mr. Clelland is currently working to identify faculty members at various universities that would like to partner with Rejuva to help conduct research into the uses of psilocybin. The goal will be to have the partner university assist with the analysis of the data gathered from study participants.

Dr. Masoud Shahrokhi began his medical career in Iran practising Urology for seven years upon completion of his education at the University of Tehran faculty of medical sciences graduating with *summa cum laudae* honours. In 2001, Dr. Shahrokhi re-established his medical profession in the field of family medicine, completing his post graduate residency at the University of Alberta and completing all US required certification exams (USMLE). Dr. Shahrokhi began practising as a family physician at the Park Royal Medical Clinic in 2006. Over a 14-year career, Dr. Shahrokhi, through partnerships with Dr. John Corey, has opened multiple medical clinics all over Vancouver while amassing a data base of over 220,000 patients

and growing. Currently Dr. Shahrokhi is the medical director of Beachside Medical Clinic and Coal Harbour Health Centre and is a certified UBC Faculty of Medicine clinical instructor.

Dr. John S Corey graduated in 1977 *summa cum laudae* from McMaster University with a dual Honours undergraduate degree in Chemistry and Physics, and subsequently from Queens University in 1979 with a Masters of Solid State Physics. He worked for several years in industry, first as a research scientist for Stelco and later as a Process Engineer and Researcher as part of the Northern Telecom group in Ottawa that introduced digital telecommunications to the world 40 years ago. During that time, he completed a graduate degree in business and became a corporate manager. While working as a high technology consultant in the manufacturing and assembly of semiconductor devices, Dr. Corey completed a medical degree at the University of Ottawa in 1987 and then a medical residency at Lions Gate Hospital in North Vancouver in 1988. Dr. Corey commenced his clinical medical career in 1988 first as a locum doctor doing office practice replacements, obstetrics, and emergency medicine, and then in 1991 he started one of the first Walk-In Clinics in British Columbia. In 1992 Dr. Corey began practising as a Family Doctor in his own family practice in West Vancouver. Since that time Dr. Corey has founded and/or has become the Medical Director of seven medical clinics in British Columbia which in the last 30 years have provided over three million patient visits. In addition to his clinical and administrative duties, Dr. Corey continues to work as a medical educator training and mentoring foreign trained Doctors, medical students and Nurse Practitioner students; and as a physician supervisor, monitoring the practices of medical doctors with restricted licenses.

While continuing to work as a family physician, medical administrator, physician supervisor, and medical educator, Dr. Corey is also actively engaged in the current paradigm shift in medicine using digital technology to deliver healthcare services.

Core One sees Rejuva as a valuable asset related to future research and development of its thin-strip Technology as a precise delivery mechanism for psilocybin.

3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are: (i) the changing legal and regulatory regime which regulates the production and sale of cannabis in Canada and California; (ii) the ability of companies who may receive funds from the sale of cannabis and cannabis-related products to adequately track and legally transfer such funds; (iii) changes to the laws related to psilocybin and other psychedelic compounds; (iv) the ability of the Company to raise adequate capital to carry out its business objectives; and (v) changes to government regulation of psilocybin. See Section 17 – *Risk Factors* and Section 4 – *Narrative Description of the Business – Legal and Regulatory Environment*.

Industry Information

Psychedelics

Psychedelics are drugs with perception-altering or mind-expanding effects. Most people consider them a recreational drug but in fact, they have a long history of being used medicinally. Naturally occurring psychedelics such as magic mushrooms (psilocybin and psilocin), the San Pedro and peyote cactus (mescaline), and ayahuasca (DMT) have been used as medicine in traditional ceremonies for centuries to treat a wide array of maladies and stimulate spiritual growth. Many of the conditions treated with these psychedelics we would likely view as mental conditions today, such as addiction, depression, or post-traumatic stress disorder.

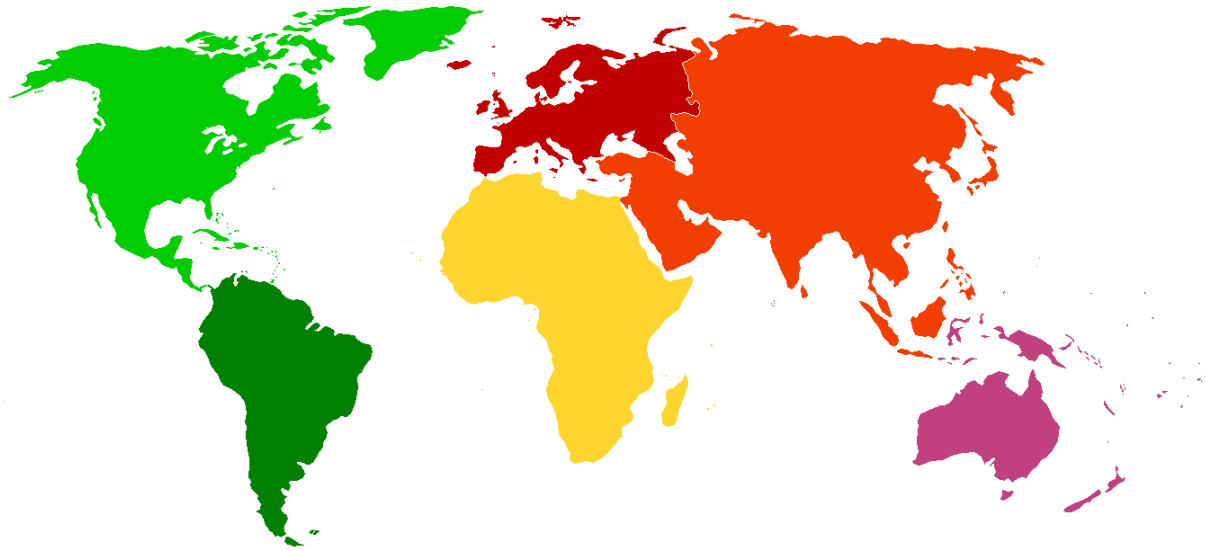
The use of psilocybin mushrooms and other psychedelic compounds dates back thousands of years and have been used by many cultures for medicinal and religious purposes. In 1971, after a major resurgence in Western culture, the United Nations classified psilocybin and other classical psychedelics such as mescaline, LSD and DMT as Schedule 1 substances, meaning they have the highest potential for abuse and no medical value. It is coming to light that this may have been a mistake, as research shows the potential medicinal effects of psychedelics. The prohibition of psilocybin mushrooms has recently come

under criticism from the general public and from researchers who see therapeutic potential with regard to drug addictions and other mental instabilities, such as post-traumatic stress disorder, anxiety and depression.

Industry pundits believe that the medical psychedelics industry is in its infancy, meaning that growth is inevitable, albeit from a small base. With investment incoming, clinical trials are expected to gather at pace, and it is expected that there will be a wave of new products to challenge existing medications and therapies, which will become available in the short to midterm. As a result of the growing awareness of mental health disorders, and the increased prevalence of depression and addiction, there is a renewed interest in continuing psychedelic research that flourished prior to the scheduling of these compounds in the U.S under the CSA in the late 1960s. If clinical trials prove successful, the potential of psychedelic drugs to relieve societal costs, in terms of healthcare burden and lost productivity, is enormous.

As can be seen below, there are a significant amount of ongoing clinical trials for the use of psychedelics which are active or soon to be active.

Clinical trials (active or soon to be active)



NORTH AMERICA		LATIN AMERICA		EUROPE		AFRICA		MIDDLE EAST		ASIA	
KETAMINE	95	KETAMINE	4	KETAMINE	14	KETAMINE	8	KETAMINE	7	KETAMINE	5
MDMA	9	IBOGAINE	2	MDMA	6			MDMA	2		
PSILOCYBIN	20			PSILOCYBIN	6						
				LSD	3						

Source: Prohibition Partners/Clinicaltrials.gov.

Psychedelic Market and Opportunity

Currently, mushrooms that contain hallucinogens ("**Psychedelic Mushrooms**"), usually psilocybin and psilocin, are controlled substances in both Canada and the U.S. However, in 2019, Denver, Colorado, and Oakland and Santa Cruz, California decriminalized the possession of products containing psilocybin or

psilocin. In June of 2020, Oregon activists behind an initiative to legalize psilocybin mushrooms for therapeutic purposes announced that they believed they had secured more than enough valid signatures to qualify for the November 2020 ballot. In the recent Presidential election in the United States, voters in Oregon and Washington, D.C., approved measures to allow for the therapeutic use of psychedelic mushrooms, which are already being used prescribed to help some terminally ill patients in Canada cope with pain and end-of-life anxiety.

In August 2020, Canada's Minister of Health, Patty Hajdu, granted four individuals the right to use psilocybin therapy to treat end-of-life distress.[2] The compassionate ruling is the first of its kind in Canada since 1974 when Psychedelic Mushrooms were made illegal. This decision by the Canadian Minister of Health is part of a larger movement that is evaluating psilocybin-assisted therapy used as a treatment for ailments like depression, addiction, and anxiety. Studies at Imperial College London[3] and Johns Hopkins University[4] in the U.S. are showing promise with psychedelic-assisted therapy for emotional traumas—including patients facing debilitating worries from terminal diagnoses.

Members of Canada's government have called for amendment to the CDSA to allow access to psilocybin for therapeutic purposes for those facing the end of their lives and to medical professionals for educational purposes. To that end, on September 24, 2020, MP's Elizabeth May, O.C (Saanich-Gulf Islands), Jenica Atwin (Fredericton), and Paul Manly (Nanimo-Ladysmith) wrote a letter to Canadian Minister Patty Hajdu on behalf of the Green caucus which stated, in part:

> "[…] Psilocybin has proven to be an effective palliative for those suffering from end-of-life anxiety due to a terminal diagnosis, and the word is spreading. […]
>
> As psilocybin becomes more widely accepted and used as a treatment, medical professionals need to be able to access it for their own use, so that they can better prescribe it and counsel a growing number of patients in taking it. The Green caucus asks that you grant medical professionals who seek it access to Psilocybin through the same section 56 exemption.
>
> We also urge you to consider more permanent measures. We are not the first MPs to make this request. MP Marcus Powlowski also wrote to you on this same subject in July 2020, noting that in the future, psilocybin should be accessible as a medical treatment through more than just exemptions to the current law. <u>The CDSA should be amended to allow access to psilocybin for therapeutic purposes to those facing the end of their lives, and to medical professionals for educational purposes</u>."[5]
>
> [emphasis added]

As attitudes towards psilocybin and psychedelics in general shift, there has been an increase in clinical trials, academic research and commercial investment. Psychedelics are being evaluated as a potential treatment for a variety of health conditions, including depression, addiction and other mental health issues.

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[2] Press Release posted on August 4, 2020 by Therapsil announcing approval: <https://therapsil.ca/4-palliative-canadians-approved-for-end-of-life-psilocybin-therapy-through-section-561-first-legal-medical-exemptions-for-psilocybin-in-canada-since-1970s/>

[3] Nutt, David, David Erritzoe and Robin Carhart-Harris, "Psychedelic Psychiatry's Brave New World," *Cell 181*, April 2, 2020 <https://www.cell.com/cell/fulltext/S0092-8674(20)30282-8> See also: Publications by Imperial College London Centre for Psychedelic Research <https://www.imperial.ac.uk/psychedelic-research-centre/research/>

[4] See: Academic Publications by John Hopkins University Center for Psychedelic & Consciousness Research <https://hopkinspsychedelic.org/publications>

[5] Letter from Elizabeth May, Jenica Atwin, and Paul Manly to Canadian Minister Patty Hajdu, September 24, 2020 <https://therapsil.ca/wp-content/uploads/2020/09/Letter-from-Green-Party-to-Minister-Patty-Hajdu.pdf>

Data Bridge Market Research forecasts the psychedelics market to increase from US$2.1 billion in 2019 to US$6.9 billion in 2027, representing a compound annual growth rate ("**CAGR**") of 16.3%.[6]

Facts about mental health conditions:

NUMBERS (millions)		MENTAL HEALTH CONDITIONS
450	>>	Number of people with mental health conditions worldwide
322	>>	Number of people with major depressive disorders (MDD)
100	>>	Estimated number of people with a treatment-resistant form of depression (TRD)
354	>>	Estimated number of adults with post-traumatic stress disorder (PTSD) and/or MDD
17	>>	Estimated number of people suffering from anorexia nervosa
650	>>	Conservative estimate of people worldwide who are obese
0.3	>>	Number of people suffering from Tourette's syndrome, in the UK only

Source: WHO/Prohibition Partners

Government Regulation and Product Approval for Psilocybin Research

Canadian Regulation – Psychedelics

Health Canada regulates psychedelics under the CDSA - MDMA and ketamine are Schedule I controlled substances, while LSD and psilocybin are both Schedule III controlled substances. In all cases, this means that there is a general prohibition on the sale, export, import, possession, and production of the psychedelics. However, under Section 56(1) of the CDSA, the Minister of Health has the ability to grant exemptions to these restrictions if the Minister deems them necessary for a medical or scientific purpose, or otherwise in the public interest.

The Minister of Health can grant exemptions under section 56 of the *CDSA* to use controlled substances if it is deemed to be necessary for a medical or scientific purpose or is otherwise in the public interest. As previously noted, Canada's Minister of Health, Patty Hajdu, recently granted four individuals the right to use psilocybin therapy to treat end-of-life distress. The compassionate ruling is the first of its kind in Canada since 1974 when Psychedelic Mushrooms were made illegal.

[6] Data Bridge Market Research <https://www.databridgemarketresearch.com/request-a-sample?dbmr=us-psychedelic-drugs-market&raksh>

Despite recent success of obtaining Section 56 exemptions under the CDSA, the process of obtaining regulatory approvals requires the expenditure of substantial time and financial resources and may not be successful. See Section 17 – "*Risk Factors*".

U.S. Regulation – Psychedelics

In the U.S., the possession and sale of psychedelic and hallucinogenic products are illegal under federal, state, and local laws and regulations, including under the Federal Controlled Drugs and Substances Act. There are substantial restrictions and limitations on the possession, permitting, licensure, drug development, approval, labeling, manufacture, marketing and distribution of such products. Failure to comply with applicable laws and regulations may result in administrative, civil or criminal penalties, recall or seizure of products, injunctive relief including partial or total suspension of production, debarments, and significant fines and penalties as well as other potential tort and business liabilities and impacts to a company's business operations, banking and import/export activities.

The Company does not intend to pursue any operations related to psychedelics in the U.S.

Cannabis

There are three different strains of cannabis—*Cannabis sativa L*., *Cannabis indica* and *Cannabis ruderalis*. Years of selective cultivation of Cannabis sativa L. has produced two sub-types of the strain: marijuana and hemp. The two plants differ in terms of appearance and cannabinoid composition, most notably in that hemp possesses only trace amounts of the THC found in marijuana. While a distinction is drawn between hemp and marijuana both legally and colloquially, scientifically speaking they are the same plant and are more properly referred to as *Cannabis sativa*. The different names have become a means by which to draw a distinction between the psychoactive properties of marijuana (which contains THC at a concentration in excess of 0.3%) and hemp (which contains THC at a concentration below 0.3%). The difference is that marijuana, with its higher concentration of THC and lower concentration of CBD, has psychoactive properties, while hemp, with its lower concentration of THC and higher concentration of CBD, does not.

Medicinal cannabis applies the use of cannabis and its constituent cannabinoids to treat certain diseases or relieve chronic symptoms such as pain, muscle spasticity and nausea. Cannabinoids are a group of phytochemical compounds in cannabis that have diverse pharmacological effects. Cannabinoids activate receptors and signal pathways in various parts of the body, including the immune, reproductive and nervous systems, to produce therapeutic as well as recreational effects.

Both CBD and THC are cannabinoids—chemical compounds—that can be extracted *from Cannabis sativa L*. Even though their chemical structures are similar, CBD and THC target different receptors in humans, and therefore carry out different functions. The psychoactive effect is caused by THC, which targets cannabinoid receptors in the brain. CBD, on the other hand, exhibits low affinity to cannabinoid receptors in the brain and, so far, has proved to have little to do with the psychotropic effect of cannabis.

CBD is found throughout the seeds, stalk and flowers of cannabis plants – including hemp and marijuana. Unlike many of the 100+ cannabinoids that scientists are currently aware of, CBD naturally occurs in significant quantities in cannabis, so it is easily extracted from the plant in the form of cannabis oil or powders. CBD is non-toxic and non-psychoactive, even at high levels, and carries no significant side effects. CBD derived from industrial hemp is not federally illegal in the United States. In Canada, the production of CBD concentrates is treated the same way as THC derived from marijuana and is regulated by the Cannabis Act.

Cannabis sativa contains over 421 different phytochemical compounds, including over 111 known cannabinoids, over 100 known terpenes, and over 100 known flavonoids. All the cannabinoids, terpenes and flavonoids work synergistically through the body's endocannabinoid system to produce the pharmacological and toxicological properties of cannabis. This is known as the "entourage effect". Cannabinoid plant chemistry is far more complex than that of pure THC, and different effects may be

expected due to the presence of additional cannabinoids and other chemicals. Eighteen different classes of chemicals, including nitrogenous compounds, amino acids, hydrocarbons, carbohydrates, terpenes, and simple and fatty acids, contribute to the known pharmacological and toxicological properties of cannabis.

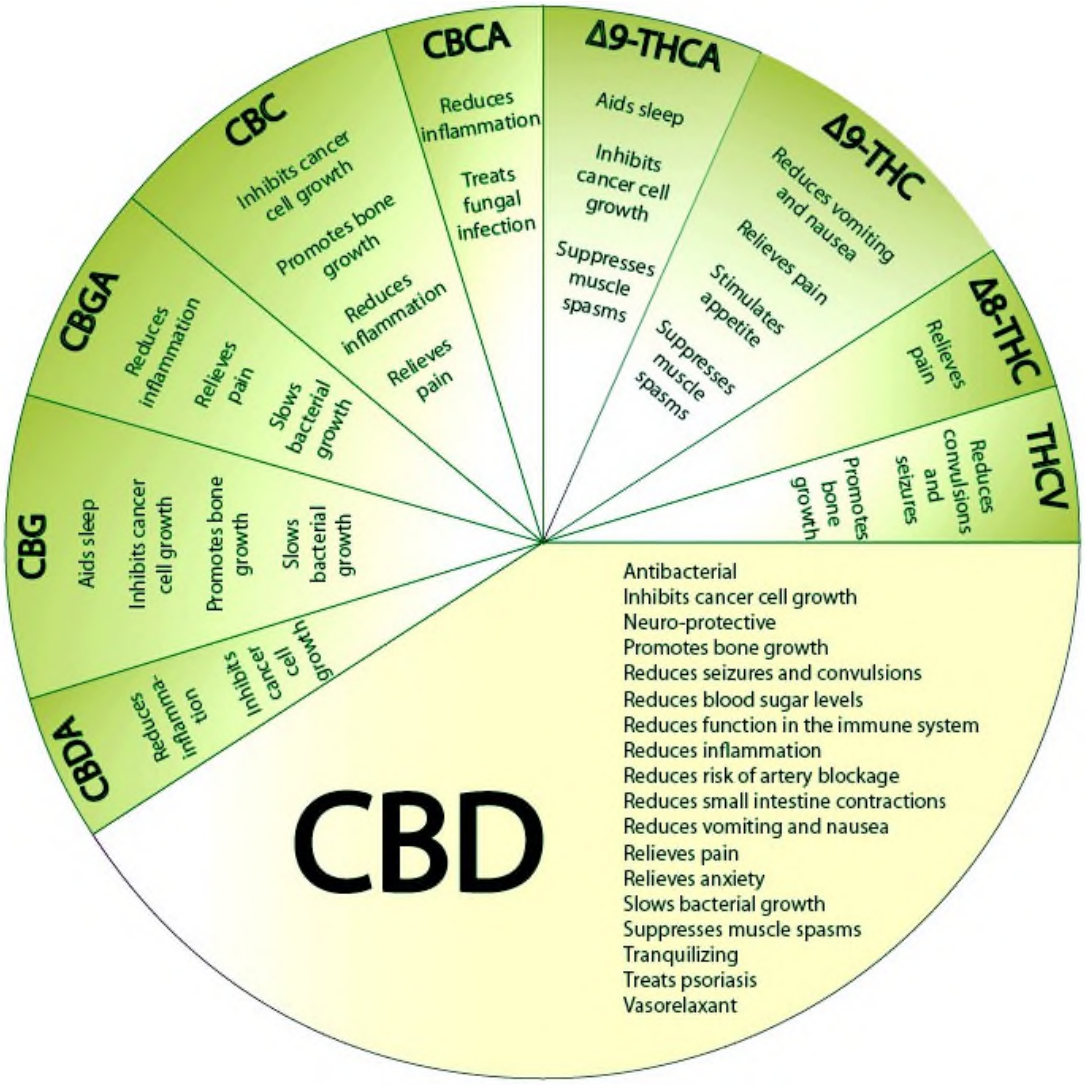
The cannabis plant's chemical derivatives can be used for either recreational or therapeutic (medicinal) purposes. As a recreational drug, cannabis can come in a variety of forms, including: (1) as a dried plant (herbal); (2) a resin; (3) in powder form; and, (4) as oil.

Cannabis Market and Opportunity

The global legal cannabis market is expected to increase in size from US$14.9 billion in 2019 to US$40.6 billion in 2024. The North America legal cannabis market amounted to US $12 billion in 2018, growing by 30 percent on the year. The largest market was the United States, which totaled US $10.4 billion. It was followed by Canada with US $1.6 billion.

The report from cannabis industry analysts Arcview Market Research, in partnership with BDS Analytics, forecasts that the entire legal cannabis market in North America will reach US $24.5 billion in sales – a 28% annual growth rate by 2021 – as more countries and states legalize cannabis for recreational use and existing markets mature. By 2027 the market is expected to grow to US $47.3 billion.

A major segment of the legal cannabis industry is the hemp-derived CBD market. According to industry data, almost half of CBD users spend US$20 to US$80 per month on CBD products. CBD has drawn so much interest and demand from consumers that it is incorporated into all kinds of food, beverages, cosmetics, and other products. CBD products for pets are also popular and are suggested for stress and anxiety, pain management, and chronic illness support. In 2019, there was a significant adoption of CBD by leading worldwide companies. In March of 2019, the two largest drugstore chains in the U.S., CVS and Walgreens, both announced they will carry and sell CBD products. Growth in demand for hemp and CBD products are driven by growing adoption and knowledge of hemp, CBDs and related products, changing regulatory landscape, and the numerous ways hemp and CBDs can be incorporated into food, beverages, consumer and industrial products. The global CBD market is currently valued at US $9.69 billion and is expected to reach US $23.6 billion by 2025, expanding at a CAGR of 22.2%. Increasing adoption of CBD infused products in various industries such as pharmaceuticals, personal care and cosmetics, and nutraceuticals along with its medical applications is expected to drive the market. The Company expects to put increased emphasis on the production and sale of CBD CannaStrips™.



Issuers with U.S. Marijuana-Related Activities

The Company is currently engaged in business in the United States directly involved with marijuana cultivation, processing and sales. As a result, the Company derives most of its revenues from the marijuana industry in California where local state laws permit such activities, but which is illegal under United States federal law. As a result, management has determined that the Company is subject to Staff Notice 51-352.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, marijuana-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with U.S. marijuana-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings, listing statements and other required disclosure documents.

Staff Notice 51-352 outlines three levels of U.S. cannabis industry involvement:

1. "Direct industry involvement" arises when an issuer, or a subsidiary that it controls, is directly engaged in the cultivation or distribution of marijuana in the U.S.;

2. "Indirect industry involvement" arises when an issuer has a non-controlling investment in an entity who is directly involved in the U.S. marijuana industry; and

3. "Ancillary industry involvement" arises when an issuer provides goods and/or services not limited to financing, branding, recipes, leasing, consulting or administrative services to third parties who are directly involved in the U.S. marijuana industry.

The Company is currently engaged in "direct industry involvement" in the United States as it cultivates, processes and manufactures cannabis derived products for use and sale into the medical and recreational cannabis marketplace in California.

The following table is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	**Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties**	**Listing Statement Cross Reference**
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	Section 4.1 – *Narrative Description of the Business* (page 28)
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	Cover Page (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (page 23) Section 17.1 – *Description of Risk Factors* (page 50)
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S. Risk Factors – 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 United States	Section 17.1 – *Description of Risk Factors* (pages 53 and 71 – 72)
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	Section 17.1 – *Description of Risk Factors* (pages 53 and 66 – 67)

Industry Involvement	**Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties**	**Listing Statement Cross Reference**
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	At the time of this Listing Statement, the major cannabis operations of Core One are only in the United States
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	Legal advice has been obtained
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (pages 24 – 25)
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (pages 25 – 26)
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (pages 24 – 25)
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's license, business activities or operations.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (pages 25 – 26)
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Section 3.3 - *Trends, Commitments, Events or Uncertainties* (page 25)

The Company currently has operations in California, and British Columbia, Canada. Below is a discussion of the federal and state-level U.S. regulatory regimes in the jurisdictions where the Company operates through its subsidiaries. The Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation which may impact the Company's licenses, business activities or operations will be promptly disclosed.

Regulation of Marijuana in the United States Federally

The United States Supreme Court has ruled that Congress has the constitutional authority to enact the existing federal prohibition on marijuana.[7]

The United States federal government regulates drugs through the CSA, which places controlled substances, including marijuana, in a schedule. Marijuana is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice (the "**DOJ**") defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." With the limited exception of Epidiolex, a pharmaceutical derived from CBD, the United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational marijuana under the *Cannabis Act* (Canada) and related regulations, marijuana is largely regulated at the state level in the United States.

State laws regulating cannabis are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational marijuana production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of marijuana and any related drug paraphernalia is illegal. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to marijuana 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. The risk of federal enforcement and other risks associated with the Company's business are described in Section 17 – *Risk Factors*.

Regulations of Hemp Derived CBD

The 2018 United States Farm Bill was signed into law on December 20, 2018, which effectively removed hemp from the controlled substances list and made it federally legal in the United States. Until recently, hemp was cultivated almost entirely for industrial uses like manufacturing. Therefore, hemp plants today have very low amounts of THC. Instead, hemp plants are often higher in CBD, or cannabidiol, which is also found in marijuana.

The 2018 Farm Bill changed federal policy regarding industrial hemp, including the removal of hemp from the Controlled Substances Act and the consideration of hemp as an agricultural product. The bill legalized hemp under certain restrictions and expanded the definition of industrial hemp from the last 2014 Farm Bill. The bill also allows states and tribes to submit a plan and apply for primary regulatory authority over the production of hemp in their state or in their tribal territory. A state plan must include certain requirements, such as keeping track of land, testing methods, and disposal of plants or products that exceed the allowed THC concentration.

[7] Gonzales v. Raich 545 U.S. 1 (2005)

Additionally, as hemp is now federally legal and is no longer classified as a Schedule 1 drug, the 2018 Farm Bill guarantees that hemp and hemp products can be moved from state to state to state and imported and exported the same as any other crop.

Regulation of Marijuana at State and Local Levels

Below is a summary overview of the licensing and regulatory framework in the markets where the Company or its subsidiaries holds licenses and rights to operate.

California

California Regulatory Landscape

In 1996, California became the first state to permit the use of medical marijuana by qualified patients through Proposition 215, the CUA. In 2003, Senate Bill 420, the "Medical Marijuana Program Act" was enacted to clarify the scope and application of the CUA, which also created the "collective" commercial model for medical marijuana transactions. In September 2015, the California legislature took the next step and established the framework for a statewide medical marijuana program when it passed three bills collectively known as the Medical Marijuana Regulation and Safety Act, which was further amended in 2016 and renamed the "Medical Cannabis Regulation and Safety Act" ("**MCRSA**"). MCRSA established a comprehensive licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for cultivation, processing, distribution, transportation, sales (including delivery only) and testing – including subcategories for the various activities, such as volatile and non-volatile licenses types for edible infused product manufacturers depending on the specific extraction methodology, and different licenses for cultivators depending on canopy size and cultivation medium. MCRSA set forth uniform operating standards and responsibilities for licensees. Under MCRSA, multiple agencies would oversee different aspects of the program alongside a newly established Bureau of Medical Cannabis Regulation within the California Department of Consumer Affairs that would control and govern how cannabis businesses would operate. All commercial cannabis businesses would require a state license and local approval to operate.

Subsequently, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" or AUMA, legalizing adult-use of cannabis by individuals 21 years of age or older. AUMA established a regulatory program for adult-use cannabis businesses and had some conflicting provisions with MCRSA. So, in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act or MAUCRSA, which amalgamates MCRSA and AUMA to provide a single system with uniform regulations to govern both medical and adult-use cannabis businesses in the State of California. The legislature also enacted subsequent technical "fix it" bills, such as California Assembly Bills No. 133 and 266, further refining cannabis laws and the calculation of application cultivation and excise taxes. The three main agencies that regulate medical and adult-use marijuana businesses at the state level today are the BCC (Bureau of Cannabis Control),[8] CDFA (CalCannabis Cultivation Licensing),[9] and CDPH (California Department of Public Health's Manufactured Cannabis Safety Branch).[10] Additionally, the California Department of Tax and Fee Administration oversees the collection of taxes from cannabis businesses. Various other state agencies play more minor roles in licensing and operational approval, such as the Department of Pesticide Regulation and Department of Fish and Wildlife for certain cultivation activities. The BCC, CDFA, and CDPH promulgated regulations to give effect to the general framework for the regulation of commercial medicinal and adult-use cannabis in California created by MAUCRSA, with each set of final regulations adopted by each agency on January 16, 2019. In addition, the CUA remains valid law, but the medical marijuana "collective" model became illegal on January 9, 2019.

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[8] In place of Bureau of Medical Marijuana Regulation; oversees brick and mortar and delivery-only retailers, distributors, microbusinesses, testing laboratories and event organizers.

[9] Oversees cultivators and processors.

[10] Oversees manufacturing.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and state licensure for each type of commercial cannabis activity conducted at a specified business premises (and only one type of commercial cannabis activity may be conducted at a licensed premises, but there may be multiple premises on a given piece of real estate so long as they are sufficiently separated in accordance with MAUCRSA). Cities and counties in California have discretion to determine the number and types of licenses they will issue to marijuana operators or can choose to limit or outright ban commercial cannabis activities within their jurisdiction. This limits cannabis businesses to cities and counties with marijuana licensing or approval programs.

The Company began acquiring and/or applying for and receiving marijuana medical and adult-use licenses throughout the state of California in 2017, which became effective on January 1, 2018**.** The Company only operates in Adelanto, which has clearly defined marijuana licensing programs.

Core One's Licenses and Permits in California

The Company's subsidiary, Core Isogenics, currently holds two licenses issued by the California Department of Food and Agriculture:

- Nursery license CCL19-0003250 is active and expires on September 12, 2021; and
- Small indoor cultivation license CCL19-0003249 is active and expires on September 12, 2021.

California Licenses and Regulations

California state annual licenses must be renewed annually. Each year, licensees are required to submit a renewal application per regulations published by BCC. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, there are no material violations noted against the applicable license, and there are no changes in ownership of the business or major changes to the operations of the business, the Company would expect to receive the applicable renewed license in the ordinary course of business.

The renewal process for local entitlements is different in each jurisdiction and for each type of entitlement. For example, a conditional use permit or development agreement may last for a number of years, but a city may also require that an applicant obtain a local business license or tax certificate that must be renewed annually. This will require a detailed focus on each local jurisdiction's laws and regulations, as well as the terms of any local entitlement. Ultimately, the Company would expect to obtain renewed local entitlements along the same lines as state entitlements, and subject to the same caveats.

California Reporting Requirements

The State of California has implemented Franwell Inc.'s METRC solution as the state's track and trace system ("**T&T System**"). The T&T System is used statewide to record the inventory and movement of cannabis and cannabis products through the commercial cannabis supply chain. All annual-and provisional-licensed commercial cannabis businesses are required to use the T&T System. The T&T System allows for other third-party system integration via application programming interface.

Core One Compliance Program

Core One is classified as having "direct" involvement in the U.S. marijuana industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by California. Core One is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the State of California which may have an impact on its business activities or operations.

In January 2018, United States Attorney General, Jeff Sessions rescinded the Cole Memorandum and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice.[11] As an industry best practice, despite the recent rescission of the Cole Memorandum, Core One continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum. Core One has created comprehensive SOPs that are specific to each one of its licenses, and the Company has SOPs for cultivation, distribution and processing/manufacturing. This SOP development process is driven in part by the fact that licenses are granted by different agencies and vary from agency to agency. The initial draft of each SOP is developed using a software resource and is then reviewed by a team member that will be actively involved in using them. Regulations are then reviewed to determine whether or not the content is required by the regulations or simply recommended by the software developer. Core One also retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations. Based on the outcome of the review by management and legal counsel, the SOPs are modified to allow for maximum efficiency.

Core One will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While Core One's operations are in compliance with all applicable state laws, regulations and licensing requirements in all material respects, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Section 17 – *Risk Factors*, there are significant risks associated with the business of Core One. Readers are strongly encouraged to carefully read all of the risk factors contained in Section 17 – *Risk Factors*.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Narrative Description of the Business

Concentrates and CannaStrips™

The Company's main business activity includes the manufacturing of CannaStrips™, cannabis-infused strips (similar to breath strips) based on patent-pending technology, as well as the production of cannabis-derived oils, distillates and resin for the Company's Rêveur product brand, as well as for the white-label distribution market. When infused with THC or CBD, CannaStrips™ allow for effective bioavailability of cannabis constituents, and at the same time provide effective delivery of active ingredients to the human body.

The Company's production process tests for quality and composition of all the ingredients resulting in a consistent and effective delivery system. The Company produces the CannaStrips™ at its state-of-the-art production and packaging facility located at the Adelanto Facility in Southern California. The Company's products are available in over 80 stores across the State of California, and include CannaStrips™ and Rêveur products.

Core One views its patent pending thin film oral delivery strips as its core technology which can be used to administer multiple API's and intends to conduct research on the infusion of other API's utilizing its technology. The Company's first focus is on the infusion of psilocybin into its thin film oral delivery strips through research partnerships in Canada.

Planned Psychedelic Operations

On October 7, 2020 the Company signed a letter of intent to acquire all of the issued outstanding share capital of Vocan, a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. The Company expects to close this acquisition

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

shortly after the filing of this Listing Statement. See Section 3.1 – "*General Development of the Business – Expected Changes in the Business of the Company".*

Medical Clinics

The Company has acquired interests in two medical clinics, Rejuva (100% interest) and Shahcor (25% interest), Shahcor operates a medical clinic in Coal Harbour Vancouver as well as a medical clinic in West Vancouver and provides medical services to patients via its doctors both onsite and through telemedicine. Shahcor currently has two medical directors, and 10 total employees between both sites. Its key management consists of Dr. Masoud Shahrokhi and Dr. John S. Corey. Current daily volume of the clinics of Shahcor is approximately 150 to 175 patients per day due to Covid-19. Prior to Covid-19, Shahcor exceeded over 300 patient visits a day.

Rejuva is in the process of opening a specialized medical clinic within Shahcor's Coal Harbour location in downtown Vancouver. Collectively, the clinics will be involved in the creation of protocols for potential psychedelic treatments, protocols on determining which patients could or should receive psychedelic treatments, and patient education about potential psilocybin treatments.

Rejuva is also in the process of developing a compassionate access protocol for psilocybin that could eventually be used with psilocybin delivered using the Company's thin-strip Technology. Although in the early stages, once the acquisition of Vocan is completed, the Company expects to ramp up the development of the compassionate access protocol alongside the development of the application of the Company's Technology to psilocybin. At this point, these plans are aspirational and have long time horizons—but the Company believes that there is significant value in running these parallel processes in this novel and emerging space.

Although, the current timeline for the completion of a compassionate access protocol is unknown, the path to achieve this goal has been mapped out by Rejuva. The compassionate access protocol is being developed by Rejuva for psilocybin and will need to be submitted to an ethics committee at a university for approval. Once the protocol has been more fully developed, the Company will engage the required consultants to complete and review the protocol before submitting it for ethics approval. Rejuva is actively seeking to partner with the University of British Columbia to oversee the development of this protocol.

Once the protocol is approved and an exemption from the CDSA is granted to study the protocol (known as a 'section 56 exemption'), Rejuva will hire or train the required personnel, including the therapists, required to run the psilocybin protocols. The study would then be initiated, and the study coordinator(s) would actively recruit study participants using standard recruitment methodologies. At the same time, the necessary technical and physical setup for research space would be completed. If the treatment was found to be successful, Rejuva would develop an integrative treatment model for patients with mental health issues related to treatment resistant depression and addiction.

To build out the integrative treatment program that can be offered to patients for a fee, Rejuva will hire and direct a content developer to create e-learning module content and corresponding group medical visit content. Appropriate internal and/or external referral streams will be outlined. Feasibility and financial modelling under applicable healthcare regulations, including existing public-pay and 3rd-party/private pay guidelines, will be modelled and approved. Workflows and workflow content will be generated, and the delivery space / digital platform will then be secured and Rejuva will select and retain an appropriate Electronic Health Record (EHR) platform and telehealth video conferencing platform, and corresponding physical space as required. Staff will be hired and trained as required. With the extensive database of Shacor clients, and through the surveys and information platforms of Rejuva, the Company believes that Rejuva will have a large client base for any approved integrative treatment programs that it develops.

Assuming the completion of the Vocan acquisition, the Company intends to further develop its product offerings through research and development at the Rejuva clinic, including the integration of intellectual property related to psychedelic treatments and novel drug therapies using its thin strip Technology. A significant long-term goal of the Company is to increase the efficacy and bioavailability of existing and novel

drugs, including psilocybin, using its proprietary delivery methods currently utilized by its CannaStripTM technology. Management of the Company believes that the medical clinics are essential to the development of its thin strip delivery technology for deployment of psilocybin.

Cultivation and Processing Operations

The image below on the left is a photograph of the Adelanto Facility's vegetation room where the cannabis plants grow bigger but do not flower. The image below on the right is a photograph of the Adelanto Facility's extraction lab where trim or frozen biomass gets processed into concentrates by way of extraction using various solvents based on what the end product should be. The room that has the ventilation coming out of it is a C1D1 booth for any volatile solvents in order to keep employees safe during operation.

Core One is in the process of selling off its operations related to the cultivation of cannabis in the United States. The Company's nursery, cultivation, manufacturing and distribution operations are carried out through the Company's wholly-owned subsidiaries CSPA Group, Inc. and Core Isogenics. CSPA Group, Inc. is managed by the Company's 75%-owned subsidiary, LDS Scientific, under a management services agreement. Based on the agreement, LDS Scientific acts as the sole manager of CSPA Group, Inc.'s cannabis extraction and manufacturing operations, supervising and ensuring the performance of all functions related to the extraction and manufacturing operations, including compliance with applicable laws and regulations for marijuana-related activities.

The Company's main operating facility is the Adelanto Facility, located in the City of Adelanto, California. The Adelanto Facility is leased under a long-term lease that expires on March 31, 2021, and which can be renewed for an additional three consecutive 5-year terms. The Adelanto Facility houses a full cultivation and manufacturing center, with the equipment required to run its nursery, cultivation, extraction, distillation, strip coating, and packaging operations. The Adelanto Facility is divided into four distinct divisions: nursery, cultivation, manufacturing and distribution.

The Company's nursery and cultivation operations are operated through Core Isogenics Inc. ("**Core Isogenics**"), the Company's wholly-owned subsidiary. Core Isogenics' focus is developing isogenic seed strains and automated cultivation methods in addition to daily cultivation operations and crop management up to the time the plants are ready to be harvested and moved to the Company's manufacturing and/or distribution division, which is operated by CSPA Group, Inc., also a wholly-owned subsidiary of the Company. Core Isogenics operates under annual renewable nursery and annual cultivation licenses, for the nursery and the cultivation operations respectively.

The current cultivation license covers two rooms, a vegetation room and a slightly larger flowering room. The vegetation room houses a two-story state-of-the-art rolling table system and 192 lights. The flower room includes the same two-story rolling table system equipped with 288 lights. Both the flowering and the

vegetation rooms have automated irrigation systems in order to maintain an accurate feeding regimen for the plants and to reduce the amount of labor required to service those plants. The genetics for the rooms are bred by Core Isogenics' nursery located in the Adelanto Facility, in separate premises adjacent to the cultivation rooms.

Developing proprietary plant genetics, as well as germination and grow technology, allows the Company to produce seeds and plants with properties identical to those used in CannaStrips™ formula. These processes reduce the number of extraction steps that would be required to extract ingredients from conventional plants. The nursery utilizes the seeds based on the Core Isogenics process. These seeds are grown inside the Company's climate-controlled, negatively-pressurized, and remotely-monitored rooms to ensure contaminant-free plant development.

In early 2020, Core Isogenics partnered with Reiziger® Holland for a 12-month study of its hydroponic solutions. The Core Isogenics' nursery dedicated approximately 25% of the genetic rooms to the project which the Company hopes will improve its harvests by accelerating the growth of cannabis plants, increasing flower yield and their quality. The initial project is estimated to take approximately twelve months and will include matching genetics to nutrients and creating feeding regimens specifically designed for maximum absorption and conversion of nutrients into cannabinoids. The early results have been promising, showing improved growth of seedlings with the stalk size doubling in diameter in half the time. The possible benefits for Core Isogenics are shorter cultivation times, and higher flower yields, both of which will translate into higher profit margins. The nursery facility is uniquely suited for this type of project, with its ability to track the growing conditions in isolated rooms, as well as documenting the feeding schedule and soil condition in order to gather information to accurately assess the cultivation process.

For cultivation purposes, Core one currently uses 1000 watt Gavita HPS lights and a Priva watering system for precise dosage of nutrients. The Company is able to achieve perpetual harvests in 8 week cycles using this equipment.

For processing the cannabis, the Company uses a modified PX-40 made by Precision Equipment that is solely used for initial extraction. A Heidolph 20l rotary evaporator is used for solvent recovery and a Root Sciences VTA wiped film distillation system is used to produce distillate.

Business Objectives

The Company has identified the key short-term (12 month) objectives and milestones that are vital to implementing the Company's business plan.

1. Increase Sales of CannaStrips™

   The Company intends to continue to market and sell THC and CBD CannaStrips™ across the US. The Company intends to focus more on producing, marketing and selling CBD CannaStrips™ as they can be sold nationwide and have less restrictions than THC, as CBD derived from hemp is federally legal. The cost for this is included in CannaStrips™ in the use of proceeds as well as in the marketing budget.

   The Company will continue to innovate and create new and unique THC and CBD formulations, standard operating procedures, API grade synthetization processes, systems and technology. New intellectual property will further protect the Company's position in the market and can create distinct advantages over its competitors in terms of ease of use, efficiency and yield, and cost. This will in turn help to increase customer loyalty and retention and continue to grow the Company's brand recognition. In total the Company has allocated $595,000 to this endeavour.

2. Divest Adelanto assets, reducing liabilities and increasing cash on hand.

   The Company expects to divest its Adelanto assets, including the land and Adelanto Facility to increase its cash and working capital position and decrease the liabilities of the Company. Core One will retain all the machinery and equipment to manufacture and produce CannaStrips™ which will be relocated to a new facility.

   Core One had an independent third-party property valuation completed as of December 31, 2019 by the Los Angeles Valuation Group, Inc. to assess the value of the Company's owned Adelanto land. These are vacant land properties that are part of the Adelanto operations that are intended to be sold. The below table highlights the value of the said properties.

Property (Land)	Independent property valuation reports (USD$)
Koala Road Property	697,000
Poppy Road Property	116,000
Violet Road Property	170,000
Rancho Road Property	568,000
Sub-total Property (Land)	**1,551,000**

In addition to this, the Company has entered into a Letter of Intent with High Tower Capital Inc. dated effective October 15, 2020 to sell certain assets and subsidiaries to High Tower Capital Inc. In consideration for the acquisition of the Assets, High Tower Capital Inc. will complete a series of cash payments to the Company totaling CAD$3,000,000 (collectively, the "**Consideration Payments**") and will assume responsibility for all outstanding liabilities and obligations of Rêveur, Core, CSPA, AgroCo, SciCo, AgroLLC and DevCo, (all as defined below) including all ongoing employment obligations and certain additional liabilities of the Company associated with the Assets.

The Assets are comprised of the following:

a) all of the issued and outstanding share capital of Rêveur Holdings Inc., a California corporation, including its principal assets which are all of the issued and outstanding share capital of Core Isogenics Inc., a California corporation, and CSPA Group, Inc., a California corporation;

b) all of the issued and outstanding share capital of LDS Agrotech Inc., a Nevada corporation, held by the Company which represents seventy-five percent (75%) of the outstanding share capital of Agrotec Inc.;

c) all of the issued and outstanding share capital of LDS Scientific Inc., a Nevada corporation, held by the Company which represents seventy-five percent (75%) of the outstanding share capital of LDS Scientific Inc.;

d) the membership interest in Agrotech LLC, a California limited liability company, held by the Company which represents a fifty percent (50%) membership interest in Agrotech, LLC;

e) all of the issued and outstanding share capital of LDS Development Corporation ("**DevCo**"), a California corporation, except for all tangible and intangible assets of DevCo related to the

manufacturing and distribution of “CannaStrips” including all associated intellectual property and manufacturing equipment (the “**Excluded Assets**”); and

f) all tangible and intangible assets currently being held by and utilized by Rêveur Rêveur Holdings Inc., Core Isogenics Inc., CSPA Group, Inc. and DevCo, including, without limitation, all existing contracts, leases, client files, client billing records, vendor records, furniture, fixtures, equipment, employee files, employee time records, and other information customary for the cultivation, manufacturing and distribution of cannabis and cannabis related products, but excluding the Excluded Assets

(collectively, the “**Assets**”)

Completion of the sale of the Assets remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation. The sale of the Assets cannot be completed until these conditions have been satisfied. The Company is at arms-length from High Tower Capital Inc., and each of its shareholders. A success fee of CAD$30,000, payable in common shares of the Company, is expected to be paid to third-party consultant who will be assisting with the Asset sale. The Company has allocated $30,000 for the legal costs for this disposition.

The machinery that is used to produce CannaStrips™ will be moved to another facility that is not licensed for cannabis operations, of which the Company is evaluating options. Along with the sale of the Adelanto assets and the proposed move of the machinery to a new facility that is not licensed for THC production, the Company intends to focus its CannaStrips™ technology on the infusion of CBD and market and sell its CannaStrips™ CBD products nationwide.

3. Develop new patentable thin film oral delivery strips using psilocybin

Assuming the completion of the Vocan acquisition, the Company intends to research the efficacy of the infusion of psilocybin into its patent pending thin film oral delivery strips utilizing the cGMP API grade psilocybin produced by Vocan. The cost of this objective is included in Vocan’s operating costs of $700,000.

4. Continue to operate the medical clinics and create protocols

The Company will continue to operate its recently acquired interests in Rejuva and Shahcor. Rejuva is currently building out an educational platform and developing a research program to collect information from qualified patients of Shahcor related to psychedelics. Over the next year, Rejuva intends to conduct surveys of patients at the Shahcor medical clinic and provide patients with information related to psychedelic research opportunities. The initial surveys are expected to be tailored to determine past experience, if any, with psychedelics, and pose in depth questions about dosing and the impact of psychedelics on people’s emotional, physical or mental health. Management of Rejuva is currently looking for research partnerships with qualified institutions, such as the University of British Columbia, to advance psychedelic-derived treatments for mental health issues, including treatment resistant depression and addiction issues. The cost of this objective is included in Shahcor and Rejuva’s operating costs and is expected to be minimal as Shacor is an existing operating entity. The cost of this objective is expected to be approximately $72,000.

Milestones

To achieve the business objective set out above, the following milestones must be met by the Company:

Objective	Milestone Description	Estimated Cost ($)	Timeframe
Increase sales of CannaStrips™	Relocate CannaStrips™ machinery to new facility and engage third party to produce THC CannaStrips™	480,000	Q1 2021
	Engage new third party to produce CBD CannaStrips™	60,000	Q2 2021
	Begin to market and sell CBD CannaStrips™ online in the United States	55,000	Q2 2021
Divest Adelanto assets, reducing liabilities and increasing cash on hand	Sell Adelanto assets, including nursery, cultivation, extraction and manufacturing operations	30,000	Q1 2021
Develop synthetic psilocybin	Acquisition of Vocan	No cash consideration	Q4 2020
	Purchase of fermentor equipment and other lab equipment	100,000	Q2 2021
	Develop synthetic psilocybin	400,000	Q2 2021
	Develop technique to produce synthetic psilocybin at a larger scale	200,000	Q4 2021
Continue to operate the medical clinics and create psilocybin protocols	Develop partnerships with doctors and research institutions	42,000	Q1 2021
	Develop patient database, using Shahcor's existing patient database	5,000	Q1 2021
	Develop education programs, telemedicine programs and campaigns to educate about psilocybin treatments	25,000	Q2 2021

Total Funds Available

As of the most recent month end prior to the date of this Listing Statement, the Company had working capital deficiency of approximately $3,248,875. Pursuant to the letter of intent with High Tower Capital Inc., High Tower Capital Inc. will pay $3,000,000 for the Assets and will assume $57,593 and USD$4,015,885 (combined, approximately $5,285,070) of liabilities related to the Assets. As a result of the Asset sale, the company will have working capital of approximately $5,036,195.

The following table sets out the principal purposes, using approximate amounts, for which the Company currently intends to use the total available funds in the amount of $5,036,195 after giving effect to the sale of the Adelanto facility.

Item	Budgeted Expenditures ($)
Increase sales of CannaStrips™	595,000
Divest Adelanto assets, reducing liabilities and increasing cash on hand	30,000
Develop synthetic psilocybin	700,000
Continue to operate the medical clinics create protocols	72,000
General and administrative expenses for the next 12 months(1)	1,926,600
Other operating expenses for the next 12 months(2)	347,000
Unallocated	1,365,595
Total	5,036,195

(1) The estimated general and administrative costs for the next 12 months are as follows:

Office & Administration	$96,000
Professional Fees (legal & audit)	$660,000
Regulatory and Transfer Agent	$54,000
Salaries & Consultants	$516,600
Marketing and Advertisement	$600,000
Total G&A	$1,926,600

(2) The estimated other operating costs for the next 12 months are as follows:

Clinic and Medical Office	$147,000
Research and Development	$200,000
Total Other Operating	$347,000

Principal Products

Core One's principal products includes: CannaStrips™ and raw cannabis and cannabis distillation and resin for the Company's Rêveur product brand and for white labeling. The Company's flagship product, CannaStrips™, infuse CBD or THC into the Company's thin film oral delivery strip and offers a safe cannabis consumption method without the negative effects of smoking. Each strip has a consistent dosage and allows for a discreet and comfortable delivery system.

The Company currently offers four different types of CannaStrips™:

1. CannaStrips™ – THC Mint Strips
   - Fast acting Buccal Mucosal Delivery
   - Noticeable effects in 15-30 minutes. Effects last 6-8 hours
   - All-natural ingredients, sugar free diabetic safe
   - Potent formula offering powerful long-lasting medicinal relief, leaving users with reduce pain levels
   - Convenient to carry and consume

- 10.12 mg THC per strip

2. CannaStrips™ – CBD Mint Strips
   - Fast acting Buccal Mucosal Delivery
   - Medicated strip dissolves within 4 minutes
   - All-natural ingredients, sugar free diabetic safe
   - Medicinal relief, no “stoned” or “high” feeling, leaving users mentally alert and sharp
   - Convenient to carry and consume
   - 13.2 mg CBD per strip

3. CannaStrips™ – THC Strips
   - Fast acting Buccal Mucosal Delivery
   - Noticeable effects in 15-30 minutes. Effects last 6-8 hours
   - All-natural ingredients, sugar free diabetic safe
   - Potent formula offering powerful long-lasting medicinal relief, leaving users with reduce pain levels
   - Convenient to carry and consume
   - 10.12 mg THC per strip

4. CannaStrips™ – CBD Strips
   - Fast acting Buccal Mucosal Delivery
   - Medicated strip dissolves within 4 minutes
   - All-natural ingredients, sugar free diabetic safe
   - Medicinal relief, no “stoned” or “high” feeling, leaving users mentally alert and sharp
   - Convenient to carry and consume
   - 13.2 mg CBD per strip

The Company sells Rêveur product line products produced in the Adelanto Facility under its own brand called Rêveur. Rêveur live resin and indoor flower is currently being sold in stores across California and has been gaining traction as it becomes recognized as a brand with high-quality product at an attractive price point. This product line is designed for the upscale luxury cannabis market using only fresh frozen organically grown cannabis strains processed at minus 50 degrees Celsius. As discussed earlier, the Company intends to divest its Adelanto assets to strengthen its cash and working capital position. The Company will look for alternative sources of cannabis and CBD products which it can sell under its Rêveur branding.

The revenue derived from the CannaStrips™, Rêveur product line and white label line for the two most recently completed financial years are noted in the chart below:

Product	2019 Revenue (USD$)	2018 Revenue (USD$)
CannaStrips™	89,622	13,250
Rêveur	576,795	1,338
White label	3,133,154	3,014,866

Products in Development

Core One anticipates acquiring Vocan, a research company involved in the development of processes and methods for the extraction and synthesis of psilocybin. The Company recently acquired Rejuva and a 25% interest in Shahcor—which operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia, and maintain a database of over 200,000 patients, combined. Through the acquisition of the Rejuva and Shahcor medical clinics and the anticipated acquisition of Vocan, the Company intends to

further develop its product offerings through research and development, including the integration of intellectual property related to psychedelic treatments and novel drug therapies. The Company will aim to prove increased efficacy and bioavailability of existing and novel drugs, including psilocybin, with its proprietary delivery methods currently utilized by its CannaStrips™ technology. Bioavailability of cannabis constituents in the Company's CannaStrips infused strip allow for more efficient absorption of the active ingredients, which the Company believes is an optimum delivery system for microdosing psilocybin.

Distribution

As of the date of this Listing Statement, the Company's products are available in over 80 stores across the State of California. In addition to delivering its CannaStrips™ and Rêveur products under the distribution license granted to CSPA Group, Inc., the Company is working with Fenix Logistics on a non-exclusive basis for the packaging, printing, marketing and fulfillment of brands.

In 2019, the Company investigated building a dispensary on freestanding plot of land owned by the Company's subsidiary, DevCo, in the vicinity of its Adelanto Facility. The construction was to be financed by Optimus Logistics Inc. ("**Optimus**"), an affiliated company formed for the purpose of financing construction, and was to be leased and managed by Highway 395 Dispensary Inc. ("**Highway 395**"), also an affiliated Company. Highway 395 is deemed an affiliate because it is owned by Kelly Christopherson who is an officer of CSPA Group, Inc. and Core Isogenics Inc.

During fiscal 2019, Highway 395 applied and received approvals for its construction plans, grading permits as well as approval for the San Bernardino County Fire Department. The City of Adelanto approved the addition of a Conditional Adult use permit to complement Highway 395's existing Medical Use permit for the dispensary, as well as delivery operations. In September 2019, the connection to the City of Adelanto's water system was completed. In October 2019, Highway 395 started preparation for the next step of the project, however, due to financial constraints, stopped the construction until such time that either Highway 395 or the Company raises sufficient funds to finance the project.

In January 2020, DevCo entered into an option agreement with Optimus whereby the Company granted Optimus the exclusive right and option to purchase the land plot designated for construction of Highway 395 Dispensary (the "**Optimus Option**"). The Optimus Option is for $200,000, and gives Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023. As of the date of this Listing Statement, the Optimus Option remains unexercised and the construction has not resumed.

Production and Sales

The CannaStrips™ are currently produced in house by the Company at its Adelanto Facility. Raw materials for the strips (apart from the in-house cannabis extracts) are readily available for purchase online and are very inexpensive.

Employees

As at the date of this Listing Statement, the Company has four (4) full-time employees based in California. The Company engages with consultants in Canada and the USA.

Foreign Operations

The Company operates in two geographical locations; California, USA, and British Columbia, Canada. A majority of the assets of the Company, as well as daily operations, are located in the City of Adelanto, California. As discussed, the Company intends to divest several of its California assets in the near future to reduce liabilities and increase cash on hand.

Leases

As at the date of this Listing Statement, the Company has entered into lease agreements for the following real property:

- The Adelanto Facility – 9501 Commerce Way
    - Located in the City of Adelanto, California
    - 20,000 square feet of licensed land
    - Term expires March 31, 2021
    - Company has option to renew
- The Adelanto Facility – 9509 Commerce Way
    - Located in the City of Adelanto, California
    - 20,000 square feet
    - Term expires March 31, 2024
    - Company has option to renew
- The Rejuva clinic
    - Clinic room space located in the City of Vancouver, BC
    - Term expires July 8, 2021
- The Shahcor clinic – Coal Harbour Clinic
    - Located in the City of Vancouver, BC
    - 5,803 square feet of clinic space
    - Term expires July 31, 2021
- The Shahcor clinic – Beachside Medical Clinic
    - Located in the City of North Vancouver, BC
    - 5,803 square feet of clinic space
    - Term expires June 14, 2023
    - Company has option to renew

Specialized Skill and Knowledge

Core One's management team have years of experience in start-ups, commercialization of products, digital marketing, finance, research and development, biology, science and cannabis. The specialized skill and knowledge required to produce cannabis concentrates includes chemistry for separating cannabinoids by way of extraction and distillation. For the production of CannaStrips™, an exact and precise understanding of how to carefully formulate the strips with multiple ingredients, as well as an understanding of how to operate the CannaStrips™ production line with reference to heat, humidity and how that related to the transfer paper needed within the conditioned space. On the distribution side, the California market is competitive and demands an understanding of the marketplace and which concentrates to sell into different locations. Dr. John Sanderson has the specialized skill and knowledge to continue to advance and develop the CannaStrips™, including with respect to the movement of the CannaStrips™ production line to a new facility and to focus production on CBD CannaStrips™

Mr. Joel Shacker, CEO and director of the Company, has worked extensively in the cannabis and finance space, having been CEO of a vertically integrated, fully licensed, non-psychoactive cannabidiol business with international subsidiaries. Additionally, Dr. Robert Hancock, brings unique experience to the Company as a leading researcher at the University of British Columbia, a Killam Professor of Microbiology and

Immunology, and a Canada Research Chair in Health and Genomics. Dr. Hancock is a co-founder of several companies, both private and public, including Migenix, Inimex, ABT Innovations and Sepset Biotherapeutics.

Research and Development

The Company's research and development activities have primarily focused on developing and testing efficient cultivation of cannabis as well as the CannaStrips™.

Business Cycles

There is no apparent seasonal effect or cyclical characteristic associated with the Company's products and services. The demand for cannabis and CBD is relatively consistent throughout the calendar year as well as the need for mental health disorder treatments.

Environmental Protection Requirements

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations.

Competitive Conditions

According to a recent study from Arcview Market Research, spending on legal cannabis worldwide is expected to hit $57 billion by 2027, with adult-use accounting for 67% of the spending and medical and therapeutic products making up the remaining 33%. Among other key findings, the Arcview study projects that the North American market alone will grow from $9.2 billion in 2017 to $47.3 billion by 2027.[12]

In the United States, medical cannabis has been legalized in 33 states and the District of Columbia. To date, eleven states and the District of Columbia have approved cannabis for recreational use by adults ("**adult-use**").

Core One operates in a very competitive industry and competes with other companies, many of which have greater technical and financial facilities for the development of cannabis related products, as well as for the recruitment and retention of qualified employees and consultants.

Current pharmacological treatments for drug dependence and anxiety and mood disorders have limited efficacy and often produce adverse reactions that may limit treatment continuation. Classic tryptamine hallucinogens such as ayahuasca/DMT, psilocybin, and LSD are administered in controlled settings and several basic, experimental, and clinical studies suggest that these drugs have anxiolytic, antidepressive, and antiaddictive effects.

There are a growing number of psychedelic companies that are actively researching and developing psychedelics for medical and therapeutic purposes. Currently there are 20 publicly listed psychedelic companies, with numerous additional private companies also occupying the space.

See Section 17.1 – *Risk Factors – The Company may be subject to significant competition*.

Changes to Contracts

The Company does not expect its business to be affected in the next 12 months by any renegotiation or changes to any contracts.

4.2 Asset-backed Securities

The Company does not have any asset-backed securities outstanding.

4.3 Companies with Mineral Projects

The Company does not have any mineral projects.

4.4 Companies with Oil and Gas Operations

The Company does not have any oil and gas operations.

[12] See: Arcview Market Research Reports <https://arcviewgroup.com/research/reports/>.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Selected Financial Information

Selected Financial Data of the Company

The following table provides a brief summary of the financial operations of the Company. For more detailed information, refer to the financial statements of the Company for the six-month period ended June 30, 2020**,** and fiscal years ended December 31, 2019, 2018 and 2017.

Description	Six-month Period ended June 30, 2020 ($)	December 31, 2019 ($)	December 31, 2018 ($)	December 31, 2017 ($)
Total Revenues	1,253,282	5,041,651	4,080,747	191,126
Net and Comprehensive Income (Loss) (2,011,030) (0.12)		(21,652,443) (1.91)	(13,153,386) (1.32)	(13,164,157) (0.19)
Total Assets	20,067,073	17,803,135	21,064,193	13,130,426
Total Long-Term Liabilities	3,769,353	3,495,731	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil

Selected Pro Forma Financial Data

The following table summarizes selected financial data of the Company as at June 30, 2020, giving effect to the Rejuva, Shahcor and Vocan acquisitions, private placement financing, and sale of Adelanto assets as if they had been completed as of June 30, 2020. For more detailed information, please refer to the pro-forma consolidated financial statements of the Company as at June 30, 2020.

Description	June 30, 2020 ($)
Total Revenues	1,253,282
Net and Comprehensive Income (Loss)	(46,578,649)[(1)]
Total Assets	14,177,809
Total Long-Term Liabilities	427,819
Cash Dividends	Nil

Note:

(1) With respect to the loss incurred after the acquisition of Rejuva and the proposed acquisition of Vocan, such loss is a reflection of there being no identified intangible assets acquired that met the criteria for recognition under IFRS. As a result, the Company is required to expense the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed. Both transactions were negotiated at arms-length in the context of the market at the time and are intended to assist in the research and development of additional product offerings that could utilize the Company's existing dosage delivery system (CannaStrips™).

Selected Financial Data of Shahcor

The following table provides a brief summary of the financial operations of Shahcor. For more detailed information, refer to the financial statements of Shahcor for the six-month period ended June 30, 2020 and years ended December 31, 2019 and 2018 years ended December.

Description	Six-month Period ended June 30, 2020 ($)	December 31, 2019 ($)	December 31, 2018 ($)
Total Revenues	489,308	1,031,426	961,843
Net and Comprehensive Income (Loss)	75,341	222,440	276,843
Total Assets	1,044,010	1,161,593	158,350
Total Long-Term Liabilities	875,746	939,438	nil
Cash Dividends	80,000	290,000	220,000

Selected Financial Data of Rejuva

The following table provides a brief summary of the financial operations of Rejuva. For more detailed information, refer to the financial statements of Rejuva for the period from incorporation on May 28, 2020 to June 30, 2020.

Description	Period from Incorporation on May 28, 2020 to June 30, 2020 ($)
Total Revenues	nil
Net and Comprehensive Income (Loss)	29,354
Total Assets	nil
Total Long-Term Liabilities	29,354

Description	Period from Incorporation on May 28, 2020 to June 30, 2020 ($)
Cash Dividends	nil

5.2 Summary of Quarterly Results

Quarterly Results of the Company

The table below sets out the revenue, income (loss) and income (loss) per Common Share of the Company for the past eight most recently completed quarters.

Quarter Ended	Revenue ($)	Income (Loss) ($)	Income (Loss) per Share ($)
June 2020	893,819	439,811	0.20
March 2020	359,463	(2,450,841)	(0.17)
December 2019	663,106	(13,642,846)	(1.07)
September 2019	605,427	(5,786,993)	(0.50)
June 2019	1,058,317	(3,375,514)	(0.36)
March 2019	2,714,801	1,152,910	0.12
December 2018	3,614,407	(4,404,795)	(0.48)
September 2018	600,649	(3,720,279)	(0.36)
June 2018	315,691	(2,857,996)	(0.36)

5.3 Dividends

The Company has not paid any dividends on its Common Shares since incorporation and currently intends to retain future earnings, if any, to finance further business development. There are no restrictions on the ability of Core One to pay dividends in the future.

5.4 Foreign GAAP

This section is not applicable to the Company.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 Date of Recent Management's Discussion and Analysis

The Company's MD&A for its most recent financial year ended December 31, 2019 and the six-month period ended June 30, 2020 are appended to this listing statement as Schedule "B".

7. MARKET FOR SECURITIES

7.1 Exchange and Trade Reporting Systems

The Company's shares began trading on the CSE under the trading symbol "COOL" on July 9, 2020, on the OTCQX under the trading symbol "CLABF" on October 3, 2019, and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT" on July 29, 2016. The Company also traded on the OTCQB under the trading symbol "LDSFY" from June 30, 2015 to March 6, 2018 and previously traded on the OTCQX under the trading symbol "LDSYF" beginning March 7, 2018.

8. CONSOLIDATED CAPITALIZATION

8.1 Consolidated Capitalization

On September 6, 2019, the Company effected a six (6) for one (1) consolidation of its Common Shares and on July 7, 2020 the Company effected a further two (2) for one (1) consolidation of its Common Shares (collectively referred to as the "**Consolidations**").

9. OPTIONS TO PURCHASE SECURITIES

As of the date of this Listing Statement, the Company has 3,600,000 options to acquire Common Shares outstanding under the Company's equity compensation plan. The Company's equity compensation plan permits the Board to grant to directors, officers, consultants and employees of the Company share options to purchase from the Company a designated number of authorized but unissued Common Shares up to but not exceeding 10% of the issued and outstanding Common Shares, less any Common Shares reserved for issuance under share options granted under share compensation arrangements other than the equity compensation plan, at any point in time.

Category	Number of Options	Exercise Price per Share ($)	Expiry Date
All executive officers and directors of the Company	500,000	0.33	May 1, 2022
All other employees of the Company	450,000 500,000	0.33 0.33	May 1, 2022 July 8, 2025
All consultants of the Company	550,000 1,600,000	0.33 0.33	May 1, 2022 July 8, 2025

10. DESCRIPTION OF THE SECURITIES

10.1 General Description of the Company's Securities

The Company is authorized to issue an unlimited number of Common Shares, of which 70,967,507 Common Shares are issued and outstanding as of the date of this Listing Statement.

All of the issued Common Shares rank equally as to voting rights, participation and a distribution of Core One's assets on liquidation, dissolution or winding-up and the entitlement to dividends. Holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of shareholders of Core One. Each Common Share carries one vote at such meetings. Holders of Common Shares are entitled to dividends if and when declared by the Board and, upon liquidation, to receive such portion of the assets of Core One as may be distributable to such holders. There are currently no other series or class of shares which rank senior, in priority to, or *pari passu* with the Common Shares. The Common Shares do not carry any pre-

emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

10.2 – 10.6 Miscellaneous Securities Provisions

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

10.7 Prior Sales of Shares

The Company

The prior sales of securities of the Company for the past 12 months are listed in the following table:

Date Issued	Number and Type	Issue or Exercise Price Per Share ($)	Aggregate Issue ($)	Nature of Consideration
July 9, 2020	31,426,667 Common Shares	0.80	25,141,333.60	Common Shares issued in connection with the Acquisition
July 8, 2020	2,100,000 Incentive stock options	0.67	N/A	Incentive stock options granted to Officers, Directors, Employees and Consultants
July 3, 2020	21,052,632 Common Shares	0.19	4,000,000.08	Common Shares issued in connection with a private placement
July 3, 2020	10,961,215 Common share purchase warrants	0.70	N/A	Warrants issued in connection with a private placement
May 29, 2020	1,500,000 Incentive stock options	0.33	N/A	Incentive stock options granted to Officers, Directors, Employees and Consultants
May 1, 2020	2,449,470 Common Shares	0.33	808,325	Common Shares issued in repayment of debt
March 18, 2020	2,666,667 Common Shares	0.27	724,408	Common Shares issued in connection with CGOC acquisition
March 16, 2020	750,000	1.20	N/A	Common Share purchase warrants

Date Issued	Number and Type	Issue or Exercise Price Per Share ($)	Aggregate Issue ($)	Nature of Consideration
	Common Share purchase warrants			issued in connection with CGOC acquisition
November 18, 2019	1,750,000 Common Shares	1.08	1,890,000	Common Shares issued in connection with Rainy Daze acquisition

10.8 Stock Exchange Price

The Company trades on the CSE under the trading symbol "COOL". The following table sets out trading information for the Shares on a monthly basis for each month of the current quarter and the immediately preceding quarter, as well as on a quarterly basis for the next preceding seven quarters prior to the date of this Listing Statement:

Month Ended	High ($)	Low ($)	Trading Volume
September 2020(1)	N/A	N/A	N/A
August 2020(1)	N/A	N/A	N/A
July 2020	0.87	0.31	1,213,303
June 2020	0.335	0.13	4,978,409
May 2020	0.2	0.135	1,009,418
April 2020	0.25	0.16	1,032,153
Quarter Ended			
June 2020	0.355	0.13	7,019,980
March 2020	0.495	0.14	4,392,736
December 2019	0.97	0.37	7,649,608
September 2019	1.3	0.11	11,025,925
June 2019	0.68	0.325	29,181,333
March 2019	0.5	0.225	26,352,620
December 2018	0.55	0.275	14,666,119
September 2018	0.85	0.4	15,349,720

Note:

(1) The trading of the Company's shares was suspended on July 14, 2020.

11. ESCROWED SECURITIES

11.1 Escrowed Securities

3,888,880 Common Shares issued in connection with the Company's acquisition of Shahcor are subject to a voluntary thirteen-month pooling arrangement, with the first ten percent (10%) of the pooled Common Shares released on November 9, 2020 and an additional ten percent being released each month until the last Common Shares are released on August 9, 2021. Currently, 4.93% of the Common Shares are subject to the Pooling Agreement. The Company does not have any escrowed securities as of the date of this Listing Statement.

12. PRINCIPAL SHAREHOLDERS

12.1-12.2, 12.4 Principal Shareholders

To the knowledge of the directors and officers of the Company, there are no shareholders that beneficially own, directly or indirectly, or exercise control or direction over, Common Shares of the Company carrying more than 10% of the voting rights attached to all outstanding Common Shares.

12.3 Voting Trusts

To the knowledge of the Company, no voting trust exists within the Company such that more than 10% of any class of voting securities of the Company are held, or are to be held, subject to any voting trust or similar agreement.

13. DIRECTORS AND OFFICERS

13.1 – 13.3, 13.5, 13.11 Directors and Officers

Each director of the Company is elected annually and holds office until the next annual general meeting of the Company or until his or her successor is duly elected, unless his or her office is earlier vacated, in accordance with the Articles of the Company.

The following table lists the names, municipalities of residence, position and office, principal occupation during the past five (5) years and the number of Common Shares that are beneficially owned, directly or indirectly, or over which control or direction will be exercised, for each of the directors and officers of the Company.

Name, Municipality of Residence and Position Held[(1)]	Principal Occupation for Past Five Years	Year First Elected or Appointed	Number of Shares Beneficially Owned or Controlled as at the Date of the Listing Statement	Percentage of Issued and Outstanding Shares[(2)]
Joel Shacker CEO and Director Vancouver, British Columbia, Canada	President and Director of Thoughtful Brands Inc. (formerly Mota Ventures Corp.) since April 18, 2019, former Associate at Stadnyk and Partners from 2018 to 2019, former Director and consultant of Weekend Unlimited Inc. from	May 29, 2020	Nil	N/A

Name, Municipality of Residence and Position Held[(1)]	Principal Occupation for Past Five Years	Year First Elected or Appointed	Number of Shares Beneficially Owned or Controlled as at the Date of the Listing Statement	Percentage of Issued and Outstanding Shares[(2)]
	2018 to 2019, former President of Ananda Technologies from 2015 to 2017.			
Geoff Balderson CFO and Corporate Secretary Vancouver, British Columbia, Canada	Mr. Balderson has been the President of Harmony Corporate Services Ltd. since 2005 and serves as an officer and/or director for several publicly listed companies.	August 19, 2020	Nil	N/A
Ryan Dean Hoggan Director Lehi, Utah, USA	CEO of Thoughtful Brands Inc. since February 2020. Former President of Unified Funding from June 2019 to February 2020. President of Real Oil, LLC since 2015.	July 3, 2020	Nil	N/A
Patrick Morris Director North Vancouver, British Columbia, Canada	Former Chief Executive Officer of Primary Energy Metals Inc. from 2017 to 2019, corporate consultant and has served as a director and officer of several publicly listed companies.	January 17, 2020	Nil	N/A
Dr. John Sanderson Chief Science Officer and Director Irvine, California, USA	Dr. Sanderson is a stem cell researcher, who has worked as a medical director and consultant at Johnson & Johnson, as well as consulted other Fortune 100 health care companies and the U.S. government, on technological solutions for obesity, diabetes, and asthma. Director of Locata Corporation (USA) since 2002. In addition, Dr. Sanderson is the CEO and Director of Cellese Inc., CEO and Director of Nanostrips Inc. and Secretary and Director of Locata Inc (USA), privately held corporations.	April 26, 2016	179,165	0.25%
Casey Fenwick	Prior to joining the Company, Mr. Fenwick worked as	February 2, 2019	109,810	0.15%

Name, Municipality of Residence and Position Held[(1)]	Principal Occupation for Past Five Years	Year First Elected or Appointed	Number of Shares Beneficially Owned or Controlled as at the Date of the Listing Statement	Percentage of Issued and Outstanding Shares[(2)]
President and Director Elk Grove, California, USA	independent sales and marketing consultant with several large oil and gas projects from 2009 to 2011; from 2011 to 2014 Mr. Fenwick worked with digital advertising companies, and from 2015 onwards with private cannabis manufacturing companies.			

Notes:

(1) All of the directors of the Company are appointed to hold office until the next annual general meeting of Shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated.

(2) The directors and officers of the Company beneficially own, directly or indirectly, as a group, 288,975 Shares representing approximately 0.41% of all outstanding voting securities of the Company.

Principal Occupation or Employment During the Past Five Years of Directors and Officers

Brief descriptions of the biographies for all of the officers and directors of the Company are set out below.

Joel Shacker, Age: 30 – Director and CEO

Mr. Shacker has worked extensively in the cannabis and finance space over the past six years, and has sat on several boards of publicly traded companies. He has been in charge of leading the expansion of publicly traded companies into international cannabis markets and has overseen and developed cannabis operations from the ground up. Mr. Shacker is currently the President and a director of Thoughtful Brands Inc. (formerly, Mota Ventures Corp.), an established eCommerce technology company that researches, develops, markets and sells natural health products in North America and Europe. Thoughtful Brands Inc. also owns and operates a 110,000 square foot manufacturing facility in Radebeul, Germany, where it is currently conducting clinical studies utilizing naturally occurring psilocybin and other compounds found in psychedelics for the treatment of opiate addiction. Mr. Shacker holds an Honours Business Administration degree from Ivey Business School specializing in finance (2013). Mr. Shacker will devote 75% of his time to the affairs of the Company. Mr. Shacker is a contractor of the Company and has entered into a non-disclosure agreement or a non-competition agreement with the Company.

Geoff Balderson, Age: 42 – CFO and Corporate Secretary

Mr. Balderson has an extensive background in business and has worked in the capital markets for over 20 years. He currently acts as an officer and director of multiple TSX Venture Exchange and CSE listed companies. Mr. Balderson is the President of Harmony Corporate Services Ltd., a Vancouver based company that provides administrative services to publicly listed companies, a position he has held since February 2015. Prior thereto, Mr. Balderson was the President of Flow Capital Corp. from June 2009 to August 2019. In addition, Mr. Balderson is currently an officer and director of multiple TSX Venture Exchange- and CSE-listed companies. Prior to that, he was an investment advisor at Union Securities and Georgia Pacific Securities Corp. Mr. Balderson is a graduate of the Sauder School of Business at the University of British Columbia (2006). Mr. Balderson will devote 10% of his time to the affairs of the Company. Mr. Balderson is a contractor of the Company and has not entered into a non-disclosure agreement or a non-competition agreement with the Company.

Ryan Hoggan, Age: 39 – Director

Mr. Hoggan brings more than 18 years of leadership, global business development and entrepreneurship experience in the health equipment, medical device and natural health products sectors. Mr. Hoggan is a partner at Unified Funding, LLC, an eCommerce company that has generated a database of over 4.5 million customer records and facilitated over US$200 million in consumer transactions from more than 1 million paying customers in sectors such as beauty, nutrition and CBD products. Mr. Hoggan currently serves as the CEO of Thoughtful Brands Inc. Mr. Hoggan holds an MBA from The University of Arizona (2008) and a Master of Global Management from the Thunderbird School of Global Management at Arizona State University (2011). Mr. Hoggan will devote 15% of his time to the affairs of the Company. Mr. Hoggan is an employee of the Company and has not entered into a non-disclosure agreement or a non-competition agreement with the Company.

Patrick Morris, Age: 52 – Director

Mr. Morris is an entrepreneur and capital market executive with over 15 years of experience, raising funds for microcap companies in a number of industries, including pharmaceutical cannabis, resource exploration, blockchain technologies and finance. In addition, Mr. Morris co-created and co-produced Canada's first nationally syndicated radio show about growth stock opportunities, which was broadcast on 14 of the top-rated news talk stations across Canada. Prior to entering the capital markets, Mr. Morris had five years of experience in wine and spirits importing, sales and portfolio management. Mr. Morris will devote 10% of his time to the affairs of the Company. Mr. Morris is an employee of the Company and has not entered into a non-disclosure agreement or a non-competition agreement with the Company.

Dr. John Sanderson, Age: 70 – Director, Chief Science Officer

In addition to acting as a director and officer of the Company, Dr. Sanderson is a stem cell researcher, who has worked as a medical director and consultant at Johnson & Johnson, as well as consulted other Fortune 100 health care companies and the U.S. government, on technological solutions for obesity, diabetes, and asthma. From 2015 to 2018 Dr. Sanderson acted as Chief Medical Officer of Cell MedX Corp. (OTCQB:CMXC). In addition, Dr. Sanderson is the CEO and Director of Cellese Inc., CEO and Director of Nanostrips Inc. and Secretary and Director of Locata Inc (USA), privately held corporations. Dr. Sanderson has a medical degree from the University of Manitoba (1979), a Master of Arts from Occidental College (1974) and a Bachelor of Arts degree from the University of California, Los Angeles (1973). Dr. Sanderson will devote 5% of his time to the affairs of the Company. Dr. Sanderson is s contractor of the Company and has entered into a non-disclosure agreement with the Company.

Casey Fenwick, Age: 37 – Director

In addition to acting as a director and officer of the Company, from September 9, 2013 to May 16, 2014, Mr. Fenwick acted as CEO and as a director of Triton Emission Solutions Inc. (OTCQB:DSOX), a company engaged in a business of emission abatement and control technologies for the marine industry. Mr. Fenwick is an executive with worldwide business experience in operations, corporate finance, multi-border negotiations and global securities markets. Mr. Fenwick has a degree in Applied Science from San Joaquin Delta College (2017). Mr. Fenwick will devote 100% of his time to the affairs of the Company. Mr. Fenwick is an employee of the Company and has entered into a non-disclosure agreement or a non-competition agreement with the Company.

13.4 – Board Committees of the Company

Audit Committee

The audit committee assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee reviews the financial reports and other financial information provided by the Company to regulatory authorities and its shareholder and reviews the Company's system of internal

controls regarding finance and accounting including auditing, accounting and financial reporting processes. The Company has adopted an Audit Committee Charter.

The Company will have an Audit Committee consisting of the following members: Dr. John Sanderson, Ryan Hoggan, and Partick Morris. Mr. Hoggan and Mr. Morris are considered "independent" within the meaning of National Instrument 52-110 – Audit Committees ("**NI 52-110**"). Dr. Sanderson is not considered an independent within the meaning of NI 52-110. All members are "financially literate" within the meaning of NI 52-110. The Company is a "venture issuer" as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

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

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

A copy of the Company's current Audit Committee Charter is attached as Schedule A to the Company's most recent information circular dated October 8, 2020, which can be accessed on the Company's SEDAR profile. It is anticipated that the Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Issuer's Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by our auditors.

13.6 – 13.7 and 13.9 – Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the knowledge of management, no director or executive officer of Core One is, as at the date of this Listing Statement, or was, within the 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer or any company (including Core One), that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

On June 16, 2020, the British Columbia Securities Commission ("**BCSC**") issued a management cease trade order to the Company for failure to file the audited financial statements for the year-ended December 31, 2019, along with the interim financial statements for the three-month period ended March 31, 2020, and their related MD&A (collectively, the "**Required Filings**"). On July 16, the BCSC issued a cease trade order

for continued failure to file the Required Filings. On August 18, 2020, the Company filed the Required Filings and on August 27, 2020 the BCSC issued an order revoking its cease trade order.

To the knowledge of management, no director or executive officer of Core One, or shareholder holding a sufficient number of securities of Core One to affect materially the control of Core One, is, as of the date of this Listing Statement, or has been within the 10 years before the date of this Listing Statement, a director or executive officer of any company (including Core One) that, while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of management, no director or executive officer of Core One, or shareholder holding a sufficient number of securities of Core One to affect materially the control of Core One, is, as of the date of this Listing Statement, or has been within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of management, no director or executive officer of Core One, or shareholder holding a sufficient number of securities to affect materially the control of Core One, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

13.10 Conflicts of Interest

To the best of Core One's knowledge, information and belief, and other than disclosed herein, there are no known existing or potential conflicts of interest among Core One and its directors, officers or other members of management as a result of their outside business interests except that certain of Core One's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Core One and their duties as a director or officer of such other companies. As required by law, each of the directors of Core One is required to act honestly, in good faith and in the best interests of Core One. In the event of a conflict of interest, Core One will follow the requirements and procedures of applicable corporate and securities legislation and applicable exchange policies, including the relevant provisions of the BCBCA.

14. CAPITALIZATION

14.1 Issued Capital

As of the date of this Listing Statement, the share capital of the Company on a non-diluted and fully-diluted basis is as follows:

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% Issued (non-diluted)	% of Issued (fully-diluted)
Public Float				
Total Outstanding (A)	70,967,507	85,843,831	100%	100%
Held by related persons or employees or related person or by persons or	18,144,878	19,694,878	25.56%	22.94%

Issued Capital	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% Issued (non-diluted)	% of Issued (fully-diluted)
company who beneficially own, direct or indirectly, more than a 5% voting position in the issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the issuer upon exercise or conversion of other securities held (B))				
Total Public Float (A-B)	52,822,629	66,148,953	74.43%	77.05%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	3,499,992	3,499,992	4.93%	4.07%
Total Tradeable Float (A-C)	67,467,515	82,343,839	95.06%	95.92%

Public Securityholders (Registered)

Common Shares Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	1	833
1,000 – 1,999 securities	3	4,998
2,000 – 2,999 securities	9	21,926
3,000 – 3,999 securities	7	24,833
4,000 – 4,999 securities	2	8,928
5,000 or more securities	86	45,337,073

Common Shares Size of Holding	Number of Holders	Total Number of Securities
Total	**108**	**45,398,591**

Public Securityholders (Beneficial) – CAD & U.S. Beneficial Holders

Common Shares Size of Holding	Number of Holders	Total Number of Securities
1 – 99 securities	2,733	106,777
100 – 499 securities	1,765	432,423
500 – 999 securities	647	454,898
1,000 – 1,999 securities	409	579,007
2,000 – 2,999 securities	191	460,186
3,000 – 3,999 securities	111	379,379
4,000 – 4,999 securities	79	345,183
5,000 or more securities	445	22,811,113
Total	**6,380**	**25,568,966**

14.2 Convertible / Exchangeable Securities

Description of Security	Number of Convertible / Exchangeable Securities Outstanding	Number of Listed Securities Issuable Upon Conversion / Exercise
Warrants[(1)]	11,276,324	11,276,324
Options[(2)]	3,600,000	3,600,000

Notes:

(2) 325,000 warrants have an exercise price of $1.20 and expire on December 31, 2021. 10,961,215 warrants have an exercise price of $0.70 and expire on July 3, 2022.

(3) 2,100,000 options have an exercise price of $0.67 and expire on July 8, 2025 and 1,500,000 options have an exercise price of $0.33 and expire on May 1, 2022.

14.3 Other Listed Securities

There are no listed securities reserved for issuance that are not included in Section 14.2 above.

15. EXECUTIVE COMPENSATION

15.1 Compensation Discussion and Analysis

Please refer to the Statement of Executive Compensation found in the Company's information circular dated October 8, 2020 and filed on the Company's SEDAR profile.

16. INDEBTEDNESS OF DIRECTORS AND OFFICERS

16.1 – 16.2 Aggregate Indebtedness and Indebtedness of Directors and Officers

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Company, a proposed nominee for election as a director of the Company, and each associate of any such director, executive officer or proposed nominee: (a) is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries; or (b) has or has had indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

17. RISK FACTORS

17.1 Description of Risk Factors

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's activities expose it to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. The following are identified as the main risk factors affecting the Company and readers are advised to study and consider risk factors stressed below.

Coronavirus (COVID-19) and Global Health Crisis

The COVID-19 global outbreak and efforts to contain it may have an impact on the Company's business. The Company continues to monitor the situation and the impact that the virus may have on its operations. Should the virus spread, travel bans remain in place or should one of the Company's team members or consultants become infected, the Company's ability to advance its operations may be impacted. Similarly, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet obligations may be impacted as a result of COVID-19 and efforts to contain the virus.

Risks Specifically Related to the United States Regulatory System

The United States federal government has not legalized marijuana for medical or adult-use

The federal government of the United States regulates drugs through the CSA, which places controlled substances on one of five schedules. Currently, cannabis is classified as a Schedule I controlled substance. This means it has a high potential for abuse and currently has no accepted medical use in treatment in the United States. Schedule I substances are subject to production quotas imposed by the DEA. Thus, the federal government of the United States has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by state law.

The medical use of cannabis is legalized (with a doctor's recommendation) in 35 states, four out of five permanently inhabited U.S. territories, and the District of Columbia. Thirteen other states have laws that limit THC content, for the purpose of allowing access to products that are rich in cannabidiol (CBD), a non-psychoactive component of cannabis. Although cannabis remains a Schedule I drug, the Rohrabacher–Farr amendment prohibits federal prosecution of individuals complying with state medical cannabis laws.

The recreational use of cannabis is legalized in 15 states (Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont, and Washington), the District of Columbia, the Northern Mariana Islands, and Guam. Another 16 states and the U.S. Virgin Islands have decriminalized possession.. However, since cannabis is a Schedule I controlled substance, the development of a legal cannabis industry under the laws of these states is in conflict with the CSA. In light of this conflict between state and federal law, the DOJ Deputy Attorney General of the Obama Administration, James Cole, issued a memorandum (the "**Cole Memorandum**"), dated August 29, 2013, providing updated guidance to federal prosecutors concerning cannabis enforcement under the CSA. The Cole Memorandum provided, in part, that when states have implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to threaten the federal priorities. Indeed, a robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of cannabis outside of the regulated system and to other states, prohibiting access to marijuana by minors, and replacing an illicit cannabis trade that funds criminal enterprises with a tightly regulated market in which revenues are tracked and accounted for. In those circumstances, consistent with the traditional allocation of federal-state efforts in this area, the Cole Memorandum provided that enforcement of state law by state and local law enforcement and regulatory bodies should remain the primary means of addressing marijuana-related activity. In contrast, if the state enforcement efforts are not sufficient to protect against the harms set forth above, the federal government may seek to challenge the regulatory structure itself in addition to continuing to bring individual enforcement actions, including criminal prosecutions, focused on those harms.

In 2014, the United States House of Representatives passed an amendment (commonly known as the Rohrabacher-Blumenauer Amendment, the Rohrabacher-Leahy Amendment or the "**Rohrabacher-Farr Amendment**") to the Commerce, Justice, Science, and Related Agencies Appropriations Bill, which funds the DOJ. The Rohrabacher-Farr Amendment prohibits the DOJ from using funds to prevent states with medical cannabis laws from implementing such laws. In August 2016, the U.S. Court of Appeals for the Ninth Circuit ruled in United States v. McIntosh that the Rohrabacher-Farr Amendment bars the DOJ from spending funds on the prosecution of conduct that is allowed by state medical cannabis laws, provided that such conduct is in strict compliance with applicable state law. In March 2015, bipartisan legislation titled the Compassionate Access, Research Expansion, and Respect States Act (the "**CARERS Act**") was introduced, proposing to allow states to regulate the medical use of cannabis by changing applicable federal law, including by reclassifying cannabis under the CSA to a Schedule II controlled substance and thereby changing the plant from a federally-criminalized substance to one that has recognized medical uses. More recently, the Respect State Marijuana Laws Act of 2017 has been introduced in the U.S. House of Representatives, which proposes to exclude persons who produce, possess, distribute, dispense, administer or deliver marijuana in compliance with state laws from the regulatory controls and administrative, civil and criminal penalties of the CSA.

Although these developments have been met with a certain amount of optimism in the cannabis industry, neither the CARERS Act nor the Respect State Marijuana Laws Act of 2017 have yet been adopted, and the Rohrabacher-Farr Amendment must be renewed annually and has currently been renewed until September 30, 2019. Furthermore, the ruling in United States v. McIntosh is only applicable in the Ninth Circuit, which includes the states of Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon and Washington. The Company has, and plans to have, operations in states outside of the Ninth Circuit.

In early 2017, President Donald J. Trump nominated Alabama Republican Jeff Sessions as the United States Attorney General. In addition to the election of President Trump, the Republican party retained control of United States Congress. On January 4, 2018, then Attorney General Sessions issued a written memorandum (the "**Sessions Memorandum**") to all U.S. Attorneys stating that the Cole Memorandum was rescinded, effectively immediately. In particular, Attorney General Sessions stated that "prosecutors should follow the well-established principles that govern all federal prosecutions," which require "federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community." Attorney General Sessions went on to state in the Sessions Memorandum that given the Justice Department's well-

established general principles, “previous nationwide guidance specific to marijuana is unnecessary and is rescinded, effective immediately.” Attorney General Sessions reiterated that the cultivation, distribution and possession of marijuana continues to be a crime under the CSA.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions’ resignation, William Barr was confirmed as the new Attorney General. Mr. Barr stated during his confirmation hearings in a response to a question from Senator Cory Booker, “I’m not going to go after companies that have relied on Cole memorandum.” Mr. Barr also reconfirmed this response in writing as part of the formal confirmation proceedings.

On the same day Mr. Sessions resigned, the Justice Department announced that the U.S. Attorney for the District of Oregon, William “Billy” J. Williams, was taking over as chair of the Attorney General’s Marijuana Working Group. Formed in 2012, the Working group is comprised of US Attorneys from across the country and has been studying the outcomes of legal cannabis across the country.

In an interview published February, 2019, U.S. Attorney Williams stated: “[w]ell, when the Cole Memo was replaced by the Sessions Memo, the discretion was left to individual US Attorneys to address the issues in their respective districts, based upon the law enforcement issues that come up. What are the issues that have been identified? In terms of regulation: the efficiency of the state regulatory schemes; black market out-of-state diversion; the effects [of legalization] upon minors’ consumption; public health-related issues; and in many states, certainly in Oregon, keeping track of what the environmental issues are that have resulted. And then the livability questions. Those are all common themes that fit into the priorities of this working group. The issues have only been exacerbated, quite frankly. And whether or not a state, how a state is addressing them—that varies from state to state.”

More recently, on April 10, 2019 during a Senate Appropriations subcommittee hearing, while responding to questions from Senator Murkowski (R- AK) Mr. Barr testified: “I am accepting the Cole Memorandum for now, but I have generally left it up to the U.S. Attorneys in each State to determine what the best approach is in that state.” He also stated that “I haven’t heard any complaints from the States that have legalized marijuana.”

However, a significant change in the federal government’s enforcement policy with respect to current federal laws applicable to cannabis could have a material adverse effect on the business, financial condition or results of operations of the Company. The Company has cultivates, processes and distributes cannabis, and could therefore be deemed to be aiding and abetting illegal activities, a violation of U.S. federal law.

There is a substantial risk of regulatory or political change

The success of the business strategy of the Company depends on the legality of the cannabis industry in the United States. The political environment surrounding the cannabis industry in the United States in general can be volatile and the regulatory framework in the United States remains in flux. Despite the currently implemented laws and regulations in the U.S. and its territories to legalize and regulate the cultivation, processing, sale, possession and use of cannabis, and additional states that have pending legislation regarding the same, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company’s ability to successfully invest and/or participate in the selected business opportunities.

Further, there is no guarantee that at some future date, voters and/or the applicable legislative bodies will not repeal, overturn or limit any such legislation legalizing the sale, disbursement and consumption of medical or adult-use cannabis. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry.

Cannabis remains illegal under U.S. federal law, and the U.S. federal government could bring criminal and civil charges against the Company or their subsidiaries or their investments at any time. Federal actions

against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis-related legislation could have a material adverse effect on the business, financial condition or results of operations of the Company.

Enforceability of contracts

Since cannabis is illegal at a federal level, judges in multiple U.S. states have on several occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. Therefore, there is uncertainty that the Company will be able to legally enforce its agreements, including agreements material to the Company.

Risk of Civil Asset Forfeiture

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

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 United States

The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The 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.

No guarantee or assurances can be given by the Company that it will be able to secure and/or maintain stable banking services arrangements, nor can the Company guarantee or provide assurances that it will be able to secure an alternative to traditional banking services should the Company not be able to secure and maintain traditional banking services with a national or state chartered banking institution.

Lack of access to U.S. bankruptcy protections; other bankruptcy risks

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company was to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available, which would have a material adverse effect on any restructuring transaction.

Additionally, there is no guarantee that the Company will be able to effectively enforce any interests it may have in its other subsidiaries and investments. A bankruptcy or other similar event related to an entity in which the Company holds an interest that precludes such entity from performing its obligations under an agreement may have a material adverse effect on the business, financial condition or results of operations of the Company. Further, should an entity in which the Company holds an interest have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities or equity owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the business, financial condition or results of operations of the Company.

The Company might be subject to heightened scrutiny by United States and Canadian authorities

For the reasons set forth above, the business, operations and investments of the Company in the U.S., and any future businesses, operations and investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest or hold interests in other entities in the U.S. or any other jurisdiction, in addition to those described herein.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized exchanges, the TMX Group, who is the owner and operator of CDS, announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The TMX MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the TMX MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Even though the TMX MOU indicated that there are no plans of banning the settlement of securities through the CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid until an alternative was implemented, and shareholders would have no ability to affect a trade of the Common Shares through the facilities of a stock exchange.

There may be unknown additional regulatory fees and taxes that may be assessed in the future

Multiple states in the United States are considering or may be considering special taxes or fees on businesses in the cannabis industry. The imposition of such additional taxes or fees could adversely affect the Company's operating results and expected returns on future investments and/or business opportunities.

The Company likely will not be able to secure its payment and other contractual rights with liens on the inventory or licenses of its clients and contracting parties

In general, the laws of the various states that have legalized cannabis sale and cultivation do not expressly or impliedly allow for the pledge of inventory containing cannabis as collateral for the benefit of third parties, such as the Company and the subsidiaries, that do not possess the requisite licenses and entitlements to cultivate, process, sell, or possess cannabis pursuant to the applicable state law. Likewise, the laws of those states generally do not allow for transfer of the licenses and entitlements to sell or cultivate cannabis to third parties that have not been granted such licenses and entitlements by the applicable state agency. The inability of the Company and the subsidiaries to secure its payment and other contractual rights with liens on the inventory and licenses of its clients and contracting parties increases the risk of loss resulting from breaches of the applicable agreements by the contracting parties, which, in turn, could have a material adverse effect on the business, financial condition or results of operations of the Company.

FDA regulation of cannabis and industrial hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the FDCA. 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 FDCA. 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 DEA; however, the FDA has enforced the FDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp sold outside of state-regulated cannabis businesses. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp.

Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis and/or industrial hemp. Clinical trials may be needed to verify efficacy and safety of both cannabis-derived products and industrial hemp-derived products. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the subsidiaries of the Company are unable to comply with the regulations or registration as prescribed by the FDA, it may have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company and its subsidiaries will be subject to applicable anti-money laundering laws and regulations

Each of the Company and its subsidiaries is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the "**Bank Secrecy Act**"), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, *the Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank cannabis businesses in compliance with federal enforcement priorities (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis- related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance included in the Cole Memorandum.

Attorney General Sessions' revocation of the Cole Memorandum has not yet affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself.

Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. 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 states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the DOJ's prosecuting banks and financial institutions for crimes that were not previously prosecuted.

If the operations of the Company or its subsidiaries, or any proceeds thereof, any dividend distributions or any profits or revenues derived from these operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds from a crime under one or more of the statutes noted above. This may restrict the ability of the Company to declare or pay dividends in the future, effect other distributions or subsequently repatriate such funds back to Canada.

Limited trademark protection

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

Inconsistent public opinion and perception of the medical and adult-use use cannabis industry hinders market growth and state adoption

Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). Inconsistent public opinion and perception of the medical and adult-use cannabis may hinder growth and state adoption which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's ability to generate revenue and be successful in the implementation of its business plan is dependent on consumer acceptance and demand of its product lines. The Company's management believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Acceptance of the Company's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If customers do not accept the Company's products, or if the Company fails to meet customers' needs and expectations adequately, its ability to continue generating revenues could be reduced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable 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 recreational cannabis in general, or the Company's products specifically, or associating the consumption of recreational cannabis 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.

Investors who are non-U.S. citizens may be barred from entry into the U.S. for life

Investors in the Company and the Company's directors, officers and employees may be subject too. Because cannabis remains illegal under United States federal law, those who are not U.S. citizens employed at or investing in legal and licensed U.S. cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of U.S. Customs and Boarder Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for United States border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal or Canada may affect admissibility to the United States. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the United States or Canada (such as the Company), who are not United States citizens face the risk of being barred from entry into the United States for life. As described above, on October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible.

The cannabis industry presents substantial risks and uncertainty

The Company is directly involved in the medical and adult-use cannabis industry in the United States. The relatively new development of the medical and adult-use cannabis industry nationally presents numerous and material risks. Many of these risks are not inherent in other developing or mature industries. Many of the potential risks may be unknow to the Company due to the short amount of time that cannabis companies have been operating under the regulation of state laws.

The risks range from the potential catastrophic collapse of the medical and adult-use cannabis industry nationally or in the states in which the Company conducts business (currently just California) or makes investments that might result from changes in laws or the enforcement of existing laws to the failure of individual businesses that might result from volatile market conditions that sometime accompany the development of new markets and industries. Additionally, the medical and adult-use cannabis industry is characterized by fragmented markets, immature companies, inexperienced managers lacking conventional business and financial discipline, a lack of well-known brands, an absence of industry and product standards, ever-shifting legal landscapes with multiple frameworks (from state to state), rapidly shifting public opinion, and a scarcity of significant capital.

Financing Risks

Core One will require additional funding to conduct future operations There is no assurance that any such funds will be available to Core One on acceptable terms, on a timely basis or at all. Failure to obtain additional financing on a timely basis could cause Core One to reduce or terminate its proposed operations and otherwise could have a material adverse effect on its business.

The Company is a holding company and depend upon its subsidiaries for its cash flows

The Company is a holding company. All of the Company's operations are conducted, and almost all of its assets are owned, by its subsidiaries. Consequently, the Company's cash flows and its ability to meet its obligations depend upon the cash flows of its subsidiaries and the payment of funds by these subsidiaries to the Company in the form of dividends, distributions or otherwise. The ability of the Company's

subsidiaries to make any payments to the Company depends on the subsidiaries' earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions. Any failure to receive dividends or distributions from the Company's subsidiaries when needed could have a material adverse effect on the Company's business, results of operations or financial condition.

Regulatory Risks of Acquisitions

Material acquisitions, dispositions and other strategic transactions are subject to varying degrees of approval which include in some, but not all cases, among other things (a) approval of the Company's shareholders; (b) approval of the CSE for the listing of new shares; (c) approval of the Supreme Court of British Columbia; and (d) other regulatory approvals. The Company is unable to predict when all required approvals or authorizations will be obtained, if at all.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Ability to manage future growth

The ability to achieve desired growth will depend on the Company's ability to identify, evaluate and successfully negotiate investment opportunities with target companies. Achieving this objective in a cost-effective manner will be a product of the Company's sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to target companies and the Company's access to financing on acceptable terms. Failure to effectively manage any future growth and successfully negotiate suitable investments could have a material adverse effect on the business, financial condition or results of operations of the Company.

Operation permits and authorizations

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

The Company's products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is limited

information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, and they may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Common Shares to the point investors may lose their entire investment.

The Company expects to commit significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

The Company may be subject to significant competition

A number of other companies engage in, and could engage in, a business similar to the business of the Company, operate businesses in competition with the Company and purchase assets or make investments that the Company will also seek to purchase or make. This competition may increase the price the Company must pay for the assets or make it more difficult for the Company to operate at a profit and to purchase assets. The inability to operate at a profit and acquire assets on terms favorable to the Company may adversely impact the revenue stream that the Company receives and, thus, adversely impact the ability of the Company to pay dividends.

If the number of users of cannabis in Canada and the United States increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. In addition, the Company expects to face competition from new entrants due to the early stage of the industry in which the Company operates. To be competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and could have a material adverse effect on the business, financial condition or results of operations of the Company.

The success of the Company's business depends, in part, on its ability to execute on its acquisition strategy, to successfully integrate acquired businesses and to retain key employees of acquired businesses

The Company continues to evaluate strategic acquisition opportunities, such as the proposed acquisition of Vocan, that have the potential to support and strengthen its business, including acquisitions in United States and Canada, as part of its ongoing growth strategy. The Company expects to evaluate, negotiate and enter into possible acquisition transactions on an ongoing basis in the future. The Company expects to regularly make non-binding acquisition proposals, and it may enter into non-binding, confidential letters of intent from time to time in the future. The Company cannot predict the timing or size of any future acquisitions. To successfully acquire a significant target, the Company may need to raise additional equity and/or indebtedness, which could increase its leverage level. There can be no assurance that the Company will enter into definitive agreements with respect to any contemplated transaction or that any contemplated transaction will be completed. The investigation of acquisition candidates and the negotiation, drafting and

execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If the Company fails to complete any acquisition for any reason, including events beyond its control, the costs incurred up to that point for the proposed acquisition likely would not be recoverable.

Acquisitions typically require integration of the acquired company. The Company may be unable to successfully integrate an acquired business into its existing business, and an acquired business may not be as profitable as expected or at all. The Company's inability to successfully integrate new businesses in a timely and orderly manner could increase costs, reduce profits or generate losses. Factors affecting the successful integration of an acquired business include, but are not limited to, the following:

- the Company may become liable for certain liabilities of an acquired business, whether or not known to the Company, which could include, among others, tax liabilities, product liabilities, environmental liabilities and liabilities for employment practices, and these liabilities could be significant;

- the Company may not be able to retain local managers and key employees who are important to the operations of an acquired business;

- substantial attention from the Company's senior management and the management of an acquired business may be required, which could decrease the time that they have to service and attract customers;

- the Company may not effectively utilize new equipment that it acquires through acquisitions;

- the complete integration of an acquired company depends, to a certain extent, on the full implementation of the Company's financial and management information systems, business practices and policies; and

- the Company may actively pursue a number of opportunities simultaneously and may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight.

Acquisitions involve risks that the acquired business will not perform as expected and that business judgments concerning the value, strengths and weaknesses of the acquired business will prove incorrect.

The Company cannot guarantee that it will achieve synergies and cost savings in connection with future acquisitions. Many of the businesses that the Company has acquired and may acquire in the future have unaudited financial statements that have been prepared by management and have not been independently reviewed or audited. The Company cannot guarantee that such financial statements would not be materially different if such statements were independently reviewed or audited. The Company cannot guarantee that it will continue to acquire businesses at valuations consistent with prior acquisitions or that it will complete future acquisitions at all. The Company cannot guarantee that there will be attractive acquisition opportunities at reasonable prices, that financing will be available or that it can successfully integrate acquired businesses into existing operations. In addition, the results of operations from these acquisitions could, in the future, result in impairment charges for any of the Company's intangible assets, including goodwill or other long-lived assets, particularly if economic conditions worsen unexpectedly. The Company's inability to effectively manage the integration of its completed and future acquisitions could prevent it from realizing expected rates of return on an acquired business and could have a material and adverse effect on the Company's financial condition, results of operations or liquidity.

Currency fluctuations

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. The Canadian dollar relative to the

U.S. dollar or other foreign currencies is subject to fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the business, financial condition or results of operations of the Company. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks. Failure to adequately manage foreign exchange risk could therefore have a material adverse effect on the business, financial condition or results of operations of the Company.

Investments may be pre-revenue

The Company may continue to make investments in companies with no significant sources of operating cash flow and no revenue from operations. The Company's investments in such companies will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investment in these pre-revenue companies will not be able to meet anticipated revenue targets or generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing which could have a material adverse effect on the business, financial condition or results of operations of the Company.

Enforceability of judgments against foreign subsidiaries

Certain of the subsidiaries are organized under the laws of California with assets located outside of Canada, and certain of the experts that will be retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for the eventual shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S. by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S. may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the U.S. agrees to hear a claim, it may determine that the local law in the U.S., and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

Certain directors and officers of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons. Courts in the United States may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a United States court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

Past performance not indicative of future results

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company or their affiliates will be achieved by the Company, and the Company's performance may be materially different.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) and psychedelics (such as psilocybin) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and psychedelics (such as psilocybin). Although the Company will rely on the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Further, the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that such adverse publicity reports or other media attention will not arise.

Environmental risk and regulation

The operations of the Company will be subject to environmental regulation in the various jurisdictions in which they operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not have a material adverse effect on the business, financial condition or results of operations of the Company.

Government approvals and permits are currently, and may in the future be, required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.

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

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

Product liability

Certain of the Company's subsidiaries manufacture, process and/or distribute products designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. Although the Company will have quality control procedures in place, the Company may be subject to various product liability claims, including, among others, that the products produced by the Company, or the products that will be purchased by the Company from third party licensed producers, caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim, or regulatory action could result in increased costs, could adversely affect the reputation of the Company, and could have a material adverse effect on the business, financial condition or results of operations of the Company. There can be no assurances that product liability insurance will be obtained or maintained on acceptable terms or with adequate coverage against potential liabilities.

Product recalls

Despite the Company's quality control procedures, cultivators, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the subsidiaries, or any of the products that will be purchased by the Company from a third party licensed producer, are recalled due to an alleged product defect or for any other reason, the subsidiaries or the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall and may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. Additionally, if one of the products produced by a subsidiary, or one of the products that will be purchased by the Company from a third-party licensed producer, were subject to recall, the image of that product and the subsidiary and potentially the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the subsidiaries or purchased from a third-party producer and could have a material adverse effect on the business, financial condition or results of operations of the Company.

Reliance on key inputs

The cultivation, extraction and production of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could have a material adverse effect on the business, financial condition or results of operations of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a material adverse effect on the business, financial condition or results of operations of the Company.

In addition, cannabis growing operations consume considerable energy, making the subsidiaries vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the subsidiaries and their ability to operate profitably which may, in turn, adversely impact the Company.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the recreational cannabis industry in the states in which the Company's business will operate. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of growth

As the Company grows, the Company will also be required to hire, train, supervise and manage new employees. The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's planned personnel, systems, procedures and controls may be inadequate to support its future operations. Failure to effectively manage any future growth could have a material adverse effect on the business, financial condition or results of operations of the Company.

Fraudulent or illegal activity by employees, contractors and consultants

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

Intellectual property

The success of the Company will depend, in part, on the ability of the subsidiaries of the Company to maintain and enhance trade secret protection over their existing and potential proprietary techniques and processes. The subsidiaries may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the subsidiaries. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Failure of the subsidiaries to adequately maintain and enhance protection over their proprietary techniques and processes, as well as over unregistered intellectual property of companies the Company acquires, including the policies and procedures and training manuals, could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's trade secrets may be difficult to protect

The Company's success depends upon the skills, knowledge, and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensors and contractors. Because the Company operates in a highly competitive industry, the Company relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. The Company enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors. These agreements generally require that the receiving party keep confidential and not disclose to third-parties' confidential information developed by the receiving party or made known to the receiving party by it during the course of the receiving party's relationship with it. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to it will be its exclusive property, and the Company enters into assignment agreements to perfect its rights.

These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to the Company. The Company's trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using its trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect its competitive position.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property does not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

If the Company is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected

In the area of innovation, the Company must be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Company may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Operational risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; equipment defects, malfunction and failures, changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the subsidiaries' properties, dispensary facilities, grow facilities and extraction facilities, personal injury or death, environmental damage, or have an adverse impact on the subsidiaries' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material adverse effect on the business, financial condition or results of operations of the Company. This lack of insurance coverage could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages and the Company may be affected by liability or sustain loss in respect of certain risks and hazards. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers

reasonable and commercially justifiable. The Company may elect not to insure against certain risks due to cost of or ease of procuring such insurance. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's assets may be purchased with limited representations and warranties from the sellers of those assets

The Company will generally acquire assets, after conducting its due diligence, with only limited representations and warranties from the seller or borrower regarding the quality of the assets and the likelihood of payment. As a result, if defects in the assets or the payment of amounts owing on the assets are discovered, the Company may not be able to pursue a claim for damages against the owners of such seller or borrower, and may be limited to asserting its claims against the seller or borrower. The extent of damages that the Company may incur as a result of such matters cannot be predicted, but potentially could have a significant adverse effect on the value of the Company's assets and revenue stream and, as a result, on the ability of the Company to pay dividends. Further, certain of the Company's assets are anticipated to be obligations of dispensaries and cultivation operations, and the Company's remedies against such obligors may be limited if deemed unenforceable under federal laws or for other reasons.

Information technology systems and cyber security risks

The Company's use of technology is critical to its continued operations. The Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks and/or technological malfunctions affecting the Company, or its service providers can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of customer information or confidential information and reputational risk.

The Company has not experienced any material losses to date relating to cybersecurity attacks, other information breaches or technological malfunctions. However, there can be no assurance that the Company will not incur such losses in the future. As cybersecurity threats continue to evolve, the Company may be required to use additional resources to continue to modify or enhance protective measures or to investigate security vulnerabilities.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The Company is a holding company

The Company is a holding company and essentially all of its assets are the capital stock or membership interests of its subsidiaries, management services agreement or other commercial arrangements with entities in each of the markets the Company, its strategic partner or acquisition target operates in, including California and British Columbia. As a result, shareholders of the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to

applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Additional capital requirements

The Company will need additional capital to sustain its operations and will likely need to seek further financing, which the Company may not be able to obtain on acceptable terms or at all. If the Company fails to raise additional capital, as needed, its ability to implement its business model and strategy could be compromised. To date, the Company's operations and expansion of its business have been funded primarily from equity financings. The Company expects to require substantial additional capital in the near future to commence the expansion of its business into the psilocybin market, expand its product lines and develop its intellectual property base. The Company may not be able to obtain additional financing on terms acceptable to it, or at all. In particular, because cannabis and psilocybin are illegal under U.S. federal law and psilocybin is a controlled substance under Canadian law, the Company may have difficulty attracting investors.

Even if the Company obtains financing for its near-term operations and expansion, the Company expects that it will require additional capital thereafter. Its capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by its competition; (iii) the level of its investment in research and development; and (iv) the amount of its capital expenditures, including acquisitions. The Company cannot assure investors that the Company will be able to obtain capital in the future to meet its needs.

If the Company raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing stockholders will be reduced and its stockholders may experience significant dilution. In addition, new securities may contain rights, preferences, or privileges that are senior to those of its securities. If the Company raises additional capital by incurring debt, this will result in increased interest expense. If the Company raises additional funds through the issuance of securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

No assurance can be given that any additional financing will be available to the Company, or if available, will be on terms favorable to it. If the Company is unable to raise capital when needed, its business, financial condition, and results of operations would be materially adversely affected, and it could be forced to reduce or discontinue its operations.

Additional issuance of Common Shares will result in dilution

The Company plans to issue additional securities in the future in connection with its planned acquisitions, offerings and financing transactions, which will dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The Board of Directors has discretion to determine the price and the terms of further issuances. The Company cannot predict the effect that future issuances and sales of its securities will have on the market price of its Common Shares. Issuances of a substantial number of additional securities of the Company, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of the Company's securities, investors will suffer dilution to their voting power and the Company may experience dilution in its revenue per share.

Sales by existing shareholders

Sales of a substantial number of Common Shares in the public market could occur at any time either by existing holders of Common Shares. These sales, or the market perception that the holders of a large

number of Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

The Company faces potential conflicts of interest

The Company's operations may present potential conflicts of interest, including, but not limited to, the following:

1. ***Other Personal Investments***. Certain members of the Board of Directors and certain officers who work for the Company serve in advisory capacities to businesses engaged in the cannabis industry and have equity interests in a business engaged in various aspects of the cannabis industry.

2. ***Time Commitment***. The officers will be employed on a full-time basis with the Company and will devote a substantial portion of their business time to the Company's affairs. The Board of Directors and executive officers may spend a portion of their personal time managing other business endeavors, subject to the condition that such personal time not interfere with their respective duties to the Company.

Trading on the OTC Markets is volatile and sporadic, which could depress the market price of the Company's Common Shares and make it difficult for the Company's security holders to resell their Common Shares

The Common Shares are quoted on the OTCQX tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of Common Shares for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like the NYSE. These factors may result in investors having difficulty reselling Common Shares.

Price volatility of publicly traded securities

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;

- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

In recent years, the securities markets in the U.S. 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 fluctuations in price of the Common Shares will not occur. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Common Shares.

Liquidity

Although the Common Shares are quoted on the Borse Frankfurt Exchange, OTCQX and CSE, the Company cannot predict at what prices the Common Shares of the Company will trade and there can be no assurance that an active trading market will be sustained. There is a significant liquidity risk associated with an investment in the Company.

Shareholders will have little or no rights to participate in the Company's affairs

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Board of Directors, officers or its other agents will effectively manage and direct the affairs of the Company.

Dividends

Holders of the Common Shares will not have a right to dividends on such shares unless declared by the Board of Directors. The Company has not paid dividends in the past, and it is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board of Directors, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Costs of maintaining a public listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Canada-United States border risks

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time. This could adversely impact the ability of the Company from hiring Canadian citizens which could impact its operations.

Newly established legal regime

The Company's business activities will rely on newly established and/or developing laws and regulations in California and Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

The Company's business, financial condition, results of operations, and cash flow may in the future be negatively impacted by challenging global economic conditions

Future disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market- specific economic downturn could have a material adverse effect on the Company's business, financial condition, results of operations, and cashflow.

Certain Tax Risks

THE FOLLOWING IS A DISCUSSION OF CERTAIN MATERIAL TAX RISKS ASSOCIATED WITH THE ACQUISITION AND OWNERSHIP OF COMPANY COMMON SHARES. THIS LISTING STATEMENT DOES NOT DISCUSS RISKS ASSOCIATED WITH ANY APPLICABLE STATE, PROVINCIAL, LOCAL OR FOREIGN TAX LAWS. THE TAX RELATED INFORMATION IN THIS LISTING STATEMENT DOES NOT CONSTITUTE TAX ADVICE AND IS FOR INFORMATIONAL PURPOSES ONLY. FOR ADVICE ON TAX

LAWS APPLICABLE TO A SHAREHOLDER'S INDIVIDUAL TAX SITUATIONS, SHAREHOLDERS SHOULD SEEK THE ADVICE OF THEIR TAX ADVISORS. NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY THE COMPANY OR ANY OF THE BOARDS OF DIRECTORS, OFFICERS, LEGAL COUNSEL, OTHER AGENTS OR AFFILIATES WITH RESPECT TO THE TAX TREATMENT APPLICABLE TO ANY PERSON WHO ACQUIRES RESULTANT ISSUER SHARES PURSUANT TO THE BUSINESS COMBINATION. EACH PROSPECTIVE SHAREHOLDER IS URGED TO REVIEW THE STATEMENT IN ITS ENTIRETY AND TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE, PROVINCIAL, LOCAL AND FOREIGN TAX CONSEQUENCES ARISING IN CONNECTION WITH THE ACQUISITION AND OWNERSHIP OF COMPANY COMMON SHARES.

The Company may be subject to Canadian and United States tax on its world-wide income

The Company will be deemed to be a resident of Canada for Canadian federal income tax purposes by virtue of being organized under the laws of the Province of British Columbia. Accordingly, the Company will be subject to Canadian taxation on its worldwide income, in accordance with the rules in the Tax Act generally applicable to corporation's resident in Canada.

Notwithstanding that the Company will be deemed to be a resident of Canada for Canadian federal income tax purposes, the Company also intends to be treated as a United States corporation for United States federal income tax purposes, pursuant to Section 7874(b) of the Code, and is expected to be subject to United States federal income tax on its worldwide income. As a result, the Company will be subject to taxation both in Canada and the United States, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The application of Section 280E of the Code may substantially limit the Company's ability to deduct certain expenses for United States tax purposes

Pursuant to Section 280E of the Code, the ability of any business involved in any trade or business consisting of the trafficking in controlled substances within the meaning of Schedule I and II of the CSA which is prohibited by federal law to take certain deduction is severely limited. Cannabis is currently a controlled substance within the meaning of Schedule I of the CSA. As a result, the taxable income of the Company is likely to exceed its actual profits.

Limited operating history

Core One underwent a major transition of its management and Board in 2020. The Company has a limited operating history under this new team, and accordingly there is no prior operating history with the Company that can serve as a guide to the potential for its future success.

Reliance on management

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

Risks Relating to the Shahcor and Rejuva Medical Clinics

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing

requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Reliance on Physicians and other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future, this would cause interruptions in the Company's business until these services are replaced. As such, vacancies and disabilities relating to the Company's current medical staff may cause interruptions in the Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Psychedelic Regulatory Risk

While the Company's income will not rely substantially on revenue from psychedelic therapy products and treatments, the Company proposes to use certain of its available working capital to (i) implement psilocybin research and education and (ii) develop certain protocols for the use of psilocybin in the treatment of mental health issues, including treatment resistant depression and addiction. Psychedelic therapy is a new and emerging industry with substantial existing regulations and uncertainty as to future regulations. There is no assurance the Company will be able to derive meaningful revenue from its investment in psychedelic therapy development, or to pursue that business to the extent currently proposed or at all.

Risks related to psilocybin

The Company expects to acquire Vocan, a company that is researching the production of psilocybin from yeast. The Company has also acquired Rejuva, a health clinic that intends to study psilocybin. The long-term goals of the Company include researching the application of psilocybin to its thin-strip Technology and possible clinical trials related to the same. Given the very early stage of development, there can be no assurance that the Company will successfully develop a research and development program related to psilocybin or achieve regulatory approval or commercially viable psilocybin products. The Company currently has no psilocybin products under development, has not commenced any preclinical trials or later stage clinical trials of psilocybin and is not currently involved in the psilocybin industry other than in an aspirational manner.

There can be no assurance that any future studies, if undertaken at all, will yield favourable results. Moreover, preclinical, and clinical data are often susceptible to varying interpretations and analyses, and

many companies that believe their product candidates performed satisfactorily in preclinical studies and clinical trials, nonetheless fail to obtain regulatory approval.

Risks related to the regulatory environment

The production, labeling and distribution of the products that the Company plans to develop are regulated by various federal, provincial and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future.

Regulatory approval risks

The potential development and commercialization activities related to any development of psilocybin products made using the Company's CannaStrip™ technology are significantly regulated by several governmental entities, including Health Canada. Regulatory approvals would be required prior to any clinical trial, and the Company may fail to obtain the necessary approvals to commence clinical testing. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials. Any analysis of data from clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit, or prevent regulatory approval. Even if clinical trials are favourable to support the marketing of product candidates, Health Canada or other regulatory authorities may disagree. The Company currently has no operations in the psychedelic space and has not begun to develop any psilocybin products, nor has it applied for or obtained any regulatory approval to do so.

18. PROMOTERS

Mr. Joel Shacker, CEO and director of the Company may be considered to be the promoter of the Company, as that term is defined in the *Securities Act* (British Columbia). Information about Mr. Shacker is disclosed elsewhere in this Listing Statement in connection with his role as an officer of the Issuer. See Part 13, "Directors and Officers". Mr. Shacker holds no Common Shares, directly and/or indirectly, and receives NEO compensation of $10,000 per month.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

There are no legal proceedings material to the Company to which the Company or a subsidiary of the Company is a party or of which any of their respective property is the subject matter, nor are there any such proceedings known to the Company to be contemplated.

19.2 Regulatory Actions

The Company is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this Listing Statement; or (ii) any other penalties or sanctions imposed by a court or regulatory body against the Company that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. The Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

20.1 Interest of Management and Others in Material Transactions

The Company is not aware of any direct or indirect material interest in any matter to be acted upon or any material transaction during the last three fiscal years, of any director, executive officer or principal Shareholder.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The independent auditors of Core One are Dale Matheson Carr-Hilton Labonte LLP, at its office located in Suite 1500, 1140 West Pender Street, Vancouver, British Columbia, V6E 4G1.

21.2 Transfer Agent and Registrar

The transfer agent and registrar of the Common Shares is Computershare Trust Company of Canada, at its office located at 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

22. MATERIAL CONTRACTS

22.1 Material Contracts

During the course of the two years prior to the date of this Listing Statement, the Company entered into the following material contracts, other than contracts entered into in the ordinary course of business:

- Share Exchange Agreement among the Company, Rejuva and the shareholders of Rejuva dated July 9, 2020;
- Share Exchange Agreement among the Company, Shahcor and the shareholders of Shahcor dated July 9, 2020;
- Letter of Intent to acquire Vocan, between the Company and Vocan dated August 28, 2020;
- Nanostrip License Agreement among, the Company, Dr. Sanderson and Nanostrips, Inc. dated May 3, 2017; and
- Lease Assignment Agreement between Desert Sands Properties, LLC and the Company dated January 1, 2018.

A copy of each of the agreements noted above are available under Core One's profile on the SEDAR website at www.sedar.com.

23. INTEREST OF EXPERTS

23.1 Interest of Experts

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an Associate or Affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an Associate or Affiliate of the Company and no such person is a promoter of the Company or an Associate or Affiliate of the Company. DMCL is independent of the

Company in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia.

24. OTHER MATERIAL FACTS

There are no other material facts relating to the Company and its securities that are not elsewhere disclosed herein and which are necessary in order for this document to contain full, true and plain disclosure of all material facts relating to the Company and its securities.

25. FINANCIAL STATEMENTS

Financial statements for Company the six-month period ended June 30, 2020 (unaudited) and the years ended December 31, 2019, 2018 (audited) are appended to this Listing Statement as Schedule “A”. Financial statements for Shahcor for the years ended December 31, 2019 and 2018 as well as the six-month period ended June 30, 2020 (unaudited) are appended to this Listing Statement as Schedule “C”. Financial statements for Rejuva from the period of incorporation on May 20, 2020 until its year end on June 30, 2020 are appended to this Listing Statement as Schedule “D”. Proforma financial statements for the Company, Shahcor and Rejuva are appended here as Schedule “E”.

CERTIFICATE OF THE ISSUER

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

Dated at Vancouver, British Columbia this 27th day of November, 2020.

"Joel Shacker"

Joel Shacker
Chief Executive Officer

"Geoff Balderson"

Geoff Balderson
Chief Financial Officer

"Patrick Morris"

Patrick Morris
Director

"Ryan Dean Hoggan"

Ryan Dean Hoggan
Director

SCHEDULE "A"
Company Financial Statements

(see attached)

CORE ONE LABS INC.

(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

DECEMBER 31, 2019

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.)

Opinion

We have audited the consolidated financial statements of Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Steven Reichert.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

August 18, 2020

CORE ONE LABS INC.
(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**$ 116,850**	$ 452,295
Amounts receivable	8	**403,496**	67,530
Advances receivable	9	**33,860**	9,549
Prepaids and other current assets	7	**546,478**	675,810
Biological assets	11	**167,881**	-
Inventory	10	**2,191,088**	2,119,417
Marketable securities	13	**295,000**	541,237
Total current assets		**3,754,653**	3,865,838
Property, plant and equipment	4,5	**14,048,482**	17,198,355
TOTAL ASSETS		**$ 17,803,135**	$ 21,064,193
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	19,7	**$ 5,623,597**	$ 3,210,045
Amounts due to related parties	15	**1,015,964**	160,670
Advances payable	17	**317,180**	10,050
Note payable	17	**206,249**	721,000
Lease liability	14	**665,853**	-
Deposit on sale of assets	4	**188,525**	-
Unearned revenue	12	**671,495**	680,505
Total current liabilities		**8,688,863**	4,782,270
Non-current lease liability	14	**3,495,731**	-
Total liabilities		**12,184,594**	4,782,270
Shareholders' equity			
Share capital	16	**51,372,447**	42,797,498
Reserves	16	**7,448,493**	4,502,317
Deficit		**(51,889,363)**	(30,426,172)
Accumulated other comprehensive income		**298,522**	903,903
Total parent shareholders' equity		**7,230,099**	17,777,546
Non-controlling interests	18	**(1,611,558)**	(1,495,623)
Total shareholders' equity		**5,618,541**	16,281,923
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 17,803,135**	$ 21,064,193

Nature and continuance of operations (Note 1)
Subsequent events (Note 28)

Approved by the Board of Directors and authorized for issue on August 18, 2020:

"Joel Shacker" Director

"Casey Fenwick" Director

The accompanying notes are an integral part of these consolidated financial statements.

CORE ONE LABS INC
(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	Year ended December 31, 2019	2018
Sales		**$ 5,041,651**	$ 3,925,263
Consulting revenue		**-**	155,484
Cost of sales		**6,294,362**	5,080,614
Gross profit, excluding fair value items and unallocated manufacturing costs		**(1,252,711)**	(999,867)
Unrealized gain on changes in fair value of biological assets		**(679,267)**	-
Realized fair value amounts included in inventory sold		**96,127**	-
Gross margin		**(669,571)**	(999,867)
Amortization expense	4	**3,580,455**	-
Bad debt expense	8	**154,937**	-
Consulting fees	15	**969,911**	1,298,314
Depreciation	4	**407,517**	54,744
Foreign exchange loss		**90,075**	(102,369)
General and administrative expenses	20	**4,385,160**	4,330,732
Impairment of advances receivable	9,14	**(410,889)**	1,204,405
Impairment of PP&E and ROU assets	5	**2,755,327**	-
Interest expense	14,17,22	**575,410**	130,290
Interest income		**-**	(4,343)
Loss on acquisition of assets	6	**1,992,607**	-
Gain on investment	13	**(1,089,360)**	-
Loss on settlement of debt	15	**88,106**	-
Marketing, sales and distribution		**1,424,963**	1,292,337
Research and development	15	**1,124,015**	1,116,986
Share-based payments	16	**2,776,906**	2,142,819
Write-down of inventory	10	**2,157,732**	689,604
Total operating expenses		**20,982,872**	12,153,519
Net loss for the year		**$ (21,652,443)**	$ (13,153,386)
Net loss attributable to:			
Shareholders of the Company		**(21,463,191)**	(12,286,877)
Non-controlling interests	18	**(189,252)**	(866,509)
		$ (21,652,443)	$ (13,153,386)
Other comprehensive income (loss) (items that may be subsequently reclassified to profit and loss)			
Foreign exchange translation		**(530,783)**	956,822
Total comprehensive loss for the period		**$ (22,183,226)**	$ (12,196,564)
Other comprehensive income (loss) attributed to:			
Shareholders of the Company		**(605,381)**	1,050,720
Non-controlling interests	18	**74,598**	(93,898)
		$ (530,783)	$ 956,822
Total comprehensive loss attributable to:			
Shareholders of the Company		**(22,068,572)**	(11,236,157)
Non-controlling interests	18	**(114,654)**	(960,407)
		$ (22,183,226)	$ (12,196,564)
Weighted average number of shares		**11,262,556**	9,311,419
Net loss per share - basic and diluted		**$ (1.91)**	$ (1.32)

The accompanying notes are an integral part of these consolidated financial statements.

CORE ONE LABS INC.
(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Common shares							
	Shares	Amount	Obligation to issue shares	Reserves	Deficit	Accumulated other comprehensive income (loss)	Non-controlling Interest	Total shareholders' equity
Balance at December 31, 2017	7,972,747	$ 23,990,089	$ 2,024,063	$ 3,698,443	$ (18,139,295)	$ (146,817)	$ (538,507)	$ 10,887,976
Private placements	458,333	2,750,000	(2,020,000)	-	-	-	-	730,000
Exercise of warrants	1,766,111	14,834,007	-	(176,409)	-	-	-	14,657,598
Exercise of options	22,204	279,444	-	(79,606)	-	-	-	199,838
Cancelled shares issued for membership	(250,000)	-	-	-	-	-	-	-
Shares issued for finder's fee for the acquisition of technology	9,027	51,458	(4,063)	-	-	-	-	47,395
Share-based compensation	-	-	-	1,059,889	-	-	-	1,059,889
Shares released from escrow for technology	-	892,500	-	-	-	-	-	892,500
Non-controlling interest in equity	-	-	-	-	-	-	3,291	3,291
Foreign exchange translation	-	-	-	-	-	1,050,720	(93,898)	956,822
Net loss for the year	-	-	-	-	(12,286,877)	-	(866,509)	(13,153,386)
Balance at December 31, 2018	9,978,422	42,797,498	-	4,502,317	(30,426,172)	903,903	(1,495,623)	16,281,923
Private placement	1,618,680	6,422,050	-	139,669	-	-	-	6,561,719
Shares issued for assets	1,750,000	1,890,000	-	-	-	-	-	1,890,000
Exercise of options	25,000	262,899	-	(112,899)	-	-	-	150,000
Share-based compensation	-	-	-	2,776,906	-	-	-	2,776,906
Discount on marketable securities acquired from related party	-	-	-	142,500	-	-	-	142,500
Repurchase of non-controlling interest in equity	-	-	-	-	-	-	(1,281)	(1,281)
Foreign exchange translation	-	-	-	-	-	(605,381)	74,598	(530,783)
Net loss for the year	-	-	-	-	(21,463,191)	-	(189,252)	(21,652,443)
Balance at December 31, 2019	13,372,102	$ 51,372,447	$ -	$ 7,448,493	$ (51,889,363)	$ 298,522	$ (1,611,558)	$ 5,618,541

The accompanying notes are an integral part of these consolidated financial statements.

CORE ONE LABS INC.
(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2019	2018
Cash flows used in operating activities		
Net loss	**$ (21,652,443)**	$ (13,153,386)
Non cash items:		
Depreciation	**2,505,780**	54,744
Amortization expense	**3,580,455**	-
Bad debts	**154,937**	-
Foreign exchange	**538,158**	(137,112)
Impairment (recovery) of advances receivable	**(410,889)**	1,204,405
Impairment of PP&E	**685,598**	-
Impairment of inventory	**2,157,732**	-
Impairment of ROU	**2,069,729**	-
Interest expense	**575,410**	130,290
Gain on equity investment	**(1,089,360)**	-
Loss on settlement of debt with related party	**88,106**	-
Loss on acquisition of assets	**1,992,607**	-
Loss on disposal of assets	**(5,060)**	-
Options issued for advertising and promotion	**-**	(143,037)
Share-based compensation	**2,776,906**	2,142,819
Unrealized gain on changes in fair value of biological assets	**(679,267)**	-
Changes in operating assets and liabilities:		
Amounts receivable	**(499,603)**	18,868
Prepaids and other current assets	**144,069**	(429,585)
Biological assets	**(1,415,634)**	-
Inventory	**(411,373)**	(1,591,516)
Accounts payable and accrued liabilities	**2,574,152**	1,837,527
Amounts due to related parties	**572,970**	6,154
Unearned revenue	**(25,009)**	(97,177)
Net cash used in operating activities	**(5,772,029)**	(10,157,006)
Cash flows used in investing activities		
Advances receivable	**(206,430)**	(1,102,464)
Equipment purchased	**(961,478)**	(3,242,096)
Investment in membership	**-**	(1,567,500)
Production facility	**(673,768)**	(1,869,222)
Sale of marketable securities	**1,630,487**	-
Deposits on sale of assets	**192,604**	-
Land acquisition	**-**	(3,162)
Net cash provided by used in investing activities	**(18,585)**	(7,784,444)
Cash flows provided by financing activities		
Advances payable	**308,771**	-
Repayment of loans (net of loans received)	**(700,000)**	(650,855)
Interest paid on loans	**(112,690)**	(137,855)
Proceeds from loans	**196,485**	700,000
Repayment of lease	**(955,368)**	-
Units issued for private placements	**6,561,719**	730,000
Exercise of warrants	**-**	14,657,598
Exercise of options	**150,000**	199,838
Net cash provided by financing activities	**5,448,917**	15,498,726
Effects of foreign currency exchange	**6,252**	140,711
Change in cash and cash equivalents	**(335,445)**	(2,302,013)
Cash and cash equivalents, beginning	**452,295**	2,754,308
Cash and cash equivalents, ending	**$ 116,850**	$ 452,295
Cash and cash equivalents are comprised off:		
Cash	**$ 116,850**	$ 440,795
Term deposit	**-**	11,500
Total cash and cash equivalents	**$ 116,850**	$ 452,295

The accompanying notes are an integral part of these consolidated financial statements.

CORE ONE LABS INC.
(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Supplemental cash flow information
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2019	2018
Supplemental cash flow information:		
Cash paid for interest	**$ 112,690**	$ 137,855
Cash received for interest	**$ -**	$ 4,343

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.) (the "Company" or "Core One") was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share. On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in these financial statements on a post-consolidation basis.

Core One is a technology company that licenses its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produces infused strips that allow for bioavailability of cannabis constituents. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group Inc., the Company operates a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California. The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC, V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

As of the date of these consolidated financial statements, the Company's structure is represented by Core One Labs Inc., parent company incorporated pursuant to the provision of the Business Corporations Act (British Columbia), and the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest	Function
Canna Delivery Systems Inc.	Nevada	100%	Holding company
LDS Agrotech Inc.	Nevada	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	75%	Consulting services - extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	100%	Holding company
LDS Development Corporation	California	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	Holding company
CSPA Group, Inc.	California	100%	Manufacturing and transportation
Core Isogenics Inc.	California	100%	Nursery and cultivation
Agrotech LLC.	California	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	Medical Clinic
Shahcor Health Services Inc.	British Columbia	25%	Medical Clinic

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These consolidated financial statements were authorized for issue on August 18, 2020, by the Directors of the Company.

Statement of Compliance
These consolidated financial statements have been prepared in accordance with accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements include the accounts of the Company and its subsidiaries, as listed in Note 1. All intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

Basis of Measurement and Use of Estimates
These consolidated financial statements have been prepared on an accrual basis and are based on historical costs basis except for certain financial instruments and contingencies which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented. Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency. The Company's USA-based subsidiaries' functional currency is the US dollar.

Foreign currency translation
Transactions and balances:
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on the settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as qualifying cash flow or net investment hedge.

Translations:
Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:
The financial results and position of the Company's USA-based subsidiaries, whose functional currency is the United States dollar, are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Exchange differences arising on translation of USA-based subsidiaries are recognized in other comprehensive income (loss). These differences will be recognized in the profit or loss if and when the USA-based subsidiaries are ever disposed of.

Significant estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is a significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of technology, fair value measurements for financial instruments, recoverability and measurement of deferred tax assets, and contingent liabilities.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements were:

- Evaluating whether or not costs incurred by the Company meet the criteria for capitalization as intangible assets.

- The Company assesses the carrying values of its tangible and intangible assets annually, or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets.

- Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The Company completed the acquisition of Rainy Daze Cannabis Corp. ("Rainy Daze") in November 2019 (Note 6) and concluded that the acquired entity did not qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were not acquired. Accordingly, the acquisition has been accounted for as an asset acquisition.

- As more fully described in Note 3, on January 1, 2019, the Company adopted IFRS 16. Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancelable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and right-of-use assets. The non-cancellable term of the lease depends on the terms of the lease agreement and management's plans for the leased asset in question. The management must evaluate whether or not the Company shall exercise renewal options, the result of which could extend the non-cancellable term of the lease. Extending the lease term can have a material impact on the recorded value of lease liabilities and right-of-use assets.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Significant judgments (continued)

- The Company measures biological assets consisting of cannabis biomass at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The transfer of the fair value of biological assets to inventory may increase or decrease the deemed cost of ending inventory. In calculating the fair value of biological assets, management is required to make a number of estimates including wastage, expected yields, selling price and costs to sell at the point of harvest, and percentage of costs incurred for each stage of plant growth (Note 11).

- In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. The valuation of crude oil, extracts, and other products also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1), functional currency determinations and the classification of its financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. The Company had no cash equivalents as at December 31, 2019 (December 31, 2018: $11,500 in term deposits).

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Amounts and advances receivable	Amortized cost
Marketable securities	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Advances payable	Amortized cost
Note payable	Amortized cost
Lease liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

ii) Measurement
Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are recognized in the statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in the statement of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii) Impairment of financial assets at amortized cost and expected credit losses

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. Losses are recognized in the statement of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss. As at December 31, 2019, the Company had estimated its allowance for doubtful accounts to be $154,937.

(iv) Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or when they expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

Financing costs
The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive loss.

Revenue recognition
Revenue consists of consulting fees associated with set up of cannabis operations and sales of cannabis products, such as CannaStrips™, live resins, distillate oils and flower. The Company recognizes revenue as the Company satisfies the performance obligations with its customers as it delivers the goods to a customer. Transaction prices are determined based on the agreed upon prices with customers for the Company's goods and services at the time contracts are entered into. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money and expenses any incremental costs of obtaining contracts with customers as incurred.

The Company recognizes its revenue as follows:

- Revenue from sales of products is recognized when the transfer of ownership to the customer has occurred and customer has accepted the product.
- Consulting revenue is recognized when services have been provided, the income is determinable, and collectability is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Deposits received from customers prior to entry into a definitive agreement, or prior to the delivery of goods and services, and where a performance obligation exists, are recorded as unearned revenue (Note 12).

Inventory
Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost method and include the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of work-in-process and finished product inventories includes the cost of materials, the cost of direct labour, and a systematic allocation of manufacturing overheads based on a normal range of capacity for the production facility.

Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventories as incurred, including labor related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation.

Production costs relating to inventory sold represent all costs of inventories recognized as expense in the years, except deemed costs of inventory that arise from the fair value measurement of biological assets transferred to finished harvest inventory. Fair value adjustments on inventory sold represents the deemed costs of inventory sold that arises from the fair value measurement of biological assets, exclusive of any capitalized costs.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

Biological assets
The Company's biological assets consist of cannabis plants and are valued using the income approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. While the Company's biological assets are within scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include direct cost of seeds and growing materials, and indirect costs such as utilities, supplies and equipment rentals used in the growing and harvesting process. Direct labor costs include harvesting, planting, and propagation. Indirect labor relates to quality control processes. All production costs are capitalized as they are incurred and subsequently recorded within cost of goods sold on the consolidated statements of comprehensive loss in the period that the related product is sold.

The Company measures biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of biomass inventories after harvest. Net unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included in the results of operations for the related year.

Share-based payments
The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Loss per share
Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Property and equipment
Property and equipment are stated at historical cost less accumulated amortization and accumulated impairment losses. Cost includes costs paid to acquire assets from third parties as well as costs incurred in internally constructed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Amortization is calculated as follows:

- Production equipment is amortized using declining balance depreciation method ("DB") at a rate of 20%;
- Transportation vehicles are amortized using DB at a rate of 30%;
- Leasehold improvements and facility upgrade costs are amortized using a straight-line method ("SL") over the asset's useful life or a lease period plus one renewal period; and
- Land, having an unlimited useful life, is not depreciated.

No amortization is recorded where an asset is in development and not yet ready for its intended use.

Intangible assets
Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

Research and development
Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

These costs are amortized on a straight-line basis over the estimated useful lives of 5 years. The Company did not have any development costs that met the capitalization criteria for the years ended December 31, 2019 and 2018.

Income taxes
Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets, against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Recent accounting pronouncements

Newly adopted accounting standards

IFRS 16 - Leases

The Company adopted IFRS 16 Leases ("IFRS 16"), which introduces a single, on-balance sheet accounting model for lessees, effective January 1, 2019. As a result, the Company, as a lessee, has recognized right-of-use assets (the "ROU Assets") representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has elected not to apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value.

The Company adopted IFRS 16 using the modified retrospective approach; therefore the comparative information for 2018 has not been restated.

As at January 1, 2019, the applicable leases consisted of industrial/warehouse leases that had previously been classified as operating leases. On transition, the lease liabilities for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019, which was estimated at 12.6%. The Company elected to measure the ROU assets at an amount equal to the lease liability.

On transition to IFRS 16, the recognition of ROU assets and lease liability for its leases resulted in an increase to its property, plant, and equipment of $2,364,559 as at January 1, 2019, with a corresponding increase in lease liability. The ROU assets are presented as ROU assets within property and equipment, and lease liability presented as lease, in the statement of financial position.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

A reconciliation of lease commitments as reported at December 31, 2018, to the lease liability recorded at January 1, 2019, is as follows:

Operating lease commitment at December 31, 2018	$3,634,229
Impact of discounting using the incremental borrowing rate at January 1, 2019	(1,269,670)
Lease liability recognized as at January 1, 2019	$2,364,559

The following table summarizes the impacts of adopting IFRS 16 on the consolidated financial statements:

	Balance December 31, 2018	Adoption of IFRS 16	Restated balance January 1, 2019
Right of use assets	$ -	$ 2,364,559	$ 2,364,559
Lease liability	$ -	$ 326,146	$ 326,146
Non-current lease liability	$ -	$ 2,038,413	$ 2,038,413

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a ROU asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of the ROU asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the ROU assets is depreciated on a straight-line basis over the life of the leases, which at December 31, 2019, had an expected life of 6.25 years and 4.25 years, to March 2026 and March 2024, respectively.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The Company does not recognize ROU assets and lease liabilities for leases of low-value assets and leases with lease terms less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit. During the year ended December 31, 2019, the Company recorded $124,843 in rent expense in the statement of comprehensive loss.

The Company has applied judgment to determine the lease term for those lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

ROU assets are presented in the same line item as property, plant, and equipment in the statement of financial position as it presents underlying assets of the same nature owned by the Company.

Future accounting policy changes

Amendments to IFRS 3 – Definition of a business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

Management is currently assessing the impact of the new standard on the Company's accounting policies and financial statement presentation.

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Membership and CUP	Property	Plant	Equipment	ROU	Total
Cost						
Balance at December 31, 2017	$ 1,998,475	$ 1,889,349	$ 4,104,948	$ 2,083,171	$ -	$ 10,075,943
Additions	1,567,500	3,162	1,869,222	3,242,096	-	6,681,980
Foreign exchange	21,940	165,463	457,776	305,357	-	950,536
Balance at December 31, 2018	3,587,915	2,057,974	6,431,946	5,630,624	-	17,708,459
ROU recognized on adoption of IFRS 16	-	-	-	-	2,364,559	2,364,559
Balance at December 31, 2018 (adjusted)	3,587,915	2,057,974	6,431,946	5,630,624	2,364,559	20,073,018
Additions	-	-	673,768	961,478	2,447,457	4,082,703
Impairment	-	(338,566)	(347,032)	-	(2,069,729)	(2,755,327)
Foreign exchange	-	(91,489)	(307,001)	(269,118)	(133,571)	(801,179)
Balance at December 31, 2019	**$ 3,587,915**	**$ 1,627,919**	**$ 6,451,681**	**$ 6,322,984**	**$ 2,608,716**	**$ 20,599,215**
Accumulated Amortization						
Balance at December 31, 2017	$ -	$ -	$ -	$ 8,705	$ -	$ 8,705
Depreciation	-	-	163,774	312,449	-	476,223
Foreign exchange	-	-	8,658	16,518	-	25,176
Balance at December 31, 2018	-	-	172,432	337,672	-	510,104
Depreciation	-	-	850,666	972,635	682,479	2,505,780
Amortization	3,580,455	-	-	-	-	3,580,455
Foreign exchange	7,460	-	(18,015)	(20,598)	(14,453)	(45,606)
Balance at December 31, 2019	**$ 3,587,915**	**$ -**	**$ 1,005,083**	**$ 1,289,709**	**$ 668,026**	**$ 6,550,733**
Net Book Value						
At December 31, 2018	$ 3,587,915	$ 2,057,974	$ 6,259,514	$ 5,292,952	$ -	$ 17,198,355
At December 31, 2019	**$ -**	**$ 1,627,919**	**$ 5,446,598**	**$ 5,033,275**	**$ 1,940,690**	**$ 14,048,482**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at December 31, 2019, the Adelanto facility was completed and fully functional.

At December 31, 2019, $2,098,263 (December 31, 2018 - $305,246) in amortization and depreciation expenses were included in cost of sales.

In January 2020, the Company entered into an option agreement with an affiliated party (the "Buyer"), wherein the Company granted the Buyer the exclusive right and option to purchase the Company's land parcel in Adelanto, California for $200,000. The option gives the Buyer the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023. During the year ended December 31, 2019, the Company received $192,604 towards this option (2018 - $Nil). As at December 31, 2019, the option has not been exercised and the value of the land was adjusted to fair value of $737,718 (Note 5).

Membership and license

In 2018, the new State of California Cannabis regulations eliminated restrictions on issuing cannabis-related licenses to nonprofit mutual benefit corporations only. As of the date the new regulations became effective, any corporation formed in the State of California, provided it remains in good standing, can apply and receive licenses to operate a cannabis business. Therefore the Company, chose to convert one of its wholly-owned subsidiaries, CSPA Group Inc., from a nonprofit mutual benefit corporation to a business corporation by filing Amended and Restated Articles of Incorporation with the Secretary of State of California, whereby the Membership was converted to regular shares of the corporation, and the shares were assigned a value of $100, which is eliminated on consolidation.

As at December 31, 2019, due to these regulatory changes in the State of California associated with certain requirements for the companies operating within the cannabis industry, Management determined that the useful life of the Membership in CSPA Group Inc. (the "Membership"), as an intangible asset, was no longer indefinite. The annual cost of renewal, the rigor of the renewal process combined with other changes in the industry associated with competition and regulatory requirements, made the cost of renewal insignificant versus when the Membership was first purchased, where the number of permits were limited and where the ability to obtain permits was more challenging.

As the useful life of the Membership was reassessed as definite, Management determined the carrying amount should be amortized over the new useful life, being the license renewal period.

In line with its decision to amortize the Membership, the Company assessed the useful life of an initial conditional use permit ("CUP"), which the Company acquired in its fiscal 2017. It was determined that the useful life of the CUP was equivalent to its renewal period, and as at December 31, 2019, the CUP was fully amortized.

The Company recognized an amortization charge of $3,580,455 relating to the Membership and CUP.

(Expressed in Canadian Dollars)

5. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Management assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impaired. Impairment of property, plant, and equipment for the year ended December 31, 2019:

	December 31, 2019	December 31, 2018
Impairment charges:		
Land – Rancho Road Property	$ 338,566	$ -
Architectural design	285,283	-
Leasehold improvement – Costa Mesa office	61,749	-
ROU asset	2,069,729	-
Total impairment charges	$ **2,755,327**	**$ -**

Land

During the year ended December 31, 2019, the Company assessed the carrying value of its land that has not been placed into service and recognized an impairment of $338,566. Management determined the recoverable amount using FVLCD. For the purposes of the FVLCD calculation, management used an independent appraisal of the land at the valuation date. The Company determined that the recoverable amount associated with the land was $737,718.

Architectural design

During the year ended December 31, 2019, the Company assessed that its architectural designs for development of its lands had no value and recognized impairment of $285,283.

Leasehold improvement

During the year ended December 31, 2019, the Company cancelled an office lease, and leasehold improvements related to this office lease of $61,749 were impaired.

Right-of-use asset

As at December 31, 2019, the Company determined that the lease agreement between a landlord and the Company for the Company's use of an additional warehouse facility in Adelanto, California, terminating on March 31, 2024, is an onerous contract, under the definition of IAS 37. As at December 31, 2019, the Company has no immediate plans to use this building. Management recognized an impairment loss of $2,069,729 for the impairment of the ROU asset related to this onerous contract, and recorded the provision for unavoidable costs as lease liability in the statement of financial position.

6. ASSET ACQUISITION

Acquisition of Rainy Daze

On November 14, 2019, the Company completed the acquisition of Rainy Daze by purchasing all the issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing 1,750,000 common shares of the Company (the "Acquisition").

(Expressed in Canadian Dollars)

6. ASSET ACQUISITION (CONTINUED)

Rainy Daze holds a long-term lease for a bay in a micro-cultivation facility that is currently under construction with a lease term of 5 years, commencing on the day immediately following Rainy Daze receiving an occupancy permit from the Capital Regional District. As at December 31, 2019, this lease has not commenced. Rainy Daze intends to apply for a micro-cultivation license with Health Canada at a time when the building has received required approvals. Rainy Daze entered into a management agreement to complete the licensing and manage the facility operations. Rainy Daze also entered into a Cannabis Processing Agreement with a processor on October 15, 2019, whereby the processor, will become the exclusive processor and distributor of all cannabis products produced by Rainy Daze.

As at the date of the Acquisition, the Company determined that Rainy Daze did not constitute a business as defined under IFRS 3, Business Combinations, and the Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The details of the consideration paid, and the assets and liabilities of Rainy Daze is as follows:

		Total
Consideration paid:		
Fair value of shares issued (1,750,000 at $1.08 per share)	$	1,890,000
Cash consideration due on closing		100,000
		1,990,000
Less: Value of net liabilities acquired:		
Cash		28
Deposit on sublease		40,000
Good and services tax receivable		2,109
Accounts payable and accrued liabilities		(2,704)
Due to related parties		(42,040)
Net liabilities acquired		(2,607)
Loss on acquisition of assets	$	1,992,607

7. PREPAIDS AND OTHER CURRENT ASSETS

Prepaids and other current assets as at December 31, 2019 and 2018, consisted of the following:

	December 31, 2019	December 31, 2018
Insurance	$ 5,780	$ 149,517
Prepaid service fees	234,821	500,980
Security deposits	244,920	25,313
Prepaid regulatory fees	60,957	-
Total prepaids and other current assets	**$ 546,478**	**$ 675,810**

During the year ended December 31, 2019, the Company paid $244,920 which was recorded as security deposits (2018 - $24,099) for retainers with natural gas suppliers. During the same period, the Company renewed its annual licenses to operate the Adelanto facility. The licenses have a term of one year and expire on various dates throughout fiscal 2020. The Company recorded $60,957 as prepaid regulatory fees associated with these operating licenses (2018 - $Nil).

(Expressed in Canadian Dollars)

8. AMOUNTS RECEIVABLE

Amounts receivable as at December 31, 2019 and 2018, consisted of the following:

	December 31, 2019	December 31, 2018
Trade accounts receivable	$ 542,788	$ 8,686
GST receivable	12,364	58,844
Allowance for doubtful accounts	(154,937)	-
Foreign exchange	3,281	-
Total amounts receivable	**$ 403,496**	**$ 67,530**

During the year ended December 31, 2019, the Company set up an allowance for trade accounts receivable which were deemed uncollectible and recorded a bad debt expense of $154,937 (2018 - $nil). No additional provision for expected credit losses has been set up.

9. ADVANCES RECEIVABLE

During the year ended December 31, 2019, the Company advanced a net amount of $71,252 (2018 - $1,102,464) to affiliated companies with senior management in common. The advances are due on demand and do not accumulate interest. At December 31, 2019, the Company had a total of $33,860 in advances receivable from affiliated entities (2018 - $9,549).

During the year ended December 31, 2018, the Company advanced $1,102,464 (US$889,865) to EPG Power Corporation ("EPG"), an affiliated company with former directors and senior management in common, to acquire a power generator and supplies necessary for its operation. At December 31, 2018, the Company assessed EPG's financial position and its ability to repay the advances; it considered EPG's short cash position, negative working capital, and ongoing negotiations with the City of Adelanto to supply power to cannabis operations, which led to a decision to set up an impairment of the amount advanced to EPG being $1,204,405.

During the year ended December 31, 2019, the Company used EPG's power generator in its cultivation operations resulting in $540,768 in advances being recovered. The remaining $602,269 continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator.

10. INVENTORY

At December 31, 2019, the Company's inventory was valued at $2,191,088 (2018 - $2,119,417) and consisted of $88,785 (2018 - $1,028,447) in raw materials held for manufacturing and $2,102,303 (2018 - $1,090,970) in finished products ready for sale.

During the year ended December 31, 2019, the Company expensed $6,122,182 (2018 - $4,737,027) of inventory to cost of goods sold; in addition the Company recognized $268,299 (2018 - $Nil) non-cash expense relating to the changes in fair value of inventory sold.

As at December 31, 2019, the Company wrote down its inventory of cannabis-related products to the net realizable value, which resulted in an impairment of $2,157,732 (December 31, 2018 - $689,604).

(Expressed in Canadian Dollars)

11. BIOLOGICAL ASSETS

At December 31, 2019, the Company's biological assets consisted of cannabis plants.

The continuity of biological assets for the year ended December 31, 2019:

		December 31, 2019
Biological assets, beginning of period	$	-
Production of biological assets		2,430,575
Unrealized changes in fair value less costs to sell of biological assets		679,267
Transfers to inventory upon harvest		(2,927,576)
Foreign exchange		(14,385)
Biological assets, end of period	**$**	**167,881**

The Company's biological assets consist of cannabis plants. Biological assets are valued in accordance with IAS 41, *Agriculture*, based on a market approach where fair value at the point of harvest is estimated based on selling prices less costs to sell at harvest. Since there is no actively traded commodity market for cannabis plants in California, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

For in-process biological assets, the Company estimates the expected harvest yield in pounds ("lbs") and then adjusts the amount at point of harvest based on their stage of growth and by the expected selling costs per lbs.

The following significant unobservable inputs were used by management as model:

- Estimated selling price per lbs – with limited sales history, the Company's management evaluates available industry data and expects to closely approximate the expected selling price.

- Stage of growth – the Company applies a weighted average number of days out of the 16-week growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.

- Plant yield – represents the expected number of ounces of finished cannabis flower and content of cannabidiol as a percentage of weight to be obtained from each harvested cannabis plant based on historical evidence.

Other unobservable inputs include: Estimated post-harvest costs, costs to complete and wastage. All inputs noted above are classified as level three on the fair value hierarchy.

The following table quantifies each significant unobservable input and provides the impact of a 20% increase or decrease that each input would have on the fair value of biological assets:

	Indoor Cultivation	Impact of 20% change – December 31, 2019
Estimated yield per plant	3.42 oz	$32,973
Average selling price, mature plant	$130/lb (USD$100/lb)	$32,973
Growth stage	46%	$32,973

(Expressed in Canadian Dollars)

12. UNEARNED REVENUE

At December 31, 2019, the Company recorded $671,495 (December 31, 2018 - $680,505) in deferred revenue on future services which were comprised of the following:

	December 31, 2019	December 31, 2018
Prepayments received from customers	$ 57,033	$ -
Payment for Track and Trace software	614,462	605,057
Deposit for future services from affiliate	-	75,448
Total unearned revenue	**$ 671,495**	**$ 680,505**

During the year ended December 31, 2017, the Company entered into an Intellectual Property License and Royalty Agreement (the "TCAN Agreement") with TransCanna Holdings Inc. ("TransCanna"), a company related by virtue of former common management and common directors, for its Track and Trace software, which the Company was commissioned to develop. At December 31, 2019, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the state of California. For these reasons, the Company recorded $614,462 (2018 - $605,057) as unearned revenue (Note 13). Subsequent to December 31, 2019, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna.

13. MARKETABLE SECURITIES

At December 31, 2019, the Company's marketable securities consisted of 250,000 common shares of TransCanna (the "TCAN Shares"), valued at $295,000.

During the year ended December 31, 2019, the Company sold 1,102,254 TCAN Shares received as part of the TCAN Agreement, dated for reference November 15, 2017 (Note 12), for a total net proceeds of $1,630,487. The Company recorded a net realized gain of $1,079,360 on the sale of TCAN Shares (2018 - $Nil).

On August 8, 2019, the Company acquired an additional 250,000 TCAN Shares from Mr. Eckenweiler, the Company's former CEO and director, who agreed to sell the TCAN Shares at a 50% discount to market price in exchange for $142,500 non-interest-bearing note payable. The shares were acquired as security required under the USD$150,000 advance the Company received from TransCanna (Note 17).

At December 31, 2019, TCAN Shares were valued at $295,000 (2018 - $541,237) based on the market price of TCAN Shares at December 31, 2019. The revaluation of the equity investment in TCAN Shares resulted in a $10,000 gain (2018 - $Nil). The gain resulted from an increase of the market price of TCAN shares from $1.14 per share at August 8, 2019, the purchase date of the shares that remained in the Company's portfolio on December 31, 2019, to $1.18 per share at December 31, 2019.

14. LEASE

The Company leases certain assets under lease agreements. The lease liability consists of leases for the manufacturing facility terminating on March 31, 2021, and the warehouse facility terminating on March 31, 2024, and various short-term and operating leases for office space and equipment. The leases are calculated using an incremental borrowing rate of 12% per annum.

(Expressed in Canadian Dollars)

14. LEASE (CONTINUED)

At December 31, 2019, the Company's lease liability related to leases is as follows:

Balance – January 1, 2019	$	2,364,559
Additions		2,447,457
Interest expense		472,103
Lease payments		(955,368)
Foreign exchange		(167,167)
Balance – December 31, 2019	$	4,161,584
Current portion	$	665,853
Long-term portion	$	3,495,731

During the year ended December 31, 2019, the Company received $132,690 (2018 - $nil) in rental income relating to an agreement between the Company and TCM Distribution Inc., a subsidiary of TransCanna, for sublease of its premises that is recorded as a recovery of rent expense, included as part of general and administrative expenses in the statement of comprehensive loss. The Company classified this sublease as an operating lease, as it does not transfer substantially all of the risks and rewards incidental to the rights to use the underlying asset. The Company recorded an impairment of $129,880 for rent not received from TCM Distribution Inc.

At December 31, 2019, the Company is committed to minimum lease payments as follows:

Maturity analysis		**December 31, 2019**
Less than one year	$	1,090,992
One to five years		4,430,596
More than five years		120,399
Total undiscounted lease liabilities	$	5,641,987

15. RELATED PARTY TRANSACTIONS

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 aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		December 31,	
		2019	**2018**
Management consulting services	a)	$ 575,143	$ 822,767
Consulting services for research and development	b)	$ 144,898	$ 122,445
Management salaries	c)	$ 620,358	$ 567,517
Share-based compensation	d)	$1,893,416	$ 1,193,185

a) Management consulting services consist of the following:

$397,090 (2018 – $390,125) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly

15. RELATED PARTY TRANSACTIONS (CONTINUED)

remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term.

- $Nil (2018 – $70,740) in consulting fees paid to Mr. Pakulis, the Company's former President and a member of the board of directors pursuant to a management consulting agreement. Mr. Pakulis resigned from his management and directorship positions with the Company on November 16, 2018, effectively terminating the management consulting agreement.

- $119,682 (2018 - $116,125) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms. Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

- $12,500 (2018 - $60,000) in consulting fees paid or accrued to Mr. Johannson, a former member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement. Mr. Johannson resigned as a director of the Company on March 15, 2019, effectively terminating his management consulting agreement with the Company.

- $45,871 (2018 - $185,777) in consulting fees paid or accrued to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

b) Consulting services for research and development consist of the following:

- $79,413 (2018 – $78,811) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $65,485 (2018 - $43,634) in consulting and product development fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson ("Nanostrips"). As the product development fees are associated with the manufacturing of CannaStrips™, these fees are included in cost of sales.

c) Management salaries consist of the following:

- $238,842 (2018 – $Nil) in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees

- $183,112 (2018 – $178,807) in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

- $165,863 (2018 – $194,355) in management salaries paid to Mr. Hunt, former President and a 25% shareholder of LDS Scientific. As of August 1, 2018, Mr. Hunt was remunerated through the regular monthly payroll. Mr. Hunt was entitled to a monthly salary of US$12,500 in addition to all regular payroll benefits the Company set up for its USA-based employees. Mr. Hunt's employment was terminated in November 2019.

- $16,619 (2018 – $194,355) in management salaries paid to Ms. Elrod, former President and a 25% shareholder of LDS Scientific. The Company agreed to pay Ms. Elrod US$12,500 per month for her services. On January 31, 2019, the Company and Ms. Elrod entered into a settlement agreement and release (the "Settlement Agreement"). Pursuant to the Settlement Agreement the Company reacquired shares of Omni Distribution held by Ms. Elrod in exchange for forgiveness of $88,106 (US$70,400) of cash advances the Company extended to Ms. Elrod during the year ended December 31, 2018, and Ms. Elrod resigned from all the positions she held with the Company and its subsidiaries.

- $15,923 (2018 – $Nil) in management salaries paid to Ms. Christopherson, CEO of CSPA Group and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

- On February 6, 2019, the Company granted options to acquire up to 166,667 common shares to its President, Mr. Fenwick. The options vested over a two-year period in equal quarterly installments of 20,833 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the options. The Company recorded $779,738 as share-based compensation for the year ended December 31, 2019 (Note 16).

- On February 6, 2019, the Company granted warrants to acquire up to 83,334 common shares to Mr. McEnulty. The warrants vested over a two-year period in equal quarterly installments of 10,417 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the warrants. The Company recorded $175,681 as a share-based compensation for the year ended December 31, 2019 (Note 16).

- On September 13, 2019, the Company granted options to purchase up to 641,500 common shares to its executive officers and directors. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. On December 27, 2019, the Company cancelled these options. The Company recorded $937,998 as share-based compensation for the year ended December 31, 2019 (Note 16).

- During the comparative year ended December 31, 2018, the share-based compensation consisted of an option to acquire up to 41,664 common shares the Company granted to its former director on January 11, 2018. The options were initially valued at $342,391 and could have been exercised at a price of $13.80 per share expiring on January 11, 2020. These options expired on April 15, 2019, in accordance with the Company's stock option plan. In addition, on August 15, 2018, the Company granted an option to acquire up to 235,485 common shares to its CEO and a director. The options were valued at $850,794 and could have been exercised at a price of $6.96 per share expiring on August 15, 2020 (Note 16). These options were cancelled on December 27, 2019.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party payables at December 31, 2019 and 2018 consisted of the following:

	December 31, 2019	December 31, 2018
Brad Eckenweiler	$ 337,532	$ 37,424
Casey Fenwick	294,884	-
Dr. John Sanderson	38,964	20,463
James Pakulis	-	57,903
Yanika Silina	88,476	1,581
Arni Johannson	49,875	36,750
Frank McEnulty	125,077	81,852
Crystal Elrod	-	(99,450)
Jonathan Hunt	27,903	6,139
Nanostrips Inc.	8,445	18,008
Matt Ferguson	44,808	-
Total payable to related parties	$ 1,015,964	$ 160,670

16. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value.

On September 6, 2019, the Company effected a consolidation of its capital on the basis of six (6) existing common shares for one (1) new common share. On July 7, 2020, the Company further consolidated its share capital on the basis of two (2) existing common shares for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

B. Issued Share Capital

As at December 31, 2019, the Company had 13,372,103 shares issued and outstanding.

During the year ended December 31, 2019, the Company had the following transactions that resulted in issuance of its common stock:

i. During the year ended December 31, 2019, the Company issued 25,000 shares for total proceeds of $150,000 to a former director on exercise of an option to acquire common shares of the Company granted under the Company's rolling stock option plan.

ii. On May 9, 2019, the Company closed a non-brokered private placement financing (the "Financing") by issuing a total of 1,618,680 units (the "Units") at $4.20 per Unit for total gross proceeds of $6,798,457. Each Unit sold in the Financing consisted of one common share of the Company (each a "Unit Share") and one common share purchase warrant (each a "Warrant") entitling the holder to purchase one additional common share (a "Warrant Share") at a price of $3.00 per Warrant Share for a period ending on May 9, 2020.

(Expressed in Canadian Dollars)

16. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital (Continued)

In connection with the Financing, the Company paid cash commissions of $233,076 and recognized $3,663 as share issuance costs. In addition, the Company issued 55,495 brokers' warrants with a fair market value of $139,669, which was determined using Black-Scholes Option pricing model based on the following assumptions:

	May 9, 2019
Expected Life of the Broker Warrants	1 year
Risk-Free Interest Rate	1.61%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	109%

The brokers' warrants were exercisable at $6.00 per share for a one-year period expiring on May 9, 2020. These warrants expired unexercised.

iii. On November 14, 2019, the Company issued 1,750,000 common shares at a deemed price of $1.08 per share in consideration of the acquisition of all the issued and outstanding shares of Rainy Daze (Note 6).

During the year ended December 31, 2018, the Company had the following transactions that resulted in the issuance of its common stock:

iv. On January 11, 2018, the Company closed a non-brokered private placement financing (the "January Financing") for a total of 458,333 units (the "January Units") at a price of $6.00 per January Unit (the "Issue Price") for total gross proceeds of $2,750,000. Each January Unit sold in the January Financing consisted of one common share of the Company (each a "January Unit Share") and one common share purchase warrant (each a "January Warrant"). Each January Warrant entitled the holder to purchase one additional common share (a "January Warrant Share") at a price of $9.00 per January Warrant Share for a period ending one year from the date of issuance. The Company had a right to accelerate the expiration date of the January Warrants if the daily volume weighted average share price of the Company's common shares on the Canadian Securities Exchange (or such other stock exchange as the Company's common shares are then trading on) was equal to or greater than $18.00 for ten consecutive trading days. During the year ended December 31, 2018, 16,667 January Warrants were exercised; remaining January Warrants expired unexercised subsequent to December 31, 2018.

v. During the year ended December 31, 2018, the Company issued 1,626,659 shares of the Company's common stock on the exercise of warrants for total proceeds of $13,664,036.

vi. During the year ended December 31, 2018, the Company issued 139,425 shares of the Company's common stock on the exercise of broker warrants for total proceeds of $993,562. These warrants had an initial fair value of $176,409.

vii. During the year ended December 31, 2018, the Company issued 22,204 shares of its common stock for total proceeds of $199,838 on the exercise of options the Company issued to an entity engaged in capital markets advisory and investor relations services. These options had an initial fair value of $79,606.

viii. On March 15, 2018, the Company returned to treasury and canceled 250,000 shares of the Company's common stock previously granted to NHMC under the Membership Purchase Agreement to acquire membership in NHMC, which were held in escrow pending receipt of COO.

(Expressed in Canadian Dollars)

16. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital (Continued)

ix. On October 5, 2018, the Company issued 9,028 finder's shares with a value of $51,458 upon the Company achieving the fourth revenue milestone of generating cumulative US$1,000,000 as contemplated under the terms of the Acquisition of Canna. Share-based compensation of $47,395 was recorded.

C. Stock Purchase Options

The Company maintains a rolling stock option plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

Stock Option Grants and Transactions during the year ended December 31, 2019

On February 6, 2019, the Company granted options to acquire up to 250,000 common shares to its President and an employee and granted warrants to acquire up to 250,000 common shares to its consultants. These securities were issued outside of the Company's Plan. The options and warrants vested quarterly over a two-year period in equal installments beginning on February 7, 2019, and could have been exercised at a price of $5.58 per share expiring five years after each vesting date. The grant date fair value of these options was $1,169,607. These options were cancelled on December 27, 2019. During the year ended December 31, 2019, the Company recognized $1,169,607 as share-based compensation. The value of the options was determined using the Black-Scholes Option pricing model using the following assumptions:

	February 6, 2019
Expected Life of the Options	5 years
Risk-Free Interest Rate	1.83%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	163.67%

During the year ended December 31, 2019, the Company recognized $527,041 as share-based compensation being the fair value of 250,000 warrants granted to its consultants. The value of the warrants was determined using the Black-Scholes Option pricing model as at February 7, 2019, and was revalued at December 27, 2019, the date all outstanding options and warrants were cancelled, using the following assumptions:

	December 27, 2019	**February 7, 2019**
Expected Life of the Warrants	5 years	5 years
Risk-Free Interest Rate	1.62%	1.78%
Expected Dividend Yield	Nil	Nil
Expected Stock Price Volatility	157.14%	163.71%

On September 13, 2019, the Company granted options to purchase up to 923,800 common shares to its executive officers, directors, and consultants. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. Options to acquire up to 691,500 common shares vested immediately, and options to acquire up to 232,300 common shares issued to a consultant for investor relations services vested over a 12-month period beginning on December 13, 2019, at 58,075 shares per quarter. These options were cancelled on December 27, 2019. The Company recorded $1,011,106 as share-based compensation associated with the options to acquire up to 691,500 issued to executive officers, directors and consultants for non-investor relations services, and $69,152 for options to acquire up to 232,300 shares issued to a consultant for IR services. The above compensation was determined using the Black-Scholes Option pricing model using the following assumptions:

(Expressed in Canadian Dollars)

16. CAPITAL AND RESERVES (CONTINUED)

C. Stock Purchase Options (Continued)

Non-IR Options	September 13, 2019
Expected Life of the Options	1.97 years
Risk-Free Interest Rate	1.64%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	114%

IR Options	December 27, 2019	September 13, 2019
Expected Life of the Options	1.72 years	1.97 years
Risk-Free Interest Rate	1.66%	1.64%
Expected Dividend Yield	Nil	Nil
Expected Stock Price Volatility	109.44%	114%

Stock Option Grants and Transactions during the year ended December 31, 2018

On January 11, 2018, the Company granted an option to acquire up to 41,667 shares of its common stock to its director. The option was exercisable for a two-year period expiring on January 11, 2020, at $13.80 per share (Note 15). The Company recorded $342,391 as share-based compensation associated with this option, which was determined using the Black-Scholes Option pricing model using the following assumptions:

	January 11, 2018
Expected Life of the Option	2 years
Risk-Free Interest Rate	1.76%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	116%

At December 31, 2018, the Company recorded $90,448 recovery of advertising and promotion expenses, associated with the vested portion of an option to acquire up to 83,333 shares the Company granted to its consultant. The option was exercisable for a two-year period expiring on July 27, 2019, at $6.00 per share and vested over a 12-month period beginning on October 27, 2017, at 20,833 shares per quarter. The recovery was determined using the Black-Scholes Option pricing model using the following assumptions:

	December 31, 2018
Expected Life of the Option	1.75 – 1.0 years
Average Risk-Free Interest Rate	1.42 – 2.06 %
Expected Dividend Yield	Nil
Average Expected Stock Price Volatility	108.99% - 103.24%

At December 31, 2018, the Company recorded $52,588 recovery of advertising and promotion expenses associated with an option to acquire up to 44,408 shares the Company granted to its consultant. The option was exercisable for a period of 18 months expiring on January 27, 2019, at $9.00 per share and vested over a 12-month period beginning on October 27, 2017, at 11,102 shares per quarter. The recovery was determined using the Black-Scholes Option pricing model using the following assumptions:

	December 31, 2018
Expected Life of the Option	1.25 – 0.50 years
Average Risk-Free Interest Rate	1.42 – 2.06%
Expected Dividend Yield	Nil
Average Expected Stock Price Volatility	97.39% - 114.78%

(Expressed in Canadian Dollars)

16. CAPITAL AND RESERVES (CONTINUED)

C. Stock Purchase Options (Continued)

As at December 31, 2018, the consultant acquired 22,204 shares of the Company's common stock on exercise of the vested portion of its option for total proceeds of $199,838.

On August 15, 2018, the Company granted an option to acquire up to 235,485 common shares to its CEO. The option vested immediately and could have been exercised at a price of $6.96 per share expiring on August 15, 2020 (Note 15). The Company recorded $850,794 as share-based compensation associated with this option, which was determined using the Black-Scholes Option pricing model using the following assumptions:

	August 15, 2018
Expected Life of the Option	2 years
Risk-Free Interest Rate	2.09%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	103.52%

On August 15, 2018, the Company granted options to acquire up to 2,917 common shares in aggregate to two members of the Company's Scientific Advisory Board. The options vested immediately and could have been exercised at a price of $6.96 per share expiring on August 15, 2020. The Company recorded $9,739 as share-based compensation associated with these options, which was determined using the Black-Scholes Option pricing model using the following assumptions:

	August 15, 2018
Expected Life of the Option	2 years
Risk-Free Interest Rate	1.91%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	105.69%

A continuity of options for the years ended December 31, 2019 and 2018 is as follows:

	December 31, 2019		**December 31, 2018**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	996,940	$6.60	739,075	$6.24
Granted[(1)]	1,423,800	$3.58	280,069	$7.92
Expired	(733,538)	$6.54	-	n/a
Exercised	(25,000)	$6.00	(22,204)	$9.00
Cancelled	(1,662,202)	$4.07	-	n/a
Options outstanding, ending	-	n/a	996,940	$6.60

[(1)]Includes options and warrants to acquire up to an aggregate 500,000 shares granted outside the Stock Option Plan.

On December 27, 2019, the Company cancelled 1,662,202 stock options that were granted on various dates to the Company's director, officers, and consultants.

(Expressed in Canadian Dollars)

16. CAPITAL AND RESERVES (CONTINUED)

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the years ended December 31, 2019, and 2018:

	December 31, 2019		December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	441,667	$9.00	1,755,071	$8.28
Issued	1,674,175	$6.00	524,501	$9.00
Exercised	-	$0.00	(1,766,111)	$8.52
Expired	(441,667)	$9.00	(71,795)	$9.00
Warrants outstanding, ending	1,674,175	$6.00	441,667	$9.00

As at December 31, 2019, there were 1,674,175 share purchase warrants issued and outstanding expiring on May 9, 2020. The warrants can be exercised at $6.00 per share. These warrants expired unexercised.

17. NOTES AND ADVANCES PAYABLE

On December 13, 2018, the Company entered into a loan agreement (the "Loan Agreement") with an arms-length entity for $700,000 (the "Loan"). Outstanding principal under the Loan accrued interest at a rate of 3% per month, compounded monthly and was payable on maturity on June 13, 2019. The Company had a right to prepay the Loan at any time, subject to the payment of $70,000 in minimum interest. The Loan was secured by a general security agreement covering first deeds of trust on three parcels of unimproved real property totaling 20.5 acres owned by the Company's wholly-owned subsidiary, LDS Development Corporation, in the City of Adelanto, San Bernardino County, California.

During the year ended December 31, 2019, the Company recorded $91,682 in interest expense associated with the Loan (2018 - $21,000).

On May 16, 2019, the Company repaid the Loan in full. At the time of the payment, the interest accrued on the principal of the Loan was calculated to be $112,690, which resulted in a total payment of $812,690.

On July 30, 2019, the Company issued a secure promissory note to TransCanna Holdings Inc. for USD$150,000 advance by TransCanna to the Company on July 5, 2019 (the "TCAN Loan"). Outstanding principal under the TCAN Loan accrued interest at a rate of 1% per month, compounded monthly and was payable on October 30, 2019. The loan was secured by 1,100,000 TCAN Shares (Note 13). The Company did not repay the TCAN Loan at maturing, therefore the Company was in default of the TCAN Loan.

During the year ended December 31, 2019, the Company recorded $8,800 in interest expense associated with the TCAN Loan. As at December 31, 2019, the Company owed a total of $206,249 under the TCAN Loan.

Subsequent to December 31, 2019, the Company was released from its obligation to repay the TCAN Loan as part of the settlement agreement that was effected on May 5, 2020, between the Company and TransCanna Holdings Inc.

During the year ended December 31, 2019, the Company received a total of $308,771 in advances required for working capital (2018 -$Nil). The advances are due on demand and bear no interest.

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTERESTS

At December 31, 2019, the Company owned a 75% interest in two of its subsidiaries, LDS Agrotech Inc., and LDS Scientific Inc. The remaining 25% equity interest of LDS Agrotech is held by Matthew Ferguson, its President; and the remaining 25% equity interest of LDS Scientific is held by Jonathan Hunt, its former President. On January 31, 2019, the Company reacquired the full ownership of Omni Distribution Inc. as part of the settlement agreement and release the Company negotiated with Ms. Elrod, the former President of LDS Scientific.

During the year ended December 31, 2019, the Company incorporated a new subsidiary, Agrotech, LLC ("Agrotech"), of which 50% of equity was transferred to an arms-length US Person. The Company determined that it has control over the operations of Agrotech, and therefore the financial statements of Agrotech are consolidated with the Company's financial statements, as required under IFRS 10.

At December 31, 2019, and 2018, the non-controlling interests consisted of the following:

	December 31, 2019	December 31, 2018
LDS Scientific (25%)	$ (1,838,406)	$ (1,376,012)
LDS Agrotech (25%)	(115,847)	(120,892)
Omni Distribution (Nil and 25%, respectively)	-	1,281
Agrotech, LLC (50%)	342,699	-
	$ (1,611,554)	$ (1,495,623)

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTERESTS (CONTINUED)

The following are the summarized statements of financial position of LDS Scientific, LDS Agrotech, Agrotech, and Omni Distribution as at December 31, 2019 and 2018:

As at December 31, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Omni Distribution	Total
Assets	$ 15,099	$ -	$ 1,745,731	$ 520	$ 1,761,350
Liabilities	(7,368,722)	(463,384)	(1,060,341)	-	(8,892,447)
Total net assets	$ (7,353,623)	$ (463,384)	$ 685,390	$ 520	$ (7,131,097)
Total net assets allocated to NCI	**$ (1,838,406)**	**$ (115,847)**	**$ 342,695**	**$ -**	**$ (1,611,558)**

As at December 31, 2018

	LDS Scientific	LDS Agrotech	Agrotech	Omni Distribution	Total
Assets	$ 2,715,618	$ 33,921	$ -	$ 5,126	$ 2,754,662
Liabilities	(8,219,665)	(517,488)	-	-	(8,737,153)
Total net assets	$ (5,504,047)	$ (483,567)	$ -	$ 5,126	$ (5,982,488)
Total net assets allocated to NCI	**$ (1,376,012)**	**$ (120,892)**	**$ -**	**$ 1,281**	**$ (1,495,623)**

The following table summarizes comprehensive income (loss) incurred by the Company's subsidiaries that have non-controlling interests for the years ended December 31, 2019 and 2018:

For the year ended at December 31, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Omni Distribution	Total
Gross profit	$ -	$ -	$ 718,577	$ n/a	$ 718,577
Operating expenses	(2,154,076)	(3,372)	(18,358)	n/a	(2,175,806)
Net income (loss)	(2,154,076)	(3,372)	700,219	n/a	(1,457,229)
Other comprehensive income (loss)	321,734	6,317	(14,830)	n/a	313,221
Comprehensive income (loss)	$ (1,832,342)	$ 2,945	$ 685,389	$ n/a	$ (1,144,008)
Comprehensive income (loss) allocated to NCI	**$ (458,085)**	**$ 736**	**$ 342,695**	**$ n/a**	**($114,654)**

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTERESTS (CONTINUED)

For the year ended at December 31, 2018

	LDS Scientific	LDS Agrotech	Agrotech	Omni Distribution	Total
Gross profit	$ (1,844,955)	$ 155,484	$ n/a	$ -	$ (1,689,471)
Operating expenses	(1,439,082)	(329,792)	n/a	(7,692)	(1,776,566)
Net income (loss)	(3,284,037)	(174,308)	n/a	(7,692)	(3,466,037)
Other comprehensive income (loss)	(341,293)	(33,949)	n/a	(349)	(375,591)
Comprehensive income (loss)	$ (3,625,330)	$ (208,257)	$ n/a	$ (8,041)	$ (3,841,628)
Comprehensive income (loss) allocated to NCI	**$ (906,333)**	**$ (52,064)**	**$ n/a**	**$ (2,010)**	**$ ($960,407)**

(Expressed in Canadian Dollars)

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2019		December 31, 2018
Accounts payable	$	4,060,344	$	2,929,846
Wages payable		32,122		79,799
Accrued liabilities		531,110		200,400
Liability under crop-share arrangement		1,000,021		-
Total accounts payable and accrued liabilities	**$**	**5,623,597**	**$**	**3,210,045**

During the year ended December 31, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, entered into two crop-share farm lease agreements for outdoor cultivation of cannabis (the "Farm Agreements") which expired on December 31, 2019. According to the Farm Agreements, the farm owners are entitled to receive 50% of net income generated from the sale of the biological assets. At December 31, 2019, the Company recorded $1,000,021 due to the farm owners under the crop-share agreement for their share of expected net income. The Company determined the liability based on an expected selling price of USD$500/lb of biomass. At December 31, 2019, a 10% change in expected selling price would result in a $160,891 change to the liability.

20. GENERAL AND ADMINISTRATIVE EXPENSES

At December 31, 2019 and 2018 general and administrative expenses consisted of the following:

		December 31, 2019		December 31, 2018
Accounting fees	$	232,308	$	150,038
Gain on sale of assets		(5,060)		-
IT infrastructure		317,768		311,776
Legal fees		493,270		861,306
Meals and travel expenses		550,024		470,244
Office and general		1,371,752		1,477,989
Regulatory fees		176,673		272,192
Salaries and wages expense		1,248,425		787,187
Total general and administrative expenses	**$**	**4,385,160**	**$**	**4,330,732**

21. COMMITMENTS

Aside from lease liabilities as describe in Note 14 the Company's commitments were represented by the annual property taxes the Company is required to pay for its manufacturing and grow facility, as well as for its land parcels. The total annual property taxes are estimated at $36,761 (US$28,304).

22. INTEREST EXPENSE

At December 31, 2019 and 2018 interest expense included the following:

		December 31, 2019		December 31, 2018
Interest accrued on note payable to TransCanna	$	8,800	$	-
Interest accrued on the Loan Agreement signed in FY 2018		91,682		21,000
Interest accrued on credit facility arranged in FY 2017		-		109,290
Interest expense associate with amortization of lease liabilities		472,103		-
Interest accrued on trade payables		2,825		-
Total interest expense	**$**	**575,410**	**$**	**130,290**

(Expressed in Canadian Dollars)

23. GEOGRAPHICAL INFORMATION

Geographical information relating to the Company's activities is as follows:

	Revenue Year ended December 31, 2019	2018
United States	$ 5,041,651	$ 4,080,747
	$ 5,041,651	$ 4,080,747

	Long-Term Assets[1] Year ended December 31, 2019	2018
United States	$ 14,048,482	$ 13,881,932
Canada	-	3,316,423
	$ 14,048,482	$ 17,198,355

[1] Includes: Property, plant, and equipment

24. REVENUE

The following table presents the Company's sales disaggregated by revenue source:

	December 31, 2019	December 31, 2018
Flower	$ 456,056	$ -
Crude	476,734	202,844
Trim	675,408	-
Distillates	2,914,023	2,937,791
Various concentrates	519,430	784,628
Total revenue by source	**$ 5,041,651**	**$ $3,925,263**

For the years ended December 31, 2019 and 2018 the following revenue was recorded from customers that comprise 10% or more of revenue:

	December 31, 2019	December 31, 2018
Customer A	$ -	$ 505,323
Customer B	$ 629,182	$ -
Customer C	$ 1,335,962	$ 685,192
Customer D	$ -	$ 871,275

25. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the

(Expressed in Canadian Dollars)

25. CAPITAL MANAGEMENT (CONTINUED)

Company, is reasonable. There was no change to the Company's management of capital during the year ended December 31, 2019. The Company is not subject to any externally imposed capital requirements.

26. INCOME TAXES

A reconciliation of income taxes at statutory rate is as follows:

	Year ended December 31, 2019	2018
Net loss before tax	$(21,652,443)	$ (13,153,386)
Statutory income tax rate	27%	26%
Expected income tax recovery	(5,821,000)	(3,419,880)
Impact of different foreign statutory tax rates on earnings of subsidiaries	(129,000)	(107,050)
Non-deductible expenditures and non-taxable revenues	3,812,000	-
Permanent differences	1,652,000	592,270
Adjustment to prior year provision versus statutory tax returns	(1,166,000)	338,230
Share issuance costs	(64,000)	-
Foreign exchange	149,711	(31,920)
Change in unrecognized deductible temporary differences	1,566,289	2,628,350
Income tax recovery	$ -	$ -

The significant components of deferred tax assets that have not been included in the statements of financial position are as follows:

	Year ended December 31, 2019	2018
Deferred tax assets:		
Intangible assets	$ 327,000	$ 344,052
Share issuance costs	134,000	107,000
Investment tax credit	3,000	3,000
Property and equipment	41,000	2,000
Non-capital losses available for future period (USA)	4,199,000	3,117,578
Non-capital losses available for future period (Canada)	3,613,000	3,177,081
	8,317,000	6,750,711
Unrecognized deferred tax assets	(8,317,000)	(6,750,711)
	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	Year ended December 31, 2019	2018
Temporary differences:		
Investment tax credit	$ 4,184	$ 4,000
Intangible assets	$ 1,169,849	$ 1,229,000
Property and equipment	$ 147,154	$ 9,000
Share issuance costs	$ 496,943	$ 412,000
Non-capital losses available for future period (USA)	$ 15,006,075	$ 11,134,208
Non-capital losses available for future period (Canada)	$ 13,396,163	$ 12,219,301

26. INCOME TAXES (CONTINUED)

The Company has approximately $13,396,163 of non-capital losses in Canada which expire between 2030 – 2038, and approximately $15,006,075 of non-capital losses in the US which expire between 2034 – 2038. Tax attributes are subject to review, and potential adjustment by tax authorities.

27. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and marketable securities as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and unearned revenue approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2019 is the carrying amount of cash, marketable securities, amounts and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA.

Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i.Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has

27. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Risk management (continued)

not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

As at December 31, 2019, the Company had a USD$150,000 loan with a former related party lender, which accumulated interest at 1% per month and was payable on demand. Other advances and amounts payable were interest-free and payable on demand.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

ii. Currency risk:

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	December 31, 2019	December 31, 2018
Cash denominated in USD	$ 116,470	$ 220,034
Accounts receivable denominated in USD	391,132	9,082
Prepaids and other current assets denominated in USD	478,737	558,340
Accounts and wages payable and accrued liabilities denominated in USD	(4,569,278)	(2,951,582)
Notes and advances denominated in USD	(476,191)	-
Total	$ (4,059,130)	$ (2,164,126)
Effect of a 10% change in exchange rates	$ (405,913)	$ (216,413)

iii. Equity price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At December 31, 2019, the Company held 250,000 common shares of TransCanna valued at $295,000 (2018 - 1,082,474 shares of TransCanna valued at $541,237). As at December 31, 2019, the Company's equity investment represented 5% of its current assets, therefore management determined that equity price risk was not material to the Company's operations.

Liquidity risk:

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2019, the Company had cash of $116,850 to settle current financial liabilities of $8,688,863. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and advances payable.

(Expressed in Canadian Dollars)

27. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Risk management (continued)

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2019:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 5,623,597	$ -
Amounts due to related parties	1,015,964	-
Advances payable	317,180	-
Note payable	206,249	-
Lease liability	665,853	3,495,731
Total	**$ 7,828,843**	**$ 3,495,731**

28. SUBSEQUENT EVENTS

The following material events have occurred subsequent to December 31, 2019:

- In March 2020, the Company has entered into definitive agreements with Cannabis Growth Opportunity Corporation ("CGOC") for a $1,500,000 convertible debt facility with (the "Debt Facility"). As consideration for the Debt Facility the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "Debenture") and 750,000 common share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture was to be advanced by CGOC to the Company in three equal installments of $500,000 each, of this amount, as of the date of these financial statement, the Company received a total of $450,000. The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $0.80 per share. The Warrants issued to CGOC are exercisable at a price of $1.20 per share, expiring on the Maturity Date, and will vest and become exercisable in three equal tranches of 250,000 Warrants each upon CGOC making each $500,000 advance under the Debenture. The Company may accelerate the expiration date of the Warrants to 30 days after providing written notice to CGOC if the Company's common shares trade at or above $3.00 per share for 10 consecutive trading days on the CSE. The Debentures and the Warrants, and any shares issued upon exercise of the conversion rights or purchase rights attached thereto, were subject to a hold period expiring on July 17, 2020.

  In addition to the Debenture and the Warrants, the Company and CGOC also exchanged approximately $2,000,000 worth of each other's common shares (the "Share-Swap"), with the Company issuing to CGOC 2,666,667 common shares at an agreed value of $0.75 per share, and CGOC issuing 3,149,606 common shares to the Company at an agreed value of $0.635 per share. In connection with the Share-Swap, the Company and CGOC entered into a voting and resale agreement, with each party agreeing to vote the shares acquired from the other under the Share-Swap as recommended by the issuer of the shares, and with each party agreeing not to trade the shares received in the Share-Swap for a period of 18 months. The Company has also agreed that, upon payment of the full amount of the initial advance of $500,000 under the Debenture, CGOC will have the right to nominate one director to the Company's board and, if CGOC's nominee is not appointed or elected to the Company's board, CGOC will have the right to appoint a board observer.

28. SUBSEQUENT EVENTS (CONTINUED)

- In April 2020, the Company entered into agreements for the settlement of $808,325 in debt through the issuance of common shares of the Company (the "Debt Settlements"). Pursuant to the Debt Settlements, the Company issued a total of 2,449,470 common shares of the Company at a price of $0.33 per share to certain creditors of the Company, including certain directors and officers of the Company.

- In May 2020, the Company entered into a Settlement Agreement with TransCanna Holdings Inc., a former related part by virtue of having directors in common. Pursuant to the Settlement Agreement, the Company agreed to return to treasury 250,000 common shares of TransCanna it held as at that date to Trans Canna in exchange for release of the Company from its obligations under TCAN Agreement to deliver Track and Trace software, as well as to repay US$150,000 the Company owed to TransCanna under the loan agreement the Company signed on July 4, 2019.

- In July 2020, the Company completed a non-brokered private placement of 21,052,621 units (each, a "Unit") at a price of $0.19 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022.

  In connection with completion of the private placement, the Company paid finders' fees of $31,947 and issued 434,891 Warrants to certain arms-length parties who assisted in introducing subscribers to the Company.

- On July 9, 2020, the Company consolidated its issued and outstanding common share capital on the basis of two (2) pre-Consolidation shares for every one (1) post-Consolidation share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

  On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option will vest immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025.

- On July 10, 2020, the Company completed an acquisition (the "Rejuva Acquisition") of all of the outstanding share capital of Rejuva Alternative Medicine Research Centre Inc. ("Rejuva"), privately held company which operates walk-in medical clinic located in West Vancouver, British Columbia.

  The Rejuva Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva.

  On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor Health Services Inc. ("Shahcor"), privately held company which operates walk-in medical clinic located in Vancouver, British Columbia.

  The Shahcor Acquisition was completed pursuant to share exchange agreements, dated effective July 9, 2020, whereby the Company issued 5,555,556 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor; in addition, the Company paid cash of $400,000.

28. SUBSEQUENT EVENTS (CONTINUED)

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares.

In connection with completion of the Rejuva Acquisition and the Shahcor Acquisition, the Company issued 2,300,000 common shares (the "Finder's Fee Shares"), 571,111 common shares (the "Administrative Fee Shares"), and paid $8,000 as an administrative fee to unrelated parties that assisted in introducing the Company to Rejuva and Shahcor.

- The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the USE, and other countries to contain and treat the virus. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

NOTICE TO READER

Core One Labs Inc. is hereby filing these amended and restated unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 as the Company has determined restatements required as part of a review of its condensed interim consolidated financial statements. Refer to Note 2 for the restatement details.

In connection with the filing of these amended and restated unaudited condensed interim consolidated financial statements, and the adjustment noted above, the Company is also filing (i) amended and restated management discussion and analysis in compliance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

Vancouver, Canada
November 27, 2020

CORE ONE LABS INC.

(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)

AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019

CORE ONE LABS INC.

AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
(Expressed in Canadian Dollars)

	Notes	June 30, 2020	December 31, 2019
		Restated - Note 2	
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,003,059**	$ 116,850
Amounts receivable	5	**717,490**	403,496
Advances receivable	6	**36,248**	33,860
Prepaids and other current assets	4	**686,070**	546,478
Biological assets	8	**539,736**	167,881
Inventory	7	**2,271,150**	2,191,088
Debenture receivable	15	**50,000**	-
Marketable securities	10	**1,244,094**	295,000
Total current assets		**6,547,847**	3,754,653
Property, plant and equipment	3	**13,519,226**	14,048,482
TOTAL ASSETS		**$ 20,067,073**	$ 17,803,135
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	17	**$ 7,435,152**	$ 5,623,597
Amounts due to related parties	12	**1,260,124**	1,015,964
Advances payable	14	**193,603**	317,180
Note payable	14	**-**	206,249
Lease liability	11	**704,179**	665,853
Deposit on sale of assets	3	**198,415**	188,525
Unearned revenue	9	**33,525**	671,495
Total current liabilities		**9,824,998**	8,688,863
Convertible debenture	15	**427,819**	-
Non-current lease liability	11	**3,341,534**	3,495,731
Total liabilities		**13,594,351**	12,184,594
Shareholders' equity			
Share capital	13	**52,905,180**	51,372,447
Obligation to issue shares	25	**880,601**	-
Reserves	13	**7,557,136**	7,448,493
Deficit		**(53,761,116)**	(51,889,363)
Accumulated other comprehensive income		**730,371**	298,522
Total parent shareholders' equity		**8,312,172**	7,230,099
Non-controlling interests	16	**(1,839,450)**	(1,611,558)
Total shareholders' equity		**6,472,722**	5,618,541
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 20,067,073**	$ 17,803,135

Nature and continuance of operations (Note 1)
Subsequent events (Note 25)

Approved by the Board of Directors and authorized for issue on November 27, 2020:

"Joel Shacker" Director

"Casey Fenwick" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CORE ONE LABS INC.
AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(Expressed in Canadian Dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	**2020**	2019
		Restated - Note 2		***Restated - Note 2***	
Sales		**$ 893,819**	$ 1,058,317	**$ 1,253,282**	$ 3,773,118
Cost of sales	7	**840,610**	1,608,399	**1,106,349**	4,790,974
Gross profit, excluding fair value items and unallocated manufacturing costs		**53,209**	(550,082)	**146,933**	(1,017,856)
Realized fair value amounts included in inventory sold		**124,085**	(1,043,811)	**161,044**	(1,043,811)
Gross margin		**(70,876)**	493,729	**(14,111)**	25,955
Consulting fees	12	**233,583**	177,840	**487,362**	432,528
Depreciation	3	**141,878**	40,117	**249,710**	80,711
Foreign exchange loss		**(9,253)**	37,128	**76,151**	83,415
General and administrative expenses	18	**475,018**	1,388,591	**1,142,275**	2,596,696
Impairment of advances receivable		**-**	250,329	**-**	250,329
Interest expense	11	**7,491**	38,847	**26,313**	91,682
Loss (gain) on investment	10	**(1,132,311)**	208,297	**(751,957)**	(3,968,114)
Loss (gain) on settlement of debt	14	**(225,066)**	-	**(225,066)**	88,279
Marketing, sales and distribution		**70,812**	1,025,407	**102,573**	1,171,805
Research and development	12	**29,034**	72,758	**58,566**	115,595
Share-based payments		**26,267**	629,929	**26,267**	1,305,633
Write-down of inventory	7	**(128,140)**	-	**804,725**	-
Total operating expenses (recovery)		**(510,687)**	3,869,243	**1,996,919**	2,248,559
Net income (loss) for the period		**$ 439,811**	$ (3,375,514)	**$ (2,011,030)**	$ (2,222,604)
Net income (loss) attributable to					
Shareholders of the Company		**364,958**	(3,562,877)	**(1,871,753)**	(2,078,178)
Non-controlling interests	16	**74,853**	187,363	**(139,277)**	(144,426)
		$ 439,811	$ (3,375,514)	**$ (2,011,030)**	$ (2,222,604)
Other comprehensive income (loss) (items that may be subsequently reclassified to profit and loss)					
Foreign exchange translation		**941,180**	(310,297)	**343,234**	(597,946)
Total comprehensive income (loss) for the period		**$ 1,380,991**	$ (3,685,811)	**$ (1,667,796)**	$ (2,820,550)
Other comprehensive income (loss) attributed to					
Shareholders of the Company		**1,090,775**	(349,014)	**431,849**	(658,926)
Non-controlling interests	16	**(149,595)**	38,717	**(88,615)**	60,980
		$ 941,180	$ (310,297)	**$ 343,234**	$ (597,946)
Total comprehensive income (loss) attributable to					
Shareholders of the Company		**1,455,733**	(3,911,891)	**(1,439,905)**	(2,737,104)
Non-controlling interests	16	**(74,742)**	226,080	**(227,891)**	(83,446)
		$ 1,380,991	$ (3,685,811)	**$ (1,667,796)**	$ (2,820,550)
Weighted average number of shares		**17,671,749**	10,930,601	**15,732,733**	10,452,294
Net income (loss) per share - basic and diluted		**$ 0.02**	$ (0.33)	**$ (0.12)**	$ (0.20)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CORE ONE LABS INC.
AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(Expressed in Canadian Dollars)

	Common shares							
	Shares	Amount	Obligation to issue shares	Reserves	Deficit	Accumulated other comprehensive income (loss)	Non-controlling Interest	Total shareholders' equity
Balance at December 31, 2018	9,978,422	$ 42,797,498	$ -	$ 4,502,317	$ (30,426,172)	$ 903,903	$ (1,495,623)	$ 16,281,923
Private placement	1,618,680	6,413,939	-	139,669	-	-	-	6,553,608
Exercise of options	25,000	262,899	-	(112,899)	-	-	-	150,000
Share-based compensation	-	-	-	1,305,634	-	-	-	1,305,634
Repurchase of non-controlling interest in equity	-	-	-	-	-	-	(1,281)	(1,281)
Foreign exchange translation	-	-	-	-	-	(658,926)	60,980	(597,946)
Net loss for the period	-	-	-	-	(2,078,178)	-	(144,426)	(2,222,604)
Balance at June 30, 2019	11,622,102	49,474,336	-	5,834,721	(32,504,350)	244,977	(1,580,350)	21,469,334
Private placement adjustment	-	8,111	-	-	-	-	-	8,111
Shares issued for assets	1,750,000	1,890,000	-	-	-	-	-	1,890,000
Share-based compensation	-	-	-	1,471,272	-	-	-	1,471,272
Discount on marketable securities acquired from related party	-	-	-	142,500	-	-	-	142,500
Repurchase of non-controlling interest in equity	-	-	-	-	-	-	-	-
Foreign exchange translation	-	-	-	-	-	53,545	13,618	67,163
Net loss for the period	-	-	-	-	(19,385,013)	-	(44,826)	(19,429,839)
Balance at December 31, 2019	13,372,102	51,372,447	-	7,448,493	(51,889,363)	298,522	(1,611,558)	5,618,541
Shares issued on acquisition of investment	2,666,667	724,408	-	-	-	-	-	724,408
Subscription to shares	-	-	880,601					880,601
Convertible debt	-	-	-	82,376	-	-	-	82,376
Shares issued for debt settlement	2,449,470	808,325	-	-	-	-	-	808,325
Share-based compensation	-	-	-	26,267	-	-	-	26,267
Foreign exchange translation	-	-	-	-	-	431,849	(88,615)	343,234
Net loss for the period	-	-	-	-	(1,871,753)	-	(139,277)	(2,011,030)
Balance at June 30, 2020	18,488,239	$ 52,905,180	$ 880,601	$ 7,557,136	$ (53,761,116)	$ 730,371	$ (1,839,450)	$ 6,472,722

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CORE ONE LABS INC.
AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Expressed in Canadian Dollars)

	Six months ended June 30,	
	2020	2019
	Restated - Note 2	
Cash flows generated by (used in) operating activities		
Net income (loss)	**$ (2,011,030)**	$ (2,222,604)
Non cash items:		
Depreciation	**1,198,978**	704,547
Foreign exchange	**391,444**	(46,065)
Impairment of advances receivable	**-**	250,329
Impairment of inventory	**804,725**	-
Interest expense	**(56,400)**	91,682
Loss (gain) on equity investment	**(839,632)**	(3,968,114)
Loss on settlement of debt with related party	**(225,066)**	88,279
Share-based compensation	**26,267**	1,305,634
Gain on changes in fair value of biological assets	**-**	(1,043,811)
Changes in operating assets and liabilities:		
Amounts receivable	**(295,197)**	(171,858)
Prepaids and other current assets	**(88,443)**	(628,727)
Biological assets	**(1,168,920)**	(456,239)
Inventory	**(320,841)**	1,245,392
Accounts payable and accrued liabilities	**1,779,283**	(452,570)
Amounts due to related parties	**604,821**	33,111
Unearned revenue	**(26,363)**	-
Net cash generated by (used in) operating activities	**(226,374)**	(5,271,014)
Cash flows provided by (used in) investing activities		
Equipment purchased, net of disposals	**24,595**	(237,876)
Production facility	**-**	(346,015)
Net cash provided by (used in) investing activities	**24,595**	(583,891)
Cash flows provided by (used in) financing activities		
Advances payable	**14,965**	(78,018)
Issuance of common stock for private placements	**-**	6,553,607
Proceeds from loans	**450,000**	-
Proceeds from option exercise	**-**	150,000
Repayment of loans	**-**	(812,689)
Repayment of lease	**(245,718)**	-
Subscriptions to shares	**880,601**	-
Net cash provided by (used in) financing activities	**1,099,848**	5,812,900
Effects of foreign currency exchange	**(11,860)**	(8,152)
Change in cash and cash equivalents	**886,209**	(50,157)
Cash and cash equivalents, beginning	**116,850**	452,295
Cash and cash equivalents, ending	**$ 1,003,059**	$ 402,138

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(Expressed in Canadian Dollars) (Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share. On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in these financial statements on a post-consolidation basis.

Core One is a technology company that licenses its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produces infused strips that allow for bioavailability of cannabis constituents. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group Inc., the Company operates a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California. The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC, V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

As of the date of these condensed interim consolidated financial statements, the Company's structure is represented by Core One Labs Inc., parent company incorporated pursuant to the provision of the Business Corporations Act (British Columbia), and the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest	Function
Canna Delivery Systems Inc.	Nevada	100%	Holding company
LDS Agrotech Inc.	Nevada	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	75%	Consulting services - extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	100%	Holding company
LDS Development Corporation	California	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	Holding company
CSPA Group, Inc.	California	100%	Manufacturing and transportation
Core Isogenics Inc.	California	100%	Nursery and cultivation
Agrotech LLC.	California	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	Medical Clinic
Shahcor Health Services Inc.	British Columbia	25%	Medical Clinic

These condensed interim consolidated financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These condensed interim consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These condensed interim consolidated financial statements were authorized for issue on October 15, 2020, by the Directors of the Company.

Statement of Compliance
These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited condensed interim consolidated financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed interim consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, as listed in Note 1. All intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

Basis of Measurement and Use of Estimates
These condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs basis except for certain financial instruments and contingencies which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency
These condensed interim consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency. The Company's USA-based subsidiaries' functional currency is the US dollar.

Newly adopted accounting standards

Amendments to IFRS 3 – Definition of a business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

Management is currently assessing the impact of the new standard on the Company's accounting policies and financial statement presentation.

(Expressed in Canadian Dollars) (Unaudited)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Restatement of previously reported consolidated financial statements
The Company has restated its consolidated statement of financial position as at June 30, 2020; its consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in equity for the three and six months ended June 30, 2020.

As part of a review of its condensed interim consolidated financial statements, the Company determined the following restatements:

- Adjusted inventory, biological assets, cost of sales, realized fair value amounts included in inventory sold, and write-down of inventory to adjust the balance of inventory and biological assets as at June 30, 2020 to fair market value; and
- Adjusted warrants reserve and accretion expense related to the treatment of the CGOC Debenture and CGOC Warrants.

As a result of the restatements, the Company's reported gross margin decreased by $746,073 to a negative gross margin of $14,111 for the six months ended June 30, 2020; and the Company's reported net loss decreased by $70,642 to a net loss of $2,011,030 for the six months ended June 30, 2020.

Line items restated on the amended and restated consolidated statements of financial position and amended and restated consolidated statements of changes in shareholders' equity are presented below:

	Notes	**June 30, 2020 (As previously reported) ($)**	Adjustment ($)	**June 30, 2020 (As restated) ($)**
Biological assets	8	110,766	428,970	**539,736**
Inventory	7	2,654,437	(383,287)	**2,271,150**
Total current assets		6,502,164	45,683	**6,547,847**
Total assets		20,021,390	45,683	**20,067,073**
Accounts payable and accrued liabilities	17	7,435,150	2	**7,435,152**
Total current liabilities		9,824,996	2	**9,824,998**
Convertible debenture	15	253,675	174,144	**427,819**
Total liabilities		13,420,205	174,146	**13,594,351**
Reserves	13	7,756,163	(199,027)	**7,557,136**
Deficit		(54,023,725)	262,609	**(53,761,116)**
Accumulated other comprehensive income		730,772	(401)	**730,371**
Total parent shareholders' equity		8,248,991	63,181	**8,312,172**
Non-controlling interests	16	(1,647,806)	(191,644)	**(1,839,450)**
Total shareholders' equity		6,601,185	(128,463)	**6,472,722**
Total liabilities and shareholders' equity		20,021,390	45,683	**20,067,073**

(Expressed in Canadian Dollars) (Unaudited)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Restatement of previously reported consolidated financial statements (Continued)

Line item restated on the amended and restated consolidated statements of comprehensive loss are presented below:

		Six months ended June 30, 2020		
	Notes	**(As previously reported) ($)**	Adjustment ($)	**(As restated) ($)**
Cost of sales	7	**448,830**	657,519	**1,106,349**
Gross profit, excluding fair value items and unallocated manufacturing costs		**804,452**	(657,519)	**146,933**
Realized fair value amounts included in inventory sold		**72,490**	88,554	**161,044**
Gross margin		**731,962**	(746,073)	**(14,111)**
General and administrative expenses	18	**1,167,157**	(24,882)	**1,142,275**
Write-down of inventory	7	**1,596,558**	(791,833)	**804,725**
Total operating expenses		**2,813,634**	(816,715)	**1,996,919**
Net income (loss) for the period		**(2,081,672)**	70,642	**(2,011,030)**
Net income (loss) attributable to:				
Shareholders of the Company		**(2,134,362)**	262,609	**(1,871,753)**
Non-controlling interests	16	**52,690**	(191,967)	**(139,277)**
		(2,081,672)	70,642	**(2,011,030)**
Other comprehensive income (loss) (items that may be subsequently reclassified to profit and loss)				
Foreign exchange translation		**343,312**	(78)	**343,234**
Total comprehensive income (loss) for the period		**(1,738,360)**	70,564	**(1,667,796)**
Other comprehensive income (loss) attributed to:				
Shareholders of the Company		**432,250**	(401)	**431,849**
Non-controlling interests	16	**(88,938)**	323	**(88,615)**
		343,312	(78)	**343,234**
Total comprehensive income (loss) attributable to:				
Shareholders of the Company		**(1,702,112)**	262,207	**(1,439,905)**
Non-controlling interests	16	**(36,248)**	(191,643)	**(227,891)**
		(1,738,360)	70,564	**(1,667,796)**
Weighted average number of shares		**15,759,650**		**15,732,733**
Net income (loss) per share - basic and diluted		**(0.14)**		**(0.12)**

(Expressed in Canadian Dollars) (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

	Membership and CUP	Property	Plant	Equipment	ROU	Total
Cost						
Balance at December 31, 2018	$ 3,587,915	$ 2,057,974	$ 6,431,946	$ 5,630,624	$ 2,364,559	$ 20,073,018
Additions	-	-	673,768	961,478	2,447,457	4,082,703
Impairment	-	(338,566)	(347,032)	-	(2,069,729)	(2,755,327)
Foreign exchange	-	(91,489)	(307,001)	(269,118)	(133,571)	(801,179)
Balance at December 31, 2019	3,587,915	1,627,919	6,451,681	6,322,984	2,608,716	20,599,215
Additions	-	-	43,610	-	-	43,610
Disposals	-	-	(87,675)	(68,163)	-	(155,838)
Foreign exchange	-	80,218	268,535	248,022	94,423	691,198
Balance at June 30, 2020	**$ 3,587,915**	**$ 1,708,137**	**$ 6,676,151**	**$ 6,502,843**	**$ 2,703,139**	**$ 21,178,185**
Accumulated Amortization						
Balance at December 31, 2018	$ -	$ -	$ 172,432	$ 337,672	$ -	$ 510,104
Depreciation	-	-	850,666	972,635	682,479	2,505,780
Amortization	3,580,455	-	-	-	-	3,580,455
Foreign exchange	7,460	-	(18,015)	(20,598)	(14,453)	(45,606)
Balance at December 31, 2019	3,587,915	-	1,005,083	1,289,709	668,026	6,550,733
Depreciation	-	-	431,397	516,727	161,974	1,110,098
Foreign exchange	-	-	(727)	(870)	(275)	(1,872)
Balance at June 30, 2020	**$ 3,587,915**	**$ -**	**$ 1,435,753**	**$ 1,805,566**	**$ 829,725**	**$ 7,658,959**
Net Book Value						
At December 31, 2019	$ -	$ 1,627,919	$ 5,446,598	$ 5,033,275	$ 1,940,690	$ 14,048,482
At June 30, 2020	**$ -**	**$ 1,708,137**	**$ 5,240,398**	**$ 4,697,277**	**$ 1,873,414**	**$ 13,519,226**

(Expressed in Canadian Dollars) (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At June 30, 2020, $1,061,206 (2019 - $623,836) in amortization and depreciation expenses were included in cost of sales.

In January 2020, the Company entered into an option agreement with an affiliated party (the "Buyer"), wherein the Company granted the Buyer the exclusive right and option to purchase the Company's land parcel in Adelanto, California for $200,000. The option gives the Buyer the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023. As at June 30, 2020, the Company recognized $198,415 as deposit on option (December 31, 2019 - $188,525). As at June 30, 2020, the option has not been exercised.

4. PREPAIDS AND OTHER CURRENT ASSETS

Prepaids and other current assets as at June 30, 2020 and December 31, 2019 consisted of the following:

	June 30, 2020	December 31, 2019
Insurance	$ 719	$ 5,780
Prepaid construction costs	68,140	-
Prepaid service fees	246,326	234,821
Prepaid IR fees	67,835	-
Security deposits	255,018	244,920
Prepaid regulatory fees	48,032	60,957
Total prepaids and other current assets	**$ 686,070**	**$ 546,478**

5. AMOUNTS RECEIVABLE

Amounts receivable as at June 30, 2020 and December 31, 2019, consisted of the following:

	June 30, 2020	December 31, 2019
Trade accounts receivable	$ 798,902	$ 542,788
GST receivable	24,648	12,364
Allowance for doubtful accounts	(106,060)	(154,937)
Foreign exchange	-	3,281
Total amounts receivable	**$ 717,490**	**$ 403,496**

During the six-month period ended June 30, 2020, the Company set up an allowance for trade accounts receivable which were deemed uncollectible totaling $106,060 (December 31, 2019 - $154,937). No additional provision for expected credit losses has been set up.

6. ADVANCES RECEIVABLE

During the year ended December 31, 2019, the Company advanced a net amount of $71,252 to affiliated companies with senior management in common. The advances are due on demand and do not accumulate interest. The Company did not advance any funds during the period ended June 30, 2020. At June 30, 2020, the Company had a total of $36,248 in advances receivable from affiliated entities (December 31, 2019 - $33,860).

During the year ended December 31, 2018, the Company advanced $1,102,464 (US$889,865) to EPG Power Corporation ("EPG"), an affiliated company with former directors and senior management in common, to acquire a power generator and supplies necessary for its operation. At December 31, 2018, the Company assessed EPG's financial position and its ability to repay the advances; it considered EPG's short cash position, negative working capital, and ongoing negotiations with the City of Adelanto to supply power to cannabis operations, which led to a decision to set up an impairment of the amount advanced to EPG being $1,204,405.

(Expressed in Canadian Dollars) (Unaudited)

6. ADVANCES RECEIVABLE (CONTINUED)

During the year ended December 31, 2019, the Company used EPG's power generator in its cultivation operations resulting in $540,768 in advances being recovered. As at June 30, 2020, $602,269 continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator.

7. INVENTORY

At June 30, 2020, the Company's inventory was valued at $2,271,150 (December 31, 2019 - $2,191,088) and consisted of $217,623 in raw materials held for manufacturing (December 31, 2019 – $88,785) and $2,053,528 in finished products ready for sale (December 31, 2019 - $2,102,303).

During the six-month period ended June 30, 2020, the Company expensed $1,106,349 of inventory to cost of goods sold (2019 - $4,790,974); in addition the Company recognized $161,044 non-cash expense relating to the changes in fair value of inventory sold (2019 - $1,043,811).

As at June 30, 2020, the Company wrote down its inventory of cannabis-related products to the net realizable value, which resulted in an impairment of $804,725 (2019 - $Nil).

8. BIOLOGICAL ASSETS

The continuity of biological assets for the six months ended June 30, 2020 and for the year ended December 31, 2019:

		June 30, 2020		December 31, 2019
Biological assets, beginning of the period	$	167,881	$	-
Production of biological assets		779,165		2,430,575
Unrealized changes in fair value less costs to sell of biological assets		-		679,267
Transfers to inventory upon harvest		(414,269)		(2,927,576)
Foreign exchange		6,959		(14,385)
Biological assets, end of the period	**$**	**539,736**	**$**	**167,881**

The Company's biological assets consist of cannabis plants. Biological assets are valued in accordance with IAS 41, *Agriculture*, based on a market approach where fair value at the point of harvest is estimated based on selling prices less costs to sell at harvest. Since there is no actively traded commodity market for cannabis plants in California, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

For in-process biological assets, the Company estimates the expected harvest yield in pounds ("lbs") and then adjusts the amount at point of harvest based on their stage of growth and by the expected selling costs per lbs.

The following significant unobservable inputs were used by management as model:

- Estimated selling price per lbs – with limited sales history, the Company's management evaluates available industry data and expects to closely approximate the expected selling price.

- Stage of growth – the Company applies a weighted average number of days out of the 16-week growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.

- Plant yield – represents the expected number of ounces of finished cannabis flower and content of cannabidiol as a percentage of weight to be obtained from each harvested cannabis plant based on historical evidence.

(Expressed in Canadian Dollars) (Unaudited)

8. BIOLOGICAL ASSETS (CONTINUED)

Other unobservable inputs include: estimated post-harvest costs, costs to complete and wastage. All inputs noted above are classified as level three on the fair value hierarchy.

The following table quantifies each significant unobservable input and provides the impact of a 20% increase or decrease that each input would have on the fair value of biological assets:

	Indoor Cultivation	Impact of 20% change – June 30, 2020
Estimated yield per plant	52.37 g	$79,210
Average selling price, mature plant	$1,500/lb	$79,210
Growth stage	48%	$79,210

9. UNEARNED REVENUE

At June 30, 2020, the Company recorded $33,525 (December 31, 2019 - $671,495) in deferred revenue on future services which were comprised of the following:

	June 30, 2020	December 31, 2019
Prepayments received from customers	$ 33,525	$ 57,033
Payment for Track and Trace software	-	614,462
Total unearned revenue	**$ 33,525**	**$ 671,495**

During the year ended December 31, 2017, the Company entered into an Intellectual Property License and Royalty Agreement (the "TCAN Agreement") with TransCanna Holdings Inc. ("TransCanna"), a company related by virtue of former common management and common directors, for its Track and Trace software, which the Company was commissioned to develop. At June 30, 2020, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the state of California. During the six months ended June 30, 2020, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna and recognized a gain of $614,947 in the statement of profit and loss.

10. MARKETABLE SECURITIES

On March 16, 2020, the Company acquired 3,149,606 common shares of Cannabis Growth Opportunity Corporation ("CGOC") in exchange for issuing CGOC 2,666,667 common shares of the Company. At the time of the transaction, the fair market value of CGOC shares was $0.23 per share and the fair market value of the Company's shares was $0.42 per share. On acquisition, the Company recognized marketable securities of $724,409 for the CGOC shares. At June 30, 2020, the revaluation of the CGOC shares resulted in an unrealized gain of $519,685, due to the increase in CGOC's share price from $0.23 at acquisition to $0.395 per share at June 30, 2020. The CGOC shares cannot be sold without prior written consent of CGOC, until September 16, 2021, according to share exchange agreements between the Company and CGOC.

On May 4, 2020, the Company entered into a Settlement Agreement with TransCanna, a former related part by virtue of having directors in common. Pursuant to the Settlement Agreement, the Company agreed to return to treasury 250,000 common shares of TransCanna it held as at that date (the "TCAN Shares") to TransCanna in exchange for release of the Company from its obligations under TCAN Agreement to deliver Track and Trace software (Note 9), as well as to repay US$150,000 the Company owed to TransCanna under the loan agreement the Company signed on July 4, 2019 (Note 14).

As at the date of the Settlement Agreement, the Company wrote off marketable securities of $200,000 based on the market price of TCAN Shares of $0.80 per share at the Settlement date. During the six months ended June 30, 2020, the revaluation of the equity investment in TCAN Shares resulted in a $95,000 loss (2019 - $3,968,114 gain). The loss resulted from a decrease of the market price of TCAN shares from $1.18 per share at December 31, 2019, to $0.80 per share at the Settlement date.

(Expressed in Canadian Dollars) (Unaudited)

11. LEASE

The Company leases certain assets under lease agreements. The lease liability consists of leases for the manufacturing facility terminating on March 31, 2021, and the warehouse facility terminating on March 31, 2024, and various short-term and operating leases for office space and equipment. The leases are calculated using an incremental borrowing rate of 12% per annum.

At June 30, 2020, and December 31, 2019, the Company's lease liability related to leases is as follows:

		June 30, 2020		**December 31, 2019**
Balance – beginning	$	4,161,584	$	2,364,559
Additions		-		2,447,457
Interest expense		251,862		472,103
Lease payments		(573,342)		(955,368)
Foreign exchange		205,609		(167,167)
Balance – ending	**$**	**4,045,713**	**$**	**4,161,584**
Current portion	$	704,179	$	665,853
Long-term portion	$	3,341,534	$	3,495,731

At June 30, 2020, the Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2020**
Less than one year	$	1,148,432
One to five years		4,199,196
Total undiscounted lease liabilities	$	5,347,628

12. RELATED PARTY TRANSACTIONS

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 aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		June 30 ,	
		2020	**2019**
Management consulting services	a)	$ 281,362	$ 278,379
Consulting services for research and development	b)	$ 40,500	$ 46,763
Management salaries	c)	$ 221,146	$ 653,803
Share-based compensation	d)	$ 111,933	$ 336,683

a) Management consulting services consist of the following:

$170,973 (2019 – $199,283) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services until his termination on July 3, 2020.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

- $40,349 (2019 - $60,153) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms. Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

- $Nil (2019 - $12,500) in consulting fees paid or accrued to Mr. Johannson, a former member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement. Mr. Johannson resigned as a director of the Company on March 15, 2019, effectively terminating his management consulting agreement with the Company.

- $49,541 (2019 - $6,443) in consulting fees paid or accrued to Mr. McEnulty, director, and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

- $10,500 (2019 - $Nil) in consulting fees paid or accrued to Mr. Morris, director of the Company. The Company agreed to pay Mr. Morris $1,500 per month for his services pursuant to a consulting agreement.

- $10,000 (2019 - $Nil) in consulting fees paid or accrued to Mr. Shacker, current CEO of the Company. The Company agreed to pay Mr. Shacker $10,000 per month for his services pursuant to a consulting agreement starting June 2020.

b) Consulting services for research and development consist of the following:

- $40,500 (2019 – $39,775) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $Nil (2019 - $6,988) in consulting fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson ("Nanostrips"). In addition to the research and development fees, the Company incurred $12,231 with Nanostrips during the six months ended June 30, 2019, which were associated with the manufacturing of CannaStripsTM and therefore included in cost of sales.

c) Management salaries consist of the following:

- $122,859 in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees

- $94,192 in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

(Expressed in Canadian Dollars) (Unaudited)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

- $4,095 in management salaries paid to Ms. Christopherson, CEO of CSPA Group, Inc. and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

	June 30, 2020	June 30, 2019
Brad Eckenweiler	$ -	$ -
Casey Fenwick	41,239	437,182
Dr. John Sanderson	11,782	-
Patrick Morris	5,891	-
Frank McEnulty	11,782	216,621
Matt Ferguson	41,239	-
Total share-based compensation to related parties	$ 111,933	$ 653,803

Related party payables at June 30, 2020 and December 31, 2019 consisted of the following:

	June 30, 2020	December 31, 2019
Brad Eckenweiler	$ 226,548	$ 337,532
Casey Fenwick	397,998	294,884
Dr. John Sanderson	81,768	38,964
Yanika Silina	140,051	88,476
Arni Johannson	49,875	49,875
Patrick Morris	12,607	-
Frank McEnulty	173,424	125,077
Jonathan Hunt	29,277	27,903
Nanostrips Inc.	8,861	8,445
Matt Ferguson	125,048	44,808
Joel Shacker	14,667	-
Total payable to related parties	$ 1,260,124	$1,015,964

13. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value.

On September 6, 2019, the Company effected a consolidation of its capital on the basis of six (6) existing common shares for one (1) new common share. On July 7, 2020, the Company further consolidated its share capital on the basis of two (2) existing common shares for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

(Expressed in Canadian Dollars) (Unaudited)

13. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital

As at June 30, 2020, the Company had 18,488,239 shares issued and outstanding.

On March 16 2020, the Company issued 2,666,667 common shares to CGOC in exchange for 3,149,606 common shares of CGOC (the "Share-Swap"). At the time of transaction, the fair market value of CGOC's shares was $0.27 per share, and therefore the Company recorded $724,408 as share capital. The shares were issued as restricted, and therefore, until September 16, 2021, CGOC will not be able to trade the shares without prior written consent of the Company (Notes 10 and 15).

In April 2020, the Company entered into agreements for the settlement of $808,325 in debt through the issuance of common shares of the Company (the "Debt Settlements"). Pursuant to the Debt Settlements, the Company issued a total of 2,449,470 common shares of the Company at a price of $0.33 per share to certain creditors of the Company, including certain directors and officers of the Company.

During the year ended December 31, 2019, the Company had the following transactions that resulted in issuance of its common stock:

i. During the year ended December 31, 2019, the Company issued 25,000 shares for total proceeds of $150,000 to a former director on exercise of an option to acquire common shares of the Company granted under the Company's rolling stock option plan.

ii. On May 9, 2019, the Company closed a non-brokered private placement financing (the "Financing") by issuing a total of 1,618,680 units (the "Units") at $4.20 per Unit for total gross proceeds of $6,798,457. Each Unit sold in the Financing consisted of one common share of the Company (each a "Unit Share") and one common share purchase warrant (each a "Warrant") entitling the holder to purchase one additional common share (a "Warrant Share") at a price of $3.00 per Warrant Share for a period ending on May 9, 2020.

In connection with the Financing, the Company paid cash commissions of $233,076 and recognized $3,663 as share issuance costs. In addition, the Company issued 55,495 brokers' warrants with a fair market value of $139,669, which was determined using Black-Scholes Option pricing model based on the following assumptions:

	May 9, 2019
Expected Life of the Broker Warrants	1 year
Risk-Free Interest Rate	1.61%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	109%

The brokers' warrants were exercisable at $6.00 per share for a one-year period expiring on May 9, 2020. These warrants expired unexercised.

iii. On November 14, 2019, the Company issued 1,750,000 common shares at a deemed price of $1.08 per share in consideration of the acquisition of all the issued and outstanding shares of Rainy Daze.

(Expressed in Canadian Dollars) (Unaudited)

13. CAPITAL AND RESERVES (CONTINUED)

C. Stock Purchase Options

The Company maintains a rolling stock option plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

On May 28, 2020, the Company granted 1,500,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $0.33 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $176,737. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions:

	May 28, 2020
Expected Life of the Options	1.93 years
Risk-Free Interest Rate	0.28%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	75%

During the six months ended June 30, 2020, the Company recognized $26,267 of share-based compensation for the vesting of these options.

	June 30, 2020		**December 31, 2019**	
	Number of Warrants	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	-	n/a	996,940	$6.60
Granted	1,500,000	$0.33	1,423,800	$3.58
Expired	-	n/a	(733,538)	$6.54
Exercised	-	n/a	(25,000)	$6.00
Cancelled	-	n/a	(1,662,202)	$4.07
Options outstanding, ending	1,500,000	$0.33	-	n/a

D. Stock Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the six-month period ended June 30, 2020 and the year ended December 31, 2019:

	June 30, 2020		**December 31, 2019**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	1,674,175	$6.00	441,667	$9.00
Issued	750,000	$1.20	1,674,175	$6.00
Exercised	-	n/a	-	n/a
Expired	(1,674,175)	$6.00	(441,667)	$9.00
Warrants outstanding, ending	750,000	$1.20	1,674,175	$6.00

During the six months ended June 30, 2020, 1,674,175 share purchase warrants expiring on May 9, 2020 expired unexercised.

(Expressed in Canadian Dollars) (Unaudited)

13. CAPITAL AND RESERVES (CONTINUED)

D. Stock Purchase Warrants (Continued)

On March 16, 2020, as part of the Transaction with CGOC for a $1,500,000 convertible debt facility (the "Debt Facility"), the Company issued to CGOC 750,000 common share purchase warrants (the "CGOC Warrants") (Note 15). The CGOC Warrants are exercisable at a price of $1.20 per share, expiring on December 31, 2022, and vest in three equal tranches of 250,000 warrants each upon CGOC making each $500,000 advance under the Debt Facility. The Company may accelerate the expiration date of the CGOC Warrants to 30 days after providing written notice to CGOC if the Company's common shares trade at or above $3.00 per share for 10 consecutive trading days on the Canadian Securities Exchange.

The CGOC Warrants were valued at $113,216 using the Black-Scholes Option pricing model using the assumptions provided in the table below. As at June 30, 2020, CGOC advanced $450,000, which was not sufficient for the first tranche to vest, therefore the Company recognized $26,675 in financing costs, being a fractional allocation of full cost to funds advanced by CGOC.

	Assumptions used
Expected Life of the CGOC Warrants	2.79 years
Risk-Free Interest Rate	0.51%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	103.12%

14. NOTES AND ADVANCES PAYABLE

On July 30, 2019, the Company issued a secure promissory note to TransCanna Holdings Inc. for USD$150,000 advance by TransCanna to the Company on July 5, 2019 (the "TCAN Loan"). Outstanding principal under the TCAN Loan accrued interest at a rate of 1% per month, compounded monthly and was payable on October 30, 2019. The Company did not repay the TCAN Loan at maturity, therefore the Company was in default of the TCAN Loan. During the six-month period ended June 30, 2020, the Company recorded $7,468 in interest expense associated with the TCAN Loan.

In May 2020, the Company was released from its obligation to repay the TCAN Loan and interest as part of the Settlement Agreement that was effected on May 5, 2020, between the Company and TransCanna. During the six months ended June 30, 2020, the Company recorded $225,066 as a gain on settlement of debt in the statement of profit and loss.

During the six-month period ended June 30, 2020, the Company had $193,603 in advances payable, received for working capital (December 31, 2019 -$317,180). The advances are due on demand and bear no interest.

15. CONVERTIBLE DEBENTURE

On March 16, 2020, the Company entered into an agreement with CGOC for convertible debt facility (the "Debt Facility"). As consideration for the Debt Facility, the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "CGOC Debenture") and 750,000 share purchase warrants (the "CGOC Warrants") (Note 13). The aggregate principal amount available under the Debenture may be advanced by CGOC to the Company in three equal installments of $500,000 each. At June 30, 2020, the Company has received total advances of $450,000. The balance remaining receivable under the first tranche, being $50,000, was recorded as debenture receivable.

The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $0.80 per share.

(Expressed in Canadian Dollars) (Unaudited)

15. CONVERTIBLE DEBENTURE (Continued)

Since the CGOC Debenture is conditional upon the Company meeting certain requirements, only the first $500,000 tranche was recorded on the Company's statement of financial position. At the time of recognition, the CGOC Debenture was separated into its liability and equity components by first valuing the liability component. The fair value of the liability component of the first tranche of the CGOC Debenture at the time of issue was determined to be $417,624, and calculated based on the discounted cash flows for the CGOC Debentures assuming an 20% discount rate, historical rate of interest the Company was able to secure prior debt facilities from non-related parties. The fair value of the equity component (conversion feature) was calculated to be $82,376 and was determined at the time of issue as the difference between the face value of the CGOC Debenture and the fair value of the liability component.

During the six months ended June 30, 2020, the Company recorded accretion expense of $2,798 (2019 - $Nil).

16. NON-CONTROLLING INTERESTS

At June 30, 2020, the Company owns a 75% interest in two of its subsidiaries, LDS Agrotech Inc., and LDS Scientific Inc. The remaining 25% equity interest of LDS Agrotech is held by Matthew Ferguson, its President; and the remaining 25% equity interest of LDS Scientific is held by Jonathan Hunt, its former President. In addition, the Company holds 50% equity of Agrotech, LLC ("Agrotech"), of which 50% of equity was transferred to an arms-length US Person during the year ended December 31, 2019.

On January 31, 2019, the Company reacquired the full ownership of Omni Distribution Inc. as part of the settlement agreement and release the Company negotiated with Ms. Elrod, the former President of LDS Scientific.

At June 30, 2020, and December 31, 2019, the non-controlling interests consisted of the following:

	June 30, 2020	December 31, 2019
LDS Scientific (25%)	$ (2,085,138)	$ (1,838,406)
LDS Agrotech (25%)	(121,677)	(115,847)
Agrotech, LLC (50%)	367,365	342,695
	$ (1,839,450)	$ (1,611,558)

(Expressed in Canadian Dollars) (Unaudited)

16. NON-CONTROLLING INTERESTS (CONTINUED)

The following are the summarized statements of financial position of LDS Scientific, LDS Agrotech, and Agrotech as at June 30, 2020 and December 31, 2019:

As at June 30, 2020

	LDS Scientific	LDS Agrotech	Agrotech	Total
Assets	$ 16,824	$ -	$ 1,499,166	$ 1,516,510
Liabilities	(8,357,373)	(486,706)	(764,438)	(9,608,517)
Total net assets	$ (8,340,549)	$ (486,706)	$ 734,728	$ (8,092,007)
Total net assets allocated to NCI	**$ (2,085,137)**	**$ (121,677)**	**$ 367,364**	**$ (1,839,450)**

As at December 31, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Omni Distribution	Total
Assets	$ 15,099	$ -	$ 1,745,731	$ 520	$ 1,761,350
Liabilities	(7,368,722)	(463,384)	(1,060,341)	-	(8,892,447)
Total net assets	$ (7,353,623)	$ (463,384)	$ 685,390	$ 520	$ (7,131,097)
Total net assets allocated to NCI	**$ (1,838,406)**	**$ (115,847)**	**$ 342,695**	**$ -**	**$ (1,611,558)**

The following table summarizes comprehensive income (loss) incurred by the Company's subsidiaries with non-controlling interests for the six months ended June 30, 2020 and 2019:

For the six months ended June 30, 2020

	LDS Scientific	LDS Agrotech	Agrotech	Total
Gross profit	$ -	$ -	$ 15,654	$ 15,654
Operating expenses	(588,291)	-	(63)	(588,354)
Net income (loss)	(588,291)	-	15,591	(572,700)
Other comprehensive income (loss)	(398,634)	(23,321)	33,748	(388,207)
Comprehensive income (loss)	$ (986,925)	$ (23,321)	$ 49,339	$ (960,907)
Comprehensive income (loss) allocated to NCI	**$ (246,731)**	**$ (5,830)**	**$ 24,670**	**$ (227,891)**

(Expressed in Canadian Dollars) (Unaudited)

16. NON-CONTROLLING INTERESTS (CONTINUED)

For the six months ended June 30, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Total
Gross profit	$ (1,017,856)	$ -	$ 1,043,811	$ 25,955
Operating expenses	(1,640,852)	(2,547)	(2,035)	(1,645,434)
Net income (loss)	(2,658,708)	(2,547)	1,041,776	(1,619,479)
Other comprehensive income (loss)	262,840	19,980	(19,450)	263,370
Comprehensive income (loss)	$ (2,395,868)	$ 17,433	$ 1,022,326	$ (1,356,109)
Comprehensive income (loss) allocated to NCI	**$ (598,967)**	**$ 4,358**	**$ 511,163**	($83,446)

(Expressed in Canadian Dollars) (Unaudited)

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2020		December 31, 2019
Accounts payable	$	5,649,049	$	4,060,344
Wages payable		160,531		32,122
Accrued liabilities		576,273		531,110
Liability under crop-share arrangement		1,049,299		1,000,021
Total accounts payable and accrued liabilities	**$**	**7,435,152**	**$**	**5,623,597**

During the year ended December 31, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, entered into two crop-share farm lease agreements for outdoor cultivation of cannabis (the "Farm Agreements") which expired on December 31, 2019. According to the Farm Agreements, the farm owners are entitled to receive 50% of net income generated from the sale of the biological assets. At June 30, 2020, the Company recorded $1,049,299 due to the farm owners under the crop-share agreement for their share of expected net income (December 31, 2019: $1,000,021) The Company determined the liability based on an expected selling price of USD$500/lb of biomass. At June 30, 2020, a 10% change in expected selling price would result in a $168,819 change to the liability.

18. GENERAL AND ADMINISTRATIVE EXPENSES

At June 30, 2020 and 2019 general and administrative expenses consisted of the following:

		Six months ended June 30 ,		
		2020		2019
Accounting fees	$	140,000	$	83,265
Accretion and finance fees for debenture		16,426		-
IT infrastructure		136,946		159,426
Legal fees		267,624		242,072
Meals and travel expenses		55,767		266,294
Office and general		87,265		561,734
Regulatory fees		48,890		227,839
Salaries and wages expense		389,357		1,056,066
Total general and administrative expenses	**$**	**1,142,275**	**$**	**2,596,696**

19. COMMITMENTS

Aside from lease liabilities, as describe in Note 11, the Company's commitments were represented by the annual property taxes the Company is required to pay for its manufacturing and grow facility, as well as for its land parcels. The total annual property taxes are estimated at $36,761 (US$28,304).

(Expressed in Canadian Dollars) (Unaudited)

20. GEOGRAPHICAL INFORMATION

Geographical information relating to the Company's activities is as follows:

	Revenue Six months ended June 30 ,	
	2020	2019
United States	$ 1,253,282	$ 3,773,118
	$ 1,253,282	$ 3,773,118

	Long-Term Assets[1]	
	Six months ended June 30, 2020	Year ended December 31, 2019
United States	$ 13,519,226	$ 14,048,482
Canada	-	-
	$ 13,519,226	$ 14,048,482

[1] Includes: Property, plant, and equipment

21. REVENUE

For the six-month periods ended June 30, 2020 and 2019 the following revenue was recorded from customers that comprise 10% or more of revenue:

	June 30, 2020	December 31, 2019
Customer A	$ -	$ 372,903
Customer B	$ 431,645	$ -
Customer C	$	$ 1,300,558
Customer D	$ 143,069	$ -

22. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's management of capital during the six months ended June 30, 2020. The Company is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

23. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

The Company has classified its cash and cash equivalents and marketable securities as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and unearned revenue approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at June 30, 2020 is the carrying amount of cash, marketable securities, amounts and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA.

Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i.Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

As at June 30, 2020, the Company's advances and amounts payable were interest-free and payable on demand.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

23. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

ii. Currency risk:

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	June 30 , 2020	December 31, 2019
Cash denominated in USD	$ 107,972	$ 116,470
Accounts receivable denominated in USD	330,405	391,132
Prepaids and other current assets denominated in USD	545,602	478,737
Accounts and wages payable and accrued liabilities denominated in USD	(6,567,755)	(4,569,278)
Notes and advances denominated in USD	(24,789)	(476,191)
Total	$ (5,608,565)	$ (4,059,130)
Effect of a 10% change in exchange rates	$ (560,856)	$ (405,913)

iii. Equity price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At June 30, 2020, the Company held 3,149,606 restricted common shares of CGOC valued at $1,244,094 (2019 – $Nil). As at June 30, 2020, the Company's equity investment represented 50% of its current assets; however, market fluctuations in share price of CGOC would not have an impact on the Company's liquidity until such time that the CGOC shares become free-trading. For these reasons the Company's management determined that equity price risk was not material to the Company's operations.

iv. Liquidity risk:

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at June 30, 2020, the Company had cash of $1,003,059 to settle current financial liabilities of $9,824,998. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following shows the Company's financial liabilities and is an analysis of the contractual maturities of the Company's financial liabilities as at June 30, 2020:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 7,435,150	$ -
Amounts due to related parties	1,260,124	-
Advances payable	193,603	-
Note payable	-	-
Lease liability	704,179	3,341,534
Convertible debenture	-	427,819
Total	**$ 9,593,056**	**$ 3,769,353**

24. IMPACT OF COVID-19

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the USA, and other countries to contain and treat the virus. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

25. SUBSEQUENT EVENTS

The following material events have occurred subsequent to June 30, 2020:

- In July 2020, the Company completed a non-brokered private placement of 21,052,621 units (each, a "Unit") at a price of $0.19 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022. In connection with completion of the private placement, the Company paid finders' fees of $31,947 and issued 434,891 Warrants to certain arms-length parties who assisted in introducing subscribers to the Company.

  As at June 30, 2020, the Company received $880,601 of proceeds from this financing.

- On July 9, 2020, the Company consolidated its issued and outstanding common share capital on the basis of two (2) pre-Consolidation shares for every one (1) post-Consolidation share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

  On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option will vest immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025.

- On July 10, 2020, the Company completed an acquisition (the "Rejuva Acquisition") of all of the outstanding share capital of Rejuva Alternative Medicine Research Centre Inc. ("Rejuva"), privately held company which operates walk-in medical clinic located in West Vancouver, British Columbia.

  The Rejuva Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva.

  On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor Health Services Inc. ("Shahcor"), privately held company which operates walk-in medical clinic located in Vancouver, British Columbia.

  The Shahcor Acquisition was completed pursuant to share exchange agreements, dated effective July 9, 2020, whereby the Company issued 5,555,556 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor; in addition, the Company paid cash of $400,000.

  The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares.

25. SUBSEQUENT EVENTS (CONTINUED)

In connection with completion of the Rejuva Acquisition and the Shahcor Acquisition, the Company issued 2,300,000 common shares, 571,111 common shares, and paid $8,000 as an administrative fee to unrelated parties that assisted in introducing the Company to Rejuva and Shahcor.

The Company is currently assessing its accounting treatment of the Rejuva and Shahcor acquisitions, including the evaluation and fair value measurement of consideration paid, assets acquired and liabilities assumed.

- On October 7, 2020, the Company entered into a Letter of Intent (the "LOI") dated effective October 1, 2020 to acquire all of the outstanding share capital of Vocan Biotechnologies Inc. ("Vocan"). Vocan is a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. Vocan's mission is to use science and technology to advance the knowledge of natural-based medicines for the treatment of mental health illnesses, including addictions.

  Under the terms of the LOI, in consideration for all of the outstanding share capital of Vocan, the Company is expected to issue 23,500,000 common shares (the "Consideration Shares"), and 4,000,000 common share purchase warrants (the "Consideration Warrants"), to the existing shareholders of Vocan. Each Consideration Warrant will be exercisable to acquire an additional common share of the Company at a price of $0.30 for a period of twenty-four months. In addition to the Consideration Shares, and the Consideration Warrants, the existing shareholders of Vocan will also be eligible to receive bonus payments of up to 5,000,000 common shares (the "Bonus Shares"). The Bonus Shares will be issuable in two tranches, of which 2,500,000 will be issuable upon the successful synthesis of psilocybin, and a further 2,500,000 will be issuable upon the filing of a patent application for such synthesis method in at least one jurisdiction. It is anticipated that a portion of the Consideration Shares will be subject to the terms of a pooling arrangement, during which time they not be transferred or traded without the prior consent of the Company. The Consideration Shares will be released from the arrangement in tranches over a period of nine months following completion of the acquisition.

  Completion of the acquisition of Vocan remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation. No finders fees or commissions are payable in connection with the acquisition of Vocan. An administrative fee of 470,000 common shares is owing to a third-party consultant who will be assisting with completion of the acquisition.

SCHEDULE “B”
Company MD&A

(see attached)

CORE ONE LABS INC.

(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)

MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2019

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. See "Risk Factors".

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.) (the "Company" or "Core One"), has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of August 18, 2020, and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.core1labs.com.

All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the foregoing MD&A constitute forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS

The Company was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share. On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in this MD&A on a post-consolidation basis.

Core One is a technology company that licenses its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produces infused strips that allow for bioavailability of cannabis constituents. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group Inc., the Company operates a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California.

The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt

Exchange under the symbol "LD6, WKN: A14XHT".

The Company operates in two geographical locations; California, USA, and British Columbia, Canada. A majority of the assets of the Company, as well as daily operations, are located in the City of Adelanto, California. The Parent Company operates in British Columbia; its primary function is the financing of the day-to-day operations in California as well as holding and developing intellectual property of the Company associated with CannaStrips™ technology.

As of the date of the filing of this MD&A, the Company has the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest	Function
Canna Delivery Systems Inc.	Nevada	100%	Holding company
LDS Agrotech Inc.	Nevada	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	75%	Consulting services - extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	100%	Holding company
LDS Development Corporation	California	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	Holding company
CSPA Group, Inc.	California	100%	Manufacturing and distribution
Core Isogenics Inc.	California	100%	Nursery and cultivation
Agrotech LLC	California	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	Medical Clinic
Shahcor Health Services Inc.	British Columbia	25%	Medical Clinic

Adelanto Operations

At the date of this MD&A, the Company's main operating facility is located in the City of Adelanto, California (the "Facility"). The facility is being leased under a long-term lease expiring on March 31, 2021, which can be renewed for an additional three consecutive 5-year terms. The Facility houses a full cultivation and manufacturing cycle starting with nursery, cultivation, extraction, distillation, strip coating, and packaging operations. The Facility is divided into four distinct divisions: nursery, cultivation, manufacturing, and distribution. Retrofitting/construction of the manufacturing division was completed in the summer of 2018. Distribution division including outbound transportation became operational in the fall of 2018. The nursery division was completed in late April 2019, and the cultivation division of the Facility was completed in September 2019.

As of the date of this MD&A, the Company's main business activity includes the manufacturing of CannaStrips™, cannabis-infused strips (similar to breath strips) based on the patent-pending technology, as well as producing oils, distillates, and resin for the Company's Rêveur product brand, as well as for the white-label distribution market. These operations are carried out through the Company's wholly-owned subsidiary, CSPA Group, Inc. ("CSPA"), which is managed by the Company's 75%-owned subsidiary, LDS Scientific Inc., under a management services agreement. Based on the agreement, LDS Scientific acts as the sole manager of CSPA's cannabis extraction and manufacturing operations, supervising and ensuring the performance of all functions related to the extraction and manufacturing operations, including compliance with applicable laws and regulations for marijuana-related activities.

The Company started retrofitting the Facility in November of 2016 and in September of 2017, the majority of required improvements for the extraction and manufacturing division were completed, and CSPA was granted a Certificate of Occupancy ("COO") allowing CSPA to begin operations managed by LDS Scientific.

The Company owns a 75% interest in each of LDS Agrotech and LDS Scientific. The remaining 25% of LDS

Agrotech is owned by its President, Matthew Ferguson, the remaining 25% of LDS Scientific is owned by its former President, Jonathan Hunt (Mr. Ferguson and Mr. Hunt are collectively referred to as "Minority Shareholders"). The Company retains options to purchase the remaining 25% of each of LDS Agrotech and LDS Scientific (the "LDS Agrotech and LDS Scientific Options"), which can be exercised by:

(a) issuing 208,334 common shares to each Minority Shareholder; and
(b) making a US$1,000,000 cash payment.

Nursery and Cultivation Operations

On December 12, 2018, the California Department of Food and Agriculture ("CDFA") issued Core Isogenics Inc., the Company's wholly-owned subsidiary focused on developing isogenic seed strains and automated cultivation methods, temporary nursery and cultivation licenses (the "Temporary Licenses"). The Temporary Licenses allow the Company to control all aspects of seed genetics, cultivation, and formulation of the Company's products.

In September 2019, Core Isogenics received an annual renewable Provisional Nursery License and in October 2019, an annual renewable Provisional Cultivation License, which are issued by CDFA. Both licenses renew in September of 2020. As of the date of this MD&A, permanent licenses are not being granted by CDFA. Once CDFA starts issuing permanent licenses, it is the Company's understanding that Core Isogenics will not be required to re-submit any additional documentation in order to receive its first annual license.

The Cultivation License covers two rooms, a vegetation room and a slightly larger flowering room. The vegetation room houses a two-story state-of-the-art rolling table system and 192 lights. The flower room includes the same two-story state-of-the-art rolling table system equipped with 288 lights. Both the flowering and the vegetation rooms have automated irrigation systems in order to maintain an accurate feeding regimen for the plants and to reduce the amount of labor required to service those plants. The genetics for the rooms are bred by Core Isogenics' Nursery located in the same facility, in separate premises adjacent to the cultivation rooms.

Developing its proprietary plant genetics and the germination and grow technology allows the Company to produce seeds and plants with properties identical to those used in CannaStrips™ formula, thereby reducing the number of extraction steps that would be required to extract ingredients from conventional plants.

The nursery utilizes the seeds grown based on the Core Isogenics process. These seeds are grown inside the Company's climate-controlled, negatively-pressurized, and remotely-monitored rooms to ensure contaminant-free plant development. The Company is planning to develop both indoor and outdoor strains with a focus on future large outdoor cultivations.

In December 2019, Core Isogenics began harvesting the indoor flower. First harvest yielded approximately 345 pounds of flower which, following the drying and curing process, yielded 69 pounds of marketable flower, or 20% of the initial harvested weight. The Company continues to harvest once a week with the harvests ranging from 15 pounds to 50 pounds. Once the Company determines the optimal mix of seeds, nutrients, lights, and grow space per plant, it expects the average harvest to normalize at approximately 45 pounds per week.

In early 2020, Core Isogenics Inc. partnered with Reiziger® Holland for a 12-month study of its hydroponic solutions. The Core Isogenics' nursery dedicated approximately 25% of the genetic rooms to the project which the Company hopes will improve its harvests by accelerating the growth of cannabis plants, increasing flower yield and their quality. The initial project is estimated to take approximately twelve months and will include matching genetics to nutrients and creating feeding regimens specifically designed for maximum absorption and conversion of nutrients into cannabinoids. The early results have been promising, showing improved growth of seedlings with the stalk size doubling in diameter in half the time. The possible benefits for Core Isogenics are shorter cultivation times, and higher flower yields, both of which will translate into higher profit margins. The nursery facility is uniquely suited for this type of project, with its ability to track the growing conditions in isolated rooms, as well as documenting the feeding schedule and soil condition in order to gather information to accurately assess the cultivation process.

Outdoor Cultivation Operations

In April 2019, the Company incorporated an additional subsidiary, Agrotech LLC., of which 50% of equity was issued to an unaffiliated third party ("Agrotech"). Agrotech entered into two separate crop-share farm lease agreements with two licensed California cannabis farms consisting of over two acres of outdoor cultivation and three-quarters of an acre of covered canopy cultivation land in Yolo County, CA (the "Sacramento Farms"). Both contracts had substantially the same terms expiring on December 31, 2019 and were subject to US$300,000 (US$150,000 each) upfront lease payments. Pursuant to the agreements, the Company became the main operator on the leased land and therefore was required to supply seedlings, nutrients, and all other required material and manpower to facilitate operations at the Sacramento Farms. All operations had to be approved by the farm owners. The Sacramento Farms have two years of successful contaminant-free growth and all the necessary infrastructure, which allowed the Company to start cultivation of cannabis in May 2019, when the Company planted 10,000 seeds on the farm's outdoor cultivation acreage. As at December 31, 2019, all the plants were harvested and transferred to inventory.

New Product Development

During the year ended December 31, 2019 and for the subsequent period, the Company continued expanding its product offering.

In November 2019, the Company rolled out a new Rêveur premium indoor flower line. Prior to introducing this new product, the Company had three strains that were available in the marketplace, and all used only half a gram of live resin concentrate. The new product uses a one-gram premium indoor flower that has been successfully state-certified and packaged to be sold by the Company's distribution partner, Fenix Logistics.

In December 2019, the Company completed formulation of the CannaStrips™ Nightime Formula and the compliant packaging, which completed the primary product line for CannaStrips™. The Company believes that the large senior community in California may represent a significant market for the Nighttime version of CannaStripsTM.

In January 2020, the CSPA Group started using Color Remediation Technology ("CRT") to enhance its extraction capabilities. CRT is a system that utilizes a series of filters with a proprietary combination of fine media. CRT provides a cleaner more potent end-product while preserving valuable terpenes and controlling the color of the finished product. CSPA's ability to refine the CRT method allowed to expand production to additional forms of concentrate products including diamonds, live resins, sauces, shatters, and terpene distillate blends, and opened the door to additional white labelling for some of the largest brands in California.

Distribution

During the year ended December 31, 2019, in addition to delivering its CannaStrips™ and Rêveur products under the distribution license granted to CSPA Group, the Company engaged services of several independent distribution providers, including lbs. Distribution, Rise Logistics and Fenix Logistics. At December 31, 2019, and up to the date of the filing of this MD&A the Company continues to work with Fenix Logistics on non-exclusive basis. In addition to distribution services, Fenix Logistics also assists the Company with labeling, testing, and packaging of the Company's products. As of the date of this MD&A, the Company's products are available in 90 stores across the State of California.

Construction of Dispensary and Increase of Distribution Operations

On February 28, 2019, the Company's affiliate, Highway 395 Dispensary Inc. ("Highway 395"), filed plans with the Planning Department of the City of Adelanto for the construction of a freestanding structure for dispensary and delivery operations. The president of Highway 395 is Kelly Christopherson. Ms. Christopherson is the CEO of CSPA and is the partner of Brad Eckenweiler. The land parcel where the dispensary is being built is owned by LDS Development Corporation, a wholly-owned subsidiary of the Company ("LDS DevCo"). In January 2020, the Company entered into an option agreement with Optimus Logistics Inc., ("Optimus"), a company formed for the purpose of financing the construction of the marijuana dispensary being developed by the Company in Adelanto, California, and parent of Highway 395, whereby the

Company granted Optimus the exclusive right and option to purchase the land plot where Highway 395 Dispensary will be constructed (the "Optimus Option"). The Optimus Option is for $200,000, and gives Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023.

Based on the verbal agreement between the Company, Highway 395, and Optimus, the construction will be the responsibility of Highway 395 and ownership of the completed project will remain an asset of LDS DevCo. As at the date of the filing of this MD&A, Highway 395 has received approvals for environmental impact and yucca tree preservation requirements, as well as approval for its construction plans from the San Bernardino County Fire Department. The City of Adelanto approved the addition of a Conditional Adult use permit to complement Highway 395's existing Medical Use permit for the dispensary, as well as delivery operations. The Conditional Adult Use permit is subject to the planning commission's approval of the construction plans.

In the beginning of September 2019, the Company received the required grading permits and broke ground on the Highway 395 Dispensary project. During the month of September, the Company completed connection to the City of Adelanto's water system and routed it to the property and installed a fire hydrant, as required by the San Bernardino County fire department. In October 2019, the Company started preparation for the next step of the project, however, due to financial constraints was required to temporarily stop the construction until such time that either Highway 395 or the Company raises sufficient funds to finance the project.

Private Placement Financing

On May 9, 2019, the Company closed its non-brokered private placement offering by issuing a total of 1,618,680 units of the Company's common stock (the "May Units"), at a price of $4.20 per May Unit for aggregate gross proceeds to the Company of $6,798,457 (the "May Offering").

Each May Unit consisted of one common share of the Company (a "May Share") and one May Share purchase warrant (a "May Warrant"). Each May Warrant entitled the holder to purchase one May Share (a "May Warrant Share") for a period of one year expiring on May 9, 2020, at an exercise price of $6.00 per May Warrant Share. The Company had a right to accelerate the expiry of the May Warrants if the Company's daily volume weighted average share price on the Canadian Stock Exchange (or such other stock exchange the Company may be trading on) is equal to or greater than $12.00 for 10 consecutive trading days.

In connection with the May Offering, the Company paid cash commissions of $233,076 and issued 55,494 finder's warrants (the "May Finder's Warrant"). Each May Finder's Warrant was exercisable for one common share at $6.00 per share for a period ending on May 9, 2020.

In October 2019, the Company announced a proposal to reduce the May Warrant exercise price from $6.00 to $2.50 per May Warrant Share, and on January 2020 the price was proposed to be further reduced to $0.80 per May Warrant Share. Under the Policies of the Canadian Securities Exchange, in order for the proposed Amendments to become effective, the registered holders of all the outstanding May Warrants must unanimously consent to the Amendments. The Company was not able to secure 100% approval and therefore the exercise price remained unchanged. The May Warrants expired unexercised.

On July 3, 2020, the Company completed a non-brokered private placement of 21,052,632 units (each, a "July Unit") at a price of $0.19 per July Unit for gross proceeds of $4,000,000. Each July Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant (each, a "July Warrant"). Each whole July Warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022.

In connection with completion of the private placement, the Company paid finders' fees of $31,947 and issued 434,891 July Warrants to certain arms-length parties who assisted in introducing subscribers to the Company.

The securities issued under the July Offering are subject to a hold period expiring on November 4, 2020, pursuant to applicable Canadian securities laws.

Debt Financing Activities Applicable to the period covered by this MD&A

- On December 13, 2018, the Company entered into a loan agreement (the "Loan Agreement") with an arms-length entity for $700,000 (the "Loan"). Outstanding principal under the Loan accrued interest at a rate of 3% per month, compounded monthly and was payable at maturity on June 13, 2019. The Company had a right to prepay the Loan at any time, subject to the payment of $70,000 in minimum interest. The Loan was secured by a general security agreement covering first deeds of trust on three parcels of unimproved real property totaling 20.5 acres owned by the Company's wholly-owned subsidiary, LDS Development Corporation, in the City of Adelanto. The Company repaid the Loan in full on May 16, 2019.

- During the year ended December 31, 2019, the Company received a total of $308,771 in advances required for working capital. The advances are due on demand and bear no interest. Subsequent to December 31, 2019, further US$51,000 were advanced to the Company in the form of non-interest-bearing advances due on demand.

- In March 2020, the Company entered into definitive agreements with Cannabis Growth Opportunity Corporation ("CGOC") for a $1,500,000 convertible debt facility (the "Debt Facility"). As consideration for the Debt Facility the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "Debenture") and 750,000 common share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture was to be advanced by CGOC to the Company in three equal installments of $500,000 each, of this amount, as of the date of this MD&A, the Company received a total of $450,000. The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $0.80 per share. The Warrants issued to CGOC are exercisable at a price of $1.20 per share, expiring on the Maturity Date, and will vest and become exercisable in three equal tranches of 250,000 Warrants each upon CGOC making each $500,000 advance under the Debenture. The Company may accelerate the expiration date of the Warrants to 30 days after providing written notice to CGOC if the Company's common shares trade at or above $3.00 per share for 10 consecutive trading days on the CSE. The Debentures and the Warrants, and any shares issued upon exercise of the conversion rights or purchase rights attached thereto, were subject to a hold period expiring on July 17, 2020.

  In addition to the Debenture and the Warrants, the Company and CGOC also exchanged approximately $2,000,000 worth of each other's common shares (the "Share-Swap"), with the Company issuing to CGOC 2,666,667 common shares at an agreed value of $0.75 per share, and CGOC issuing 3,149,606 common shares to the Company at an agreed value of $0.635 per share. In connection with the Share-Swap, the Company and CGOC entered into a voting and resale agreement, with each party agreeing to vote the shares acquired from the other under the Share-Swap as recommended by the issuer of the shares, and with each party agreeing not to trade the shares received in the Share-Swap for a period of 18 months. The Company has also agreed that, upon payment of the full amount of the initial advance of $500,000 under the Debenture, CGOC will have the right to nominate one director to the Company's board and, if CGOC's nominee is not appointed or elected to the Company's board, CGOC will have the right to appoint a board observer.

- Effective April 29, 2020, the Company entered into the Debt Settlement with certain creditors, including certain directors and officers of the Company (the "Creditors") of the Company to settle $808,325 in debt owed to the Creditors by the issuance of a total of 2,449,470 common shares of the Company at a price of $0.37 per share. Brad Eckenweiler, the former CEO and a director of the Company, settled US$175,000 in amounts owed for unpaid management fees for 768,674 unrestricted common shares of the Company, and an additional $142,500 debts owed to Mr. Eckenweiler for 431,818 common shares, subject to a hold period expiring four months and one day from the date of issuance. Casey Fenwick, the President and a director of the Company, settled a total of US$25,000 owed by the Company in respect of reimbursable expenses for 108,311 common shares. All shares issued on conversion of debt, aside 431,818 restricted shares issued

to Mr. Eckenweiler, were not subject to hold periods under applicable Canadian securities laws.

Grant of Stock Options

- On February 6, 2019, the Company granted options to acquire up to 250,000 common shares to its President and an employee and granted warrants to acquire up to 250,000 common shares to its consultants. These securities were issued outside of the Company's Plan. The options and warrants vested quarterly over a two-year period in equal installments beginning on February 7, 2019, and could have been exercised at a price of $5.58 per share expiring five years after each vesting date. These options were cancelled on December 27, 2019.

- On September 13, 2019, the Company granted options to purchase up to 923,800 common shares to its executive officers, directors, and consultants. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. Options to acquire up to 691,500 common shares vested immediately, and options to acquire up to 232,300 common shares issued to a consultant for investor relations services vested over a 12-month period beginning on December 13, 2019, at 58,075 shares per quarter.

- On December 27, 2019, the Company cancelled 1,662,201 stock options that were granted on various dates to the Company's director, officers, and consultants. As of December 27, 2019, the Company did not have any convertible securities issued and outstanding other than May Warrants and May Finder's Warrants.

- On May 28, 2020, the Company granted 1,500,000 options to certain employees, consultants, directors and officers of the Company. Each option will be exercisable to acquire one common share at a price of $0.33 per share, until May 1, 2022. The options are subject to vesting, with 25% of the options vesting every 3 months after the grant date.

- On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option will vest immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025.

Transaction with TransCanna Holdings Inc.

On July 1, 2019, the Company announced its entry into an exclusive agreement (the "LOI") to negotiate a proposed business amalgamation between TransCanna Holdings Inc. ("TransCanna"), a former related part by virtue of having directors in common, and the Company. The proposed business amalgamation was expected to involve the acquisition by TransCanna of all the outstanding common shares of the Company. On July 12, 2019, the Company announced the termination of the LOI to amalgamate, as the Company's management determined that the proposed transaction would not be in the best interests of its shareholders. During the time the LOI was in effect, neither COOL nor TransCanna have requested or provided any proprietary information to the other party, nor conducted any due-diligence with respect to the transaction proposed in the LOI.

Concurrently with signing the LOI, on July 5, 2019, TransCanna advanced to the Company US$150,000 (the "TCAN Loan") in exchange for a note payable dated for reference July 30, 2019. Outstanding principal under the TCAN Loan was secured by 250,000 TCAN Shares the Company acquired from Mr. Eckenweiler at a 50% discount to market, accrued interest at a rate of 1% per month, compounded monthly in arrears and was payable on demand. As of December 31, 2019, the Company owed a total of $206,249 under the TCAN Loan.

The Company and TransCanna were also party to certain Intellectual Property License and Royalty Agreement (the "TCAN Agreement") dated for reference November 15, 2017, and amended on February 20, 2018, for a Track and Trace software which the Company was commissioned by TransCanna to develop. At December 31, 2019, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the state of California.

On April 1, 2019, the Company was also a party to a certain sub-lease agreement between TCM Distribution Inc. (a subsidiary of TransCanna), and LDS Development Corp. for a lease of real property adjacent to the

Company's Adelanto Facility.

On May 5, 2020, the Company entered into a Settlement Agreement with TransCanna and TCM Distribution to settle certain obligations which arose from the above agreements. Pursuant to the Settlement Agreement, the Company agreed to return to treasury 250,000 common shares of TCAN it held as security for the TCAN Loan, in exchange for release of the Company from its obligations under the TCAN Loan. In addition, the TCAN Settlement agreement released the Company from a requirement to deliver Track and Trace software, and lastly, released TCAN from any liability under the sublease agreement.

Sale of Marketable Securities

During the year ended December 31, 2019, the Company sold 1,102,254 common shares of TransCanna (the "TCAN Shares"), for total net proceeds of $1,630,487. The Company acquired TCAN Shares as part of the TCAN Agreement.

Acquisition of Rainy Daze Cannabis Corp

On November 15, 2019, the Company announced that it has completed the acquisition of Rainy Daze Cannabis Corp. ("Rainy Daze") by purchasing all issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing an aggregate of 1,750,000 unrestricted common shares of the Company to the initial shareholders of Rainy Daze.

Rainy Daze holds a long-term lease for a bay in a micro-cultivation facility that is currently under construction with a lease term of 5 years, commencing on the day immediately following Rainy Daze receiving an occupancy permit from the Capital Regional District. As at December 31, 2019, this lease has not commenced. Rainy Daze intends to apply for a micro-cultivation license with Health Canada at a time when the building has received required approvals. Rainy Daze entered into a management agreement to complete the licensing and manage the facility operations. Rainy Daze also entered into a Cannabis Processing Agreement with a processor on October 15, 2019, whereby the processor, will become the exclusive processor and distributor of all cannabis products produced by Rainy Daze.

As at the date of the acquisition, the Company determined that Rainy Daze did not constitute a business as defined under IFRS 3, Business Combinations, and the Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

As part of the acquisition, the Company also entered into a month-to-month management agreement with a director of Rainy Daze to assist the Company with the licensing process and to manage the facility operations. The management agreement is pending receipt of micro-cultivation license with Health Canada.

Changes in Management

On January 31, 2019, the Company terminated an employment agreement with Ms. Elrod, former President and a 25% shareholder of LDS Scientific, and 25% owner of Omni Distribution Inc, the Company's subsidiary. The Company and Ms. Elrod entered into a settlement agreement and release (the "Elrod Agreement"). Pursuant to the Elrod Agreement, the Company reacquired shares of Omni Distribution held by Ms. Elrod in exchange for forgiveness of $88,106 (US$70,400) of cash advances the Company extended to Ms. Elrod during the year ended December 31, 2018, and Ms. Elrod resigned from all positions she held with the Company and its subsidiaries.

On February 1, 2019, CSPA Group entered into an employment agreement with Mr. Fenwick (the "Fenwick Agreement"), for an initial period ending on January 31, 2020, and renewing on a month-to-month basis thereafter. Pursuant to the Fenwick Agreement, Mr. Fenwick agreed to serve as the Company's President as well as to continue act as the Director of Northern California Operations and Marketing Director for CSPA, the positions Mr. Fenwick held from September 1, 2018 under a separate consulting agreement.

The Company agreed to a base annual salary of USD$180,000, payable monthly. In addition, as previously

discussed, the Company agreed to grant Mr. Fenwick an option to acquire up to 166,667 shares of its common stock, which was granted on February 6, 2019. The option vested over a two-year period from the date of grant, at 125,000 shares per quarter, and could have been exercised at a price of $5.58 per share expiring five years after the respective vesting date. On April 25, 2019, at the Company's Annual General Meeting, the shareholders of the Company resolved to appoint Mr. Fenwick director of the Company.

In March 2019, Arni Johannson and David Velisek resigned from the board of directors of the Company.

In October 2019, the Company terminated an employment agreement with Jonathan Hunt, former President and a 25% shareholder of LDS Scientific. Mr. Hunt continues to hold his share position with LDS Scientific.

On November 14, 2019, Yanika Silina, resigned from the Board of Directors of the Company and as CFO effective April 30, 2020.

On January 17, 2020, Patrick Morris was appointed as an independent director of the Company.

On May 29, 2020, the Company appointed Joel Shacker as an independent director of the Company.

On July 3, 2020, the Company appointed Joel Shacker as Chief Executive Officer of the Company, and Ryan Hoggan as a director of the Company. Concurrently with these appointments, Mr. Eckenweiler resigned as a director and officer of the Company. Mr. Eckenweiler agreed to remain with the Company in a temporary advisory capacity to assist with the transition of any ongoing matters.

Planned Geographical Expansion

On February 27, 2019, the Company signed a Memorandum of Understanding to enter into a Joint Venture (the "JV") with National Green Biomed Ltd ("NGB") to build a manufacturing facility in Mission, British Columbia, the MOU was superseded by a definitive LOI on May 29, 2019.

Under the terms outlined in the LOI, the JV was to build a manufacturing facility in Mission, British Columbia, Canada to produce CannaStrips™ under extension of its license in exchange for the Company investing a total of CAD$255,000 in a then proposed private placement for shares of common stock of NGB. In addition to the funds invested as part of the private placement, LDS was to be responsible for paying for the permits, design, and build-out of the facility, and was to share the consulting expenses associated with the Health Canada licensing. The LOI did not materialize into a definitive agreement, as the Company and NGB agreed not to pursue the JV at that time.

Acquisition of Interest in Medical Clinics

On July 10, 2020, the Company completed the acquisition (the "Acquisition") of all of the outstanding share capital of Rejuva Alternative Medicine Research Centre Inc. ("Rejuva") and one-quarter of the non-voting participating share capital of Shahcor Health Services Inc. ("Shahcor").

Rejuva and Shahcor are privately held companies which operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia, and maintain a database of over 200,000 patients, combined. The Company intends to further develop its current product offerings through research and development in these clinics, including the integration of intellectual property related to psychedelic treatments and novel drug therapies. The Company will aim to prove increased efficacy and bioavailability of existing and novel drugs, including psilocybin, with its proprietary delivery methods currently utilized by its CannaStrips™ technology. Core One and Rejuva plan to advance psychedelic-derived treatments and establish a portfolio of intellectual property, through human clinical trials, to build a robust drug development platform in the psychedelic medicine space.

The Acquisition was completed pursuant to share exchange agreements, dated effective July 9, 2020, entered into with each of the shareholders of Rejuva and Shahcor. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva. In consideration for one-quarter of the non-voting participating share capital of Shahcor, the Company paid cash

of $400,000 and issued 5,555,556 common shares to the existing shareholders of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares.

The Company is at arms-length from each of Rejuva, Shahcor, and their respective shareholders.

In connection with completion of the Acquisition, the Company has issued 2,300,000 common shares (the "Finders' Fee Shares") to an arms-length third-party that assisted in introducing the Acquisition to the Company. The Company has also issued 571,111 common shares (the "Administrative Fee Shares") and paid $8,000 as an administrative fee to a consultant who assisted with completion of the Acquisition.

SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information derived from the Company's audited financial statements for the three most recently completed financial years, prepared in accordance with IFRS.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total Revenue	$ 5,041,651	$ 4,080,747	$ 191,126
Net Loss	$ 21,652,443	$ 13,153,386	$ 13,164,157
Loss per Share	$ 1.91	$ 1.32	$ 2.28
Working Capital (Deficit)	$ (4,934,210)	$ (916,432)	$ 820,738
Total Assets	$ 17,803,135	$ 21,064,193	$ 13,130,426
Property, Plant, and Equipment	$ 14,048,482	$ 17,198,355	$ 10,067,238
Total Liabilities	$ 12,184,594	$ 4,782,270	$ 2,242,450
Share Capital and Reserves	$ 58,820,940	$ 47,299,815	$ 27,688,532
Non-controlling interests	$ (1,611,558)	$ (1,495,623)	$ (538,507)
Deficit	$ 51,889,363	$ 30,426,172	$ 18,139,295

OVERALL PERFORMANCE

The statements of financial position as of December 31, 2019 and December 31, 2018, indicated a cash position of $116,850 and $452,295, respectively, and total current assets of $3,754,653 and $3,865,838, respectively. The change in total current assets was mainly associated with $335,445 decrease in cash, $335,966 increase in accounts receivable associated mainly with regular sales transactions with customers on credit terms, $71,671 increase in inventories, $167,881 increase in biological assets, $129,332 decrease in prepaid fees and $246,237 decrease in marketable securities.

The long-term assets of the Company totaled $14,048,482 (2018 - $17,198,355), and included $1,627,919 (2018 - $2,057,974) recorded as cost of four undeveloped land parcels varying in size from 4 to 10 acres for a total of 24.5 acres; production equipment recorded at $5,033,275 (2018 - $5,292,952); $5,446,598 (2018 - $6,259,514) recorded as cost of leasehold improvements at the Adelanto Facility , and $1,940,690 (2018 - $Nil) associated with capitalized lease obligations for the Adelanto Facility.

As at the date of this MD&A, the Company has completed retrofitting its Adelanto Facility, and only minor maintenance work is being performed from time-to-time.

At December 31, 2019, current liabilities totaled $8,688,863 (2018 - $4,782,270) and were comprised of the following:

- $5,623,597 in accounts payable and accrued liabilities (2018 - $3,210,045). Included in accounts payable and accrued liabilities was $1,000,021 related to liabilities under crop-share arrangement due to the farm owners under the crop-share agreement for their share of expected net income. During the year ended December 31, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, entered into two crop-share farm lease agreements for outdoor cultivation of cannabis (the "Farm Agreements") which expired on December 31, 2019. According to the Farm Agreements, the farm owners are entitled to receive 50% of net income generated from the sale of the biological assets;

- $1,015,964 in amounts due to related parties (2018 - $160,670);

- $317,180 in advances payable (2018 - $10,050);

- $671,495 (2018 – $680,505) in unearned revenue, which was associated with $57,033 (2018 - $Nil) prepayments the Company collected from its customers and $614,462 (2018 - $605,057) received pursuant to the Intellectual Property License and Royalty Agreement with TransCanna, for its Track and Trace software, which the Company was commissioned to develop. At December 31, 2019, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the state of California. Subsequent to December 31, 2019, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna. At the time of the transaction, TransCanna was a related corporation to the Company through its former directors, James Pakulis and Arni Johannson, who were also directors of TransCanna;

- $188,525 the Company received from Optimus Logistics Inc., a Canadian corporation affiliated with the Company through Mr. Eckenweiler; as deposit on purchase of one of the land parcels the Company acquired in Adelanto; $206,249 owing under the TCAN Loan; and

- $665,853 representing a current obligation under long-term leases for Adelanto facility and warehouse.

At December 31, 2019, the Company had working capital deficit of $4,934,210, as compared to working capital deficit of $916,432 at December 31, 2018. Based on the current operation and expansion plans, the Company is required to generate funds from an alternative source of financing before it will be in a position to support its operations from its core business activities. As the construction and retrofitting of the Adelanto Facility have been completed, all divisions have been able to start operating at the expected capacity levels, the Company believes it will be able to start generating sufficient revenue to fund its day-to-day operations. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources through equity or debt financing in order to fund ongoing operating expenditures and the Company's development plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future.

Parent shareholders' equity was comprised of share capital of $51,372,447 (2018 - $42,797,498), reserves of $7,448,493 (2018 - $4,502,317), accumulated other comprehensive income of $298,522 (2018 - $903,903) and accumulated deficit of $51,889,363 (2018 - $30,426,172). The total parent shareholders' equity at December 31, 2019, was $7,230,099 (2018 – $17,777,546). In addition, the Company recorded $1,611,558 (2018 – $1,495,623) in non-controlling interests associated with 25% allocations to LDS Agrotech and LDS Scientific, and a 50% allocation to Agrotech LLC.

The weighted average number of common shares outstanding for the year ended December 31, 2019, was 11,262,556 (2018 – 9,311,419) resulting in a net loss per common share of $1.91 (2018 –$1.32). As at December 31, 2019, the Company had outstanding warrants to acquire up to 1,674,175 shares of the Company's common stock, these warrants expired unexercised on May 9, 2020.

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the year ended December 31, 2019, the Company reported a net loss of $21,652,443 ($1.91 basic and diluted loss per share) and a total comprehensive loss of $22,183,226 compared to a net loss of $13,153,386 ($1.32 basic and diluted loss per share) and a total comprehensive loss of $12,196,564 during the year ended December 31, 2018.

Revenue

During the year ended December 31, 2019, the Company recognized $5,041,651 in revenue (2018 - $4,080,747) which was associated with revenue from sales generated by CSPA Group. The cost of sales was determined to be $6,294,362 (2018 - $5,080,614). The revenue and cost of sales for the year ended December 31, 2019, resulted in a negative gross margin of $1,252,711 (2018 - $999,867) before taking into account fair value adjustments for biological assets and biological assets transferred to inventory.

At December 31, 2019, the Company recognized $679,267 gain on changes in fair value of biological assets, in accordance with IAS 41, Agriculture. The gain was based on a market approach where fair value at the point of harvest is estimated based on selling prices less costs to sell at harvest and is prorated based on the stage of growth of cannabis plants. During the year ended December 31, 2019, the Company seeded 10,000 seedlings which produced a total of 3,470 pounds of biomass, which was transferred to inventory at an average estimated cost of US$500 per pound. Since the Company participates in a 50/50 profit sharing with the Sacramento Farms, the Company recorded $1,000,021 as part of liability under crop-share arrangements.

During the year ended December 31, 2019, the Company's operations resulted in negative gross margin due to lack of economies of scale and developing stage of operations, which resulted in cost overruns and unexpected hindrances in project execution. To reduce the costs, the Company is planning to establish stronger cost control initiatives, which in fiscal 2020 are expected to become easier to manage as the cultivation division of the Adelanto Facility started producing steady harvests, allowing the Company to cultivate its own biomass at the Facility.

During the year ended December 31, 2019, the Company recognized $96,127 (2018 - $Nil) non-cash expense relating to the changes in fair value of inventory sold.

All of the Company's revenues were derived from sales in the United States.

The following table presents the Company's sales disaggregated by revenue source:

	December 31, 2019	December 31, 2018
Flower	$ 456,056	$ -
Crude	476,734	202,844
Trim	675,408	-
Distillates	2,914,023	2,937,791
Various concentrates	519,430	784,628
Total revenue by source	**$ 5,041,651**	**$ $3,925,263**

Operating Expenses

During the year ended December 31, 2019, the Company's operating expenses were $20,982,880 (2018 - $12,153,519). The increase in operating expenses of $8,829,361 during the year ended December 31, 2019 was mainly due to:

- Amortization expense of $3,580,455 (2018: $Nil)

In 2018, the new State of California Cannabis regulations eliminated restrictions on issuing cannabis-related licenses to nonprofit mutual benefit corporations only. As of the date the new regulations became effective, any corporation formed in the State of California, provided it remains in good standing, can apply and receive licenses to operate a cannabis business. Therefore the Company, chose to convert one of its wholly-owned subsidiaries, CSPA Group Inc., from a nonprofit mutual benefit corporation to a business corporation by filing Amended and Restated Articles of Incorporation with the Secretary of State of California, whereby the Membership was converted to regular shares of the corporation, and the shares were assigned a value of $100, which is eliminated on consolidation.

As at December 31, 2019, due to these regulatory changes in the State of California associated with certain requirements for the companies operating within the cannabis industry, Management determined that the useful life of the Membership in CSPA Group Inc. (the "Membership"), as an intangible asset, was no longer indefinite. The annual cost of renewal, the rigor of the renewal process combined with other changes in the industry associated with competition and regulatory requirements, made the cost of renewal insignificant versus when the Membership was first purchased, where the number of permits were limited and where the ability to obtain permits was more challenging.

As the useful life of the Membership was reassessed as definite, Management determined the carrying amount should be amortized over the new useful life, being the license renewal period.

In line with its decision to amortize the Membership, the Company assessed the useful life of an initial conditional use permit ("CUP"), which the Company acquired in its fiscal 2017. It was determined that the useful life of the CUP was equivalent to its renewal period, and as at December 31, 2019, the CUP was fully amortized.

The Company recognized an amortization charge of $3,580,455 relating to the Membership and CUP.

- Impairment of PP&E and ROU assets of $2,755,327 (2018: $Nil)

  During the year ended December 31, 2019, the Company recognized an impairment charge for a total of $2,755,327, of which $338,566 were associated with impairment of one of the land parcels the Company acquired in 2017, as the fair market value of the parcel decreased; $285,283 was associated with architectural designs for development of its lands had no value; $61,749 was associated with writing down leasehold improvements made at one of the office locations, as the Company decided not to maintain the short-term lease for the office; and $2,069,729 was associated with an ROU asset related to a lease agreement between a landlord and the Company for the Company's use of an additional warehouse facility in Adelanto, California determined as an onerous contract, under the definition of IAS 37. As at December 31, 2019, the Company has no immediate plans to use this building.

- Loss on acquisition of assets of $1,992,607 (2018: $Nil)

  On November 14, 2019, the Company completed the acquisition of Rainy Daze by purchasing all the issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing 1,750,000 common shares of the Company.

  There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

- Share-based compensation of $2,776,906 (2018: $2,142,819), as a result of options granted during the year.

- Write-down of inventory of $2,157,732 (2018: $689,604)

  As at December 31, 2019, the Company wrote down its inventory of cannabis-related products to the

net realizable value, which resulted in an impairment of $2,157,732 (2018 - $689,604).

The increase in operating expenses was partially offset by:

- Recovery of advances receivable of $410,889 (2018: impairment of $1,204,405)
- Gain on investment of $1,089,360 (2018: $Nil)

  During the year ended December 31, 2019, the Company sold 1,102,254 TCAN Shares received as part of the TCAN Agreement, dated for reference November 15, 2017, for a total net proceeds of $1,630,487. The Company recorded a net realized gain of $1,079,360 on the sale of TCAN Shares (2018 - $Nil). In addition, the Company recorded $10,000 unrealized gain on revaluation of TCAN Shares to the fair market value.

During the year ended December 31, 2019, the Company incurred $969,911 (2018: $1,298,314) in consulting fees.

During the year ended December 31, 2019, the Company incurred $4,385,160 (2018: $4,330,732) in general and administrative expenses, which consisted of the following:

	December 31, 2019	December 31, 2018
Accounting fees	$ 232,308	$ 150,038
Gain on sale of assets	(5,060)	-
IT infrastructure	317,768	311,776
Legal fees	493,270	861,306
Meals and travel expenses	550,024	470,244
Office and general	1,371,752	1,477,989
Regulatory fees	176,673	272,192
Salaries and wages expense	1,248,425	787,187
Total general and administrative expenses	**$ 4,385,160**	**$ 4,330,732**

Salaries and wages expense included salaries for the management team receiving payroll, as well as for the employees working at the Adelanto Facility not directly associated with manufacturing operations.

During the year ended December 31, 2019, the Company incurred $1,424,963 (2018: $1,292,337) in marketing, sales and distribution, which included marketing campaigns to increase awareness of the Company's products as well as to establish shareholder communication channels.

During the year ended December 31, 2019, the Company incurred $1,124,015 (2018: $1,116,986) in research and development fees associated with testing the technology to achieve the best quality extracted products, as well as to fine-tune production, grow and packaging operations.

The Company's current operations started generating considerable revenue in the late 3rd quarter of the Company's fiscal 2018. However, due to the growth stage of the operations and the market itself, the costs of revenue during the years ended December 31, 2019 and 2018, exceeded the revenue generated from sales, largely due to the lack of economies of scale which did not provide the Company with a bargaining power to lower the cost of inputs, in part due to uncertain legal and regulatory environment within the industry, which was driving up costs of raw material and packaging requirements, and in part due to inefficient use of material due to lack of prior operating history.

In addition, in 2019 the market value of distillate dropped significantly as compared to the prices prevalent in 2018. During 2018 the market price of distillate was around $12,000 per liter; whereas as of the date of this MD&A, the market price for distillate fluctuates between $3,000 to $5,000 per liter. At the same time, the market price of biomass remained unchanged, which significantly impacted the profit margins for cannabis

companies. Much of the market price devaluation can be attributed to black market products that are sold without regulatory compliance, avoiding required testing costs or taxes payable. To exacerbate the cannabis market decreasing profit margins the State of California and the City of Adelanto increased the taxes along with expanded regulatory, additional tracking, and expanded testing requirements, which all added additional mandatory costs.

The Company's management believes that the seed-to-sale business model should help mitigate some of the market risks, as it removes additional margins associated with costs of cultivating and marketing by third-party-providers. Until such time that the Company can successfully control costs of its revenue-generating inputs, the Company will continue relying on equity and debt financing in order to meet its ongoing day-to-day operating requirements. The Company's current cash reserves are not sufficient to be able to support its operations for the next twelve-month period. Should anticipated revenue from production and sale of the biological assets be delayed, the Company will be required to seek additional financing either through debt or equity. There can be no assurance that such financing will be available to the Company in the amount required at any particular time, or, if available, it can be obtained on terms satisfactory to the Company.

Non-controlling Interests

Of $21,652,443 net loss the Company recorded during the year ended December 31, 2019 (2018 - $13,153,386), loss of $189,252 (2018 – $866,509) was attributed to the non-controlling interests associated with 25% control of LDS Agrotech, and LDS Scientific, and 50% control of Agrotech by Minority Shareholders. In addition, the total other comprehensive loss of $530,783 (2018 – income of $956,822) included an income of $74,598 (2018 - $93,898 loss) associated with the non-controlling interests.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total Revenue	$ 663,106	$ 605,427	$ 1,058,317	$ 2,714,801
Net Income (Loss)	$(13,642,846)	$ (5,786,993)	$ (3,375,514)	$ 1,152,910
Income (Loss) per Share	$ (1.07)	$ (0.50)	$ (0.36)	$ 0.12
Total Assets	$ 17,803,135	$ 22,543,285	$ 26,327,866	$ 23,597,960
Working Capital	$ (4,934,210)	$ 646,100	$ 4,954,161	$ 2,044,001

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Revenue	$ 3,164,407	$ 600,649	$ 315,691	$ -
Net Loss	$ 4,404,795	$ 3,720,279	$ 2,857,996	$ 2,170,316
Loss per Share	$ 0.48	$ 0.36	$ 0.36	$ 0.24
Total Assets	$ 21,064,193	$ 20,888,963	$ 23,121,383	$ 16,679,237
Working Capital	$ (916,432)	$ 3,498,939	$ 6,503,661	$ 798,391

Overall, during the eight recently completed quarters, consulting, accounting, legal, research and development, and office and general expenses, advertising and marketing, amortization, were the major components that caused variances in net losses from quarter to quarter. At the end of the 3rd quarter of its Fiscal 2018, the Company started its manufacturing operations; therefore, the quarter ended December 31, 2018, saw a spike in revenue and costs of sales associated with it. The quarters ended December 31, 2019, September 30, 2018, March 31, 2018, and December 31, 2017, were also significantly affected by non-cash share-based compensation issued to the Company's management team, and for shares released from escrow, as well as for options granted to consultants for advertising and marketing services. The quarter ended December 31, 2019

was also significantly impacted by impairment and amortization charges on the Company's PP&E and intangible assets.

During the quarter ended December 31, 2019, the Company generated $663,106 in sales from its cannabis products. The cost of revenue was calculated to be $536,989. During the quarter ended December 31, 2019, the Company recorded $679,267 loss on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations were governed by crop-share lease agreements between Agrotech LLC, the Company's 50%-owned subsidiary, and Sacramento Farms, and recorded $110,181 in realized fair value included in inventory sold. During the same quarter, the Company's operating expenses totaled $5,172,982 and were comprised of $242,739 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $293,206 in consulting fees payable to the executive management team and external consultants for their services, $122,630 in marketing and advertising expenses, and $948,479 in research and development fees. In addition to the above operating expenses, the Company recorded $401,761 in non-cash share-based compensation mainly associated with recalculation of share-based compensation on cancellation of all of the outstanding options and warrants.

During the quarter ended December 31, 2019, the Company wrote down its inventory of cannabis-related products to the net realizable value, which resulted in an impairment of $2,157,732.

During the quarter ended December 31, 2019, the Company recognized an amortization charge of $3,580,455 relating to the Membership in CSPA and NHMC the Company acquired in its fiscal 2018, and initial CUP acquired fiscal 2017, both were required to secure cannabis-related operating licenses required by various regulatory authorities in the State of California. Due to regulatory changes in the State of California, the memberships were no longer required to acquire and/or renew operating licenses during the year ended December 31, 2019.

During the quarter ended December 31, 2019, the Company recognized an impairment charge for a total of $2,755,327, of which $338,566 were associated with impairment of one of the land parcels the Company acquired in 2017, as the fair market value of the parcel decreased; $285,283 was associated with architectural designs for development of its lands which were determined not to have any future value; $61,749 was associated with writing down leasehold improvements made at one of the office locations, as the Company decided not to maintain the short-term lease for the office; and $2,069,729 was associated with an ROU asset related to a lease agreement between a landlord and the Company for the use of an additional warehouse facility in Adelanto. At December 31, 2019, the Company had no immediate plans to use this warehouse facility, therefore the agreement was determined to be an onerous contract under the definition of IAS 37, and was fully impaired.

In addition, the Company recognized $1,992,607 loss on acquisition of Rainy Daze, as at the time of the acquisition, the Company assessed that there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

During the same period, the Company recognized $478,057 in interest expense associated with long-term lease of its Adelanto Facility.

These expenses were in part offset by $540,769 reversal of impairment of related party receivables, which were associated with the recovery of advances the Company extended to EPG Energy Corporation ("EPG"), a privately held company of which Brad Eckenweiler, the Company's former director and CEO, is the sole director and officer. The amounts advanced to EPG during the period represented reclassification of series of payments made by the Company to several vendors for the rental of power-generating equipment as well as natural gas supplied to the Company, as the Company entered into an agreement with EPG, whereby these costs were agreed to be required by the Company itself to run operations of its Adelanto indoor grow, and therefore the Company agreed to not seek repayment of this advances by EPG.

During the quarter ended September 30, 2019, the Company generated $605,427 in sales from its cannabis products. The cost of revenue was calculated to be $966,399 and comprised of $192,313 in direct cost of goods sold and $774,086 in allocated overhead. During the quarter ended September 30, 2019, the Company

recorded $324,715 as unrealized gain on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations are governed by a crop-share lease agreements between Agrotech LLC, the Company's 50% owned subsidiary, and Sacramento Farms, and recorded $206,308 in unrealized loss on inventory of raw product harvested from the farms and moved to inventory for drying and further handling and/or sale. During the same quarter, the Company's operating expenses totaled $2,530,251 and were comprised of $435,098 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $244,177 in consulting fees payable to the executive management team and external consultants for their services, $130,975 in marketing and advertising expenses, and $69,737 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $1,069,512 in non-cash share-based compensation associated with options the Company granted to its management team on September 13, 2019, as well as on the vested portion of options and warrants granted in February of 2019.

During the quarter ended June 30, 2019, the Company generated $1,058,317 in sales from its cannabis products. The cost of revenue was calculated to be $1,608,399 and comprised of $782,557 in direct cost of goods sold and $825,842 in allocated overhead. During the quarter ended June 30, 2019, the Company recorded $1,043,811 as unrealized gain on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations are governed by a crop-share lease agreements between Agrotech LLC, the Company's 50% owned subsidiary, and Sacramento Farms. During the same quarter, the Company's operating expenses totaled $3,334,642 and were comprised of $543,248 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $177,840 in consulting fees payable to the executive management team and external consultants for their services, $1,025,407 in marketing and advertising expenses, and $215,981 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $38,847 in interest expense accrued on the note payable issued as part of the $700,000 Loan Agreement, and $250,329 loss on impairment of advances issued to EPG. The amounts advanced to EPG during the period represented a series of payments made by the Company to several vendors for the rental of power-generating equipment as well as natural gas supplied to the Company. The payments were made throughout the period and did not accumulate any interest.

During the quarter ended March 31, 2019, the Company generated $2,714,801 in sales from its cannabis products. The cost of revenue was calculated to be $3,182,575 and comprised of $2,488,254 in direct cost of goods sold and $694,321 in allocated overhead. The Company's operating expenses totaled $2,368,326 and comprised of $512,818 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $254,688 in consulting fees payable to the executive management team and external consultants for their services, $146,398 in marketing and advertising expenses, and $50,313 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $52,835 in interest expense accrued on the note payable issued as part of the Loan Agreement with an arms-length entity for $700,000, and $88,279 loss on settlement of debt with Ms. Elrod pursuant to the settlement and release agreement the Company negotiated with Ms. Elrod. The largest item that contributed to the overall net income during the three-month period ended March 31, 2019, was associated with $4,176,411 gain the Company recorded on its equity investments into common shares of TransCanna, as TransCanna's share price increased from $0.50, the value the Company received its shares at pursuant to the Intellectual Property License and Royalty Agreement to $4.28 per share, being a fair market value of TransCanna shares on March 29, 2019.

During the quarter ended December 31, 2018, the Company generated $3,164,407 in sales from its cannabis products. The cost of revenue was calculated to be $5,351,335 and included $901,713 in allocated overhead costs, $131,478 in City of Adelanto tax on gross revenue from cannabis business operations, and $689,604 in inventory impairment costs. The Company's operating expenses totaled $1,074,569 and comprised of $326,237 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $273,723 in consulting fees payable to the executive management team and external consultants for their services, $135,529 in meals and entertainment expenses, $113,211 in advertising, promotions, and corporate awareness fees. In addition to the above operating expenses, the Company recorded $21,000 in interest expense accrued on the note payable issued as part of the Loan Agreement with an arms-length entity for $700,000 and $1,204,405 impairment of its advances receivable from a related company.

During the quarter ended September 30, 2018, the Company's operating expenses totaled $3,868,308 and comprised of $1,790,688 in share-based compensation of which $850,793 was associated with the fair market value of options to acquire up to 2,825,820 common shares the Company granted to its director and CEO, $892,500 in adjusted fair value of 1,200,000 shares released from escrow for technology, as well as $47,395 in adjusted fair value of 108,333 finder's shares associated with acquisition of technology from CDS; $561,123 in office and other general expenses the Company incurred during the quarter, $460,950 in wages and salaries paid to employees working in the Adelanto facility, $180,685 in research and development costs, $289,872 in consulting fees, of which $208,525 included consulting fees paid to the executive management team, and $233,879 the Company incurred in legal fees. During the quarter ended September 30, 2018, CSPA received a temporary distribution and transportation license from the Bureau of Cannabis Control of California, which allowed CSPA to start its operations resulting in total sales of $1,007,187, of this revenue $755,390 were attributed to LDS Scientific under the management agreement between LDS Scientific and CSPA.

During the quarter ended June 30, 2018, the Company's operating expenses totaled $3,169,180 and comprised of $615,807 the Company incurred in research and development costs, $294,013 in consulting fees, which included $206,700 in consulting fees paid to the top management team, $50,508 in share-based compensation which included an adjustment to a fair market value of an option to acquire up to 500,000 shares the Company granted to its director and market value of the services provided to the Company by the new members of the Company's advisory board, $602,316 in office and other general expenses, and $932,798 the Company spent on its advertising and investor relation activities.

During the quarter ended March 31, 2018, the Company's operating expenses totaled $2,123,875 and comprised of $528,673 the Company incurred in research and development costs, $440,706 in consulting fees, which included $202,593 in consulting fees paid to the top management team, $301,623 in share-based compensation for an option to acquire up to 500,000 shares the Company granted to its director, $246,830 in office and other general expenses, and $181,683 the Company spent on its advertising and investor relation activities.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Company had $116,850 (2018 – $452,295) in cash and had a working capital deficit of $4,934,210 (2018 – $916,432). The Company's share capital was $ 51,372,447 (2018 - $42,797,498) representing 13,372,102 (2018 – 9,978,422) common shares, and reserves of $7,448,493 (2018 - $4,502,317). As at December 31, 2019, the Company had accumulated $51,889,363 in deficit (2018 – $30,426,172), accumulated other comprehensive loss of $298,522 (2018 - $903,903) and allocated a portion of its comprehensive loss and equity totaling $1,611,558 (2018 - $1,495,623) to non-controlling interests associated with a 25% ownership of LDS Agrotech, and LDS Scientific, as well as a 50% ownership of Agrotech LLC held by Minority Shareholders of these subsidiaries.

During the year ended December 31, 2019, the Company generated $5,041,651 in revenue from its operations (2018 - $4,080,747), which was offset by the cost of sales totaling $6,294,362 (2018 - $5,080,614); therefore, the revenue generated was not sufficient to support the working capital needs of the Company. As such, the Company continues to depend on the equity and debt markets as its additional source of operating capital. The Company's agricultural activities resulted in the aggregate $679,267 unrealized gain on changes in fair value of biological assets and inventory of raw product, which was partially offset by $96,127 associated with realized fair value of biological assets included in inventory sold. Since this revenue stream is in its infancy for the Company's business operations, the ability of the Company to realize the expected returns is uncertain.

Until the Company is able to increase the revenue from its main business activities and effectively control costs associated with generating the revenue, the Company will have to continue relying on equity and debt financing. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of the Company`s contractual obligations at December 31, 2019, is detailed in the table below.

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 5,623,597	$ -
Amounts due to related parties	1,015,964	-
Advances payable	317,180	-
Note payable	206,249	-
Lease liability	665,853	3,495,731
Deposit on sale of assets	188,525	-
Unearned revenue	671,495	-
Total	**$ 8,688,863**	**$ 3,495,731**

Management believes that the Company will be able to generate sufficient cash through equity or debt financing to meet its current obligations for the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

RELATED PARTY TRANSACTIONS

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 aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		December 31, 2018	December 31, 2018
Management consulting fees	a)	$ 575,143	$ 822,767
Consulting services for research and development and	b)	$ 144,898	$ 122,446
Management salaries	c)	$ 620,358	$ 567,517
Share-based compensation	d)	$ 1,893,416	$ 1,193,185

a) Management consulting services consist of the following:

- $397,090 (2018 – $390,125) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term.

- $Nil (2018 – $70,740) in consulting fees paid to Mr. Pakulis, the Company's former President and a member of the board of directors pursuant to a management consulting agreement. Mr. Pakulis resigned from his management and directorship positions with the Company on November 16, 2018, effectively terminating the management consulting agreement.

- $119,682 (2018 - $116,125) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms. Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

- $12,500 (2018 - $60,000) in consulting fees paid or accrued to Mr. Johannson, a former member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement. Mr. Johannson resigned as a director of the Company on March 15, 2019, effectively terminating his management consulting agreement with the Company.

- $45,871 (2018 - $185,777) in consulting fees paid or accrued to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

b) Consulting services for research and development consist of the following:

- $79,413 (2018 – $78,811) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $65,485 (2018 - $43,634) in consulting and product development fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson ("Nanostrips"). As the product development fees are associated with the manufacturing of CannaStrips™, these fees are included in cost of sales.

c) Management salaries consist of the following:

- $238,842 (2018 – $Nil) in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees

- $183,112 (2018 – $178,807) in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

- $165,863 (2018 – $194,355) in management salaries paid to Mr. Hunt, former President and a 25% shareholder of LDS Scientific. As of August 1, 2018, Mr. Hunt was remunerated through the regular monthly payroll. Mr. Hunt was entitled to a monthly salary of US$12,500 in addition to all regular payroll benefits the Company set up for its USA-based employees. Mr. Hunt's employment was terminated in November 2019.

- $16,619 (2018 – $194,355) in management salaries paid to Ms. Elrod, former President and a 25% shareholder of LDS Scientific. The Company agreed to pay Ms. Elrod US$12,500 per month for her services. On January 31, 2019, the Company and Ms. Elrod entered into a settlement agreement and release (the "Settlement Agreement"). Pursuant to the Settlement Agreement the Company reacquired shares of Omni Distribution held by Ms. Elrod in exchange for forgiveness of $88,106 (US$70,400) of cash advances the Company extended to Ms. Elrod during the year ended December 31, 2018, and Ms. Elrod resigned from all the positions she held with the Company and its subsidiaries.

- $15,923 (2018 – $Nil) in management salaries paid to Ms. Christopherson, CEO of CSPA Group and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

- On February 6, 2019, the Company granted options to acquire up to 166,667 common shares to its President, Mr. Fenwick. The options vested over a two-year period in equal quarterly installments of 20,833 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the options. The Company recorded $779,738 as share-based compensation for the year ended December 31, 2019.

- On February 6, 2019, the Company granted warrants to acquire up to 83,334 common shares to Mr. McEnulty. The warrants vested over a two-year period in equal quarterly installments of 10,417 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the warrants. The Company recorded $175,681 as a share-based compensation for the year ended December 31, 2019.

- On September 13, 2019, the Company granted options to purchase up to 641,500 common shares to its executive officers and directors. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. On December 27, 2019, the Company cancelled these options. The Company recorded $937,998 as share-based compensation for the year ended December 31, 2019.

- During the comparative year ended December 31, 2018, the share-based compensation consisted of an option to acquire up to 41,664 common shares the Company granted to its former director on January 11, 2018. The options were initially valued at $342,391 and could have been exercised at a price of $13.80 per share expiring on January 11, 2020. These options expired on April 15, 2019, in accordance with the Company's stock option plan. In addition, on August 15, 2018, the Company granted an option to acquire up to 235,485 common shares to its CEO and a director. The options were valued at $850,794 and could have been exercised at a price of $6.96 per share expiring on August 15, 2020. These options were cancelled on December 27, 2019.

Related party payables

	December 31, 2019	December 31, 2018
Brad Eckenweiler	$ 337,532	$ 37,424
Casey Fenwick	294,884	-
Dr. Sanderson	38,964	20,463
James Pakulis	-	57,903
Yanika Silina	88,476	1,581
Arni Johannson	49,875	36,750
Frank McEnulty	125,077	81,852
Crystal Elrod	-	(99,450)

Jonathan Hunt	27,903	6,139
Nanostrips Inc.	-	18,008
Matt Ferguson	44,808	-
Total payable to related parties	**$1,015,964**	**$ 160,670**

During the quarter ended December 31, 2019, the Company received $188,525 in advances from Optimus Logistics Inc. ("Optimus"). Optimus was formed for the purpose of financing the construction of the marijuana dispensary being developed by the Company in Adelanto, California. In the Company's efforts to raise financing for the development of the dispensary, the Company received interest from potential outside investors that were interested in financing the dispensary, but not the overall operations of the Company. As a result, Optimus was formed, with the Company's CEO, Brad Eckenweiler, the Company's President, Case Fenwick, and the Treasurer and Secretary of the Company's subsidiaries, LDS Scientific, LDS Agrotech and LDS Development Corporation acting as the first directors. It is expected that the Company will ultimately own a 25% interest in Optimus, with third party investors owning the remaining 75%. Funds advanced to Optimus by outside investors were advanced to the Company for the purpose of financing the build out of the dispensary.

Advances

During the year ended December 31, 2019, the Company advanced a net amount of $71,252 (2018 - $1,102,464) to affiliated companies, of which $64,940 was advanced to EPG and $6,312 was advanced to Highway 395 as payment for the dispensary license. The advances are due on demand and do not accumulate interest. At December 31, 2019, the Company had a total of $33,860 in advances receivable from affiliated entities (2018 - $9,549).

During the year ended December 31, 2018, the Company advanced $1,102,464 (US$889,865) to EPG. At December 31, 2018, the Company assessed EPG's financial position and its ability to repay the advances; it considered EPG's short cash position, negative working capital, and ongoing negotiations with the City of Adelanto to supply power to cannabis operations, which led to a decision to set up an impairment of the amount advanced to EPG being $1,204,405.

During the year ended December 31, 2019, the Company and EPG's management agreed that the Company's subsidiary, Core Isogenics, will be able to use EPG's power generator in its cultivation operations in exchange for a forgiveness of $540,768 in advances. Therefore the Company recorded a recovery of $540,768, and offset it against the cost of production of biological assets. Remaining $602,269 continue to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

FINANCIAL INSTRUMENTS

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Amounts and advances receivable	Amortized cost
Marketable securities	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Advances payable	Amortized cost
Note payable	Amortized cost
Lease liabilities	Amortized cost

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Fair Value Measurement

The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair values of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the years ended December 31, 2019, and 2018.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at December 31, 2019, as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, December 31, 2019	Balance, December 31, 2018
	$	$	$	$	$
Cash	116,850	-	-	116,850	440,795
Term deposit	-	-	-	-	11,500
Marketable securities	295,000	-	-	295,000	541,237
Total Fair Value	411,850	-	-	411,850	993,532

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate, and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale, and pattern of its operations would warrant such hedging activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2019 is the carrying amount of cash, marketable securities, accounts, and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA.

Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2019, the Company had cash of $116,850 to settle current financial liabilities of $8,688,863. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and advances payable.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2019:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 5,623,597	$ -
Amounts due to related parties	1,015,964	-
Advances payable	317,180	-
Note payable	206,249	-
Lease liability	665,853	3,495,731
Total	**$ 7,828,843**	**$ 3,495,731**

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i.Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

As at December 31, 2019, the Company had a USD$150,000 loan with a former related party lender, which accumulated interest at 1% per month and was payable on demand. Other advances and amounts payable were interest-free and payable on demand.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

ii.Currency risk:

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	December 31, 2019	December 31, 2018
Cash denominated in USD	$ 116,470	$ 220,034
Accounts receivable denominated in USD	391,132	9,082
Prepaids and other current assets denominated in USD	478,737	558,340
Accounts and wages payable and accrued liabilities denominated in USD	(4,569,278)	(2,951,582)
Notes and advances denominated in USD	(476,191)	-
Total	$ (4,059,130)	$ (2,164,126)
Effect of a 10% change in exchange rates	$ (405,913)	$ (216,413)

iii. Equity price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At December 31, 2019, the Company held 250,000 common shares of TransCanna valued at $295,000 (2018 - 1,082,474 shares of TransCanna valued at

$541,237). As at December 31, 2019, the Company's equity investment represented 5% of its current assets, therefore management determined that equity price risk was not material to the Company's operations.

OUTSTANDING SHARE DATA

As at the date of this report, the Company had the following securities issued and outstanding:

Type	Amount	Exercise Price	Expiry Date
Common shares[(1)]	70,967,507	n/a	Issued and outstanding
Stock options	1,500,000	$0.33	Vest over a 12-month period beginning on August 28, 2020, at 375,000 shares per quarter. These options expire on May 1, 2022
Stock options	2,100,000	$0.67	July 8, 2025
Stock warrants	750,000	$1.20	Vest in three equal tranches of 250,000 shares each upon closing of each $500,000 advance under the Convertible Debenture with CGOC.
Stock warrants	10,961,215	$0.70	July 3, 2022
Broker warrants	434,890	$0.70	July 3, 2022
	86,713,612		Total shares outstanding (fully diluted)

(1) *Authorized: Unlimited common shares without par value.*

ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published and are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents, such as MD&A's, in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that cannabis is illegal under U.S. federal law and that the U.S. enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's U.S. cannabis-related activities are conducted in a manner consistent with U.S. federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

As a result of the Company's existing operations in the United States, Core One is subject to the Staff Notice and accordingly provides the following disclosure.

Legal Advice in Accordance with the Staff Notice

The Company has engaged California legal counsel to provide advice on, and to assist the Company in, complying with California State law requirements and to advise the Company on potential exposure and implications arising from U.S. federal law as a result of its cannabis operations in the United States. The Company is not aware of any non-compliance with any applicable regulatory framework or licensing requirements enacted by the State of California. In accordance with the Staff Notice, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be

supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulations. Any non-compliance, citation or notice of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"). Pursuant to the CSA, cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, lacks safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse."

The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any use

Canada has federal legislation which uniformly governs the cultivation, processing, distribution, sale and possession of both medical and recreational cannabis under the *Cannabis Act*, as well as various provincial and territorial regulatory frameworks that further govern the distribution, sale and consumption of recreational cannabis within the applicable province or territory. In contrast, cannabis is only permissively regulated at the state level in the United States.

State laws in the United States regulating cannabis are in direct conflict with the CSA, which prohibits cannabis use and possession. Although certain states and territories of the U.S. authorize medical or recreational cannabis cultivation, manufacturing, production, distribution, and sales by licensed or registered entities, under U.S. federal law, the cultivation, manufacture, distribution, possession, use, and transfer of cannabis and any related drug paraphernalia, unless specifically exempt, is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable United States state law, strict compliance with state 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.

The risk of federal enforcement and other risks associated with the Company's business are described in *Risk Factors*.

California Regulatory Landscape

In 1996, California became the first state to permit the use of medical marijuana by qualified patients through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). In 2003, Senate Bill 420 (the "Medical Marijuana Program Act") was enacted to clarify the scope and application of the CUA, which also created the "collective" commercial model for medical marijuana transactions. In September 2015, the California legislature took the next step and established the framework for a statewide medical marijuana program when it passed three bills collectively known as the Medical Marijuana Regulation and Safety Act ("MMRSA"),[1] which was further amended in 2016 and renamed the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). MCRSA established a comprehensive licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for cultivation, processing, distribution, transportation, sales (including delivery only) and testing – including subcategories for the various activities, such as volatile and non-volatile licenses types for edible infused product manufacturers depending on the specific extraction methodology, and different licenses for cultivators depending on canopy size and cultivation medium. MRSCA set forth uniform operating standards and responsibilities for licensees. Under MCRSA, multiple agencies would oversee different aspects of the program alongside a newly established Bureau of Medical Cannabis Regulation within the California Department of Consumer Affairs that would control and govern how cannabis businesses would operate. All commercial cannabis businesses would require a state license and local approval to operate.

[1] AB 243, AB 266, and SB 643.

Subsequently, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("AUMA"), legalizing adult-use of cannabis by individuals 21 years of age or older. AUMA established a regulatory program for adult-use cannabis businesses and had some conflicting provisions with MCRSA. So, in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which amalgamates MCRSA and AUMA to provide a single system with uniform regulations to govern both medical and adult-use cannabis businesses in the State of California. The legislature also enacted subsequent technical "fix it" bills, such as California Assembly Bills No. 133 and 266, further refining cannabis laws and the calculation of application cultivation and excise taxes. The three main agencies that regulate medical and adult-use marijuana businesses at the state level today are Bureau of Cannabis Control ("BCC"),[2] California Department of Food and Agriculture CalCannabis Cultivation Licensing ("CDFA"),[3] and California Department of Public Health's Manufactured Cannabis Safety Branch ("CDPH").[4] Additionally, the California Department of Tax and Fee Administration oversees the collection of taxes from cannabis businesses. Various other state agencies play more minor roles in licensing and operational approval, such as the Department of Pesticide Regulation and Department of Fish and Wildlife for certain cultivation activities. The BCC, CDFA, and CDPH promulgated regulations to give effect to the general framework for the regulation of commercial medicinal and adult-use cannabis in California created by MAUCRSA, with each set of final regulations adopted by each agency on January 16, 2019. In addition, the CUA remains valid law, but the medical marijuana "collective" model is now illegal as of January 9, 2019.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and state licensure for each type of commercial cannabis activity conducted at a specified business premises (and only one type of commercial cannabis activity may be conducted at a licensed premises, but there may be multiple premises on a given piece of real estate so long as they are sufficiently separated in accordance with MAUCRSA). Cities and counties in California have discretion to determine the number and types of licenses they will issue to marijuana operators or can choose to limit or outright ban commercial cannabis activities within their jurisdiction. This limits cannabis businesses to cities and counties with marijuana licensing or approval programs.[5]

Temporary cannabis licenses under MAUCRSA began to issue to operators on January 1, 2018, when MAUCRSA took full effect. Temporary cannabis licenses (so long as the business also has prior local approval) allow cannabis businesses to open their doors without an annual license. All cannabis businesses in California must eventually secure an annual license to operate for twelve-month periods. As of January 1, 2019, the state will no longer issue or renew temporary commercial cannabis licenses, and the legislature created provisional licenses to ensure continued operations while businesses wait on annual licensure. To receive a provisional license, a cannabis business must have, or have held (at the same location for the same cannabis activity), a temporary license and have filed with the state a complete application for an annual license (at the same location for the same cannabis activity) before the expiration of its temporary license(s). The Company began acquiring and/or applying for and receiving marijuana medical and adult- use licenses throughout the state of California in 2018. The Company only operates in California cities with clearly defined marijuana licensing programs.

[2] In place of Bureau of Medical Marijuana Regulation; oversees brick and mortar and delivery-only retailers, distributors, microbusinesses, testing laboratories and event organizers.
[3] Oversees cultivators and processors.
[4] Oversees manufacturing.
[5] There is currently a dispute concerning cities' rights to prohibit incoming deliveries that originate from licensed cannabis companies in other California cities. The BCC adopted a final regulation that allows deliveries into any jurisdiction in the state, even ones which apparently prohibit it. See 16 C.C.R. § 5416(d). MAUCRSA and Prop. 64, however, give localities discretion to prohibit or limit cannabis activities. See Cal. Bus. & Prof. Code §§ 26090(e); 26001(a)(1). On April 4, 2019, a group of California cities and counties sued the BCC and its Chief, Lori Ajax, seeking a declaration that the BCC's regulation is invalid and may not be enforced. See County of Santa Cruz et. al v. Bureau of Cannabis Control et. al, No. 19CECG01224, (Apr. 4, 2019). The case is in its infancy and no substantive motions have been filed as of May 10, 2019.

California Licenses and Regulations

California state annual licenses must be renewed annually. Each year, licensees are required to submit a renewal application per regulations published by BCC, CDFA, and CDPH, respectively.. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, there are no material violations noted against the applicable license, and there are no changes in ownership of the business or major changes to the operations of the business, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner, and this does not account for the individual renewal processes for necessary local entitlements to maintain the required local approval (see below). Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects. Additionally, the legislative and regulatory requirements are subject to change.

The renewal process for local entitlements is different in each jurisdiction and for each type of entitlement. For example, a conditional use permit or development agreement may last for a number of years, but a city may also require that an applicant obtain a local business license or tax certificate that must be renewed annually. This will require a detailed focus on each local jurisdiction's laws and regulations, as well as the terms of any local entitlement. Ultimately, the Company would expect to obtain renewed local entitlements along the same lines as state entitlements, and subject to the same caveats.

California Reporting Requirements

The State of California has selected Franwell Inc.'s METRC solution ("METRC") as the state's T&T system used to track commercial cannabis activity and movement across the distribution chain ("seed-to-sale"). The METRC system is in the process of being implemented statewide Applicants for annual licensure with the BCC and the other state agencies are each required to designate T&T account managers who must register for METRC training within 10 days after receiving confirmation of receipt of filing an annual license application. When operational, the METRC system will allow for other third-party system integration via application programming interface ("API").

Core One's Licenses and Permits in California

CSPA currently holds Conditional Use Permits from the City of Adelanto for extraction and manufacturing, as well as the transportation and distribution, of medicinal cannabis products at the Adelanto Facility. CSPA also holds state licenses for manufacturing and distribution and transportation.

Core Isogenics currently holds Conditional Use Permits from the City of Adelanto for operation of a nursery and a cultivation operation. Core Isogenics also holds state licenses for a nursery and a cultivation operation. An affiliate of the Company, Highway 395 Dispensary Inc. currently holds a Conditional Use Permit from the City of Adelanto for operation of a retail operation. Highway 395 Dispensary Inc. also holds a retail license issued by the Bureau of Cannabis Control. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Each licensed operator must also grant state and local authorities access its video security systems.

Company Compliance Program

The Company is classified as having direct and indirect involvement in the U.S. marijuana industry and is in material compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates (i.e. the State of California). The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the State of California which may have an impact on its licenses, business activities or operations.

The Company's management oversees, maintains, and implements the Company's compliance program and personnel. In addition the Company engages regulatory/compliance counsel in California, when required.

The Company's management oversees training for all employees, such training includes, but is not limited to, the following topics:

- compliance with state and local laws;
- security and safety policies and procedures;
- inventory control;
- Track & Trace training session;
- quality control;
- transportation procedures; and
- extensive ingredient and product testing, often beyond that required by law to assure product safety and accuracy.

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory. Management of the Company monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at its facility in Adelanto, California.

Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by state and local laws, regulations, ordinances, licenses and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in the *Risk Factors* section below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in *Risk Factors*.

RISKS FACTORS

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

Coronavirus (COVID-19) and global health crisis

The COVID-19 global outbreak and efforts to contain it may have an impact on the Company's business. The Company continues to monitor the situation and the impact the virus may have on its operations. The extent to which COVID-19 and other infectious diseases may impact the Company's business, including its operations and the market for its securities and its financial condition, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These include the duration, severity and scope of the

outbreak and the actions taken by applicable governmental entities to address and mitigate COVID-19 or any other infectious diseases. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including, without limitation, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet obligations, employee health, workforce productivity, increased insurance premiums, limitations on travel, disruption to supply chains and the ability to deliver the Company's products to end customers. In addition, government efforts to curtail the spread of COVID-19 may result in temporary or long-term suspensions or shut-downs of our operations, impact our customers and affect our supply chain. Such suspensions and disruptions may have a material and adverse effect on the Company's business, financial condition and results of operations.

Regulatory risks

Through its subsidiaries, the Company has, or is currently developing, cannabis cultivation, extraction, processing/manufacturing, transportation and distribution operations within the State of California and the Province of British Columbia. The activities of the Company are subject to strict regulation by governmental authorities imposed on the affiliates of the Company. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by various governmental authorities and obtaining all regulatory approvals, where necessary, for the development and sale of cannabis and cannabis products. The Company cannot predict the time required to secure all appropriate regulatory approvals for the Company's cannabis products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products by the Company and its affiliates and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Marijuana remains a controlled substance under U.S. federal law

100% of the Company's revenues during the year ended December 31, 2019 were from U.S. marijuana related activities. At December 31, 2019, 85% ($4,820,513) of the Company's current assets, and 96% ($21,441,185) of its total assets were attributable to U.S. marijuana related activities.

The regulation of cannabis related activities in the United States occurs largely at the state and local level. In December 2018, the U.S. federal Hemp Farming Act of 2018 was passed into law, removing cannabis with a THC content of 0.3% or less (i.e. hemp) from Schedule 1 of the U.S. Controlled Substances Act of 1970 (the "CSA"), making hemp an ordinary agricultural commodity. However, cannabis having THC content of greater than 0.3% (usually referred to as "marijuana" or "marihuana") continues to be a Schedule I drug under the CSA. As a result, the cultivation, processing, distribution and possession of marijuana and marijuana-related products remains illegal under U.S. federal law. Although the State of California has enacted laws legalizing the use, cultivation, extraction, manufacture, and distribution of cannabis and cannabis products, U.S. federal law criminalizing the use of marijuana may pre-empt state laws that legalize its use and production. Although Congress has prohibited the US Justice Department from spending federal funds to interfere with the implementation of state medical marijuana laws, this prohibition must be renewed each year to remain in effect. There are no assurances that these spending prohibitions will continue in the future. If these spending prohibitions are not renewed, unless the CSA is amended, of which there can be no assurance, the Company's operations and operations of its affiliates may be deemed to be in violation of United States federal law and the Company and/or its affiliates could become subject to enforcement proceedings under United States federal law. Active enforcement of United States federal law as it currently exists could adversely affect the Company's future business prospects, cash flows, earnings, results of operations and financial condition and would likely prevent the Company from being able to proceed with its current business plan.

Change in laws, regulations, and guidelines

The Company has engaged California legal counsel to provide advice on, and to assist the Company in, complying with California State law requirements and to advise the Company on potential exposure and implications arising from U.S. federal law. However, the Company's operations are subject to a variety of laws, regulations and guidelines relating to the business activities of its affiliates, the acquisition, manufacture, management, transportation, storage and disposal of cannabis and cannabis-related products as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company and its affiliates may cause adverse effects to the operations of the Company's affiliates thereby affecting the results

of operations of the Company.

As of the date of this MD&A, thirty-three states and the District of Columbia allow the use of cannabis. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal and/or recreational use of cannabis. While the Company believes that the number of states legalizing the use of cannabis will increase, there is no assurance of the trend. There is no assurance that the thirty-three existing states or the District of Columbia will not reverse their position on cannabis and revoke the legal use of cannabis. These changes would materially impact the growth of the Company's business, and the Company may experience declining revenues if the market for its product and services declines as a result of such changes.

Even in areas where the recreational and/or medicinal use of cannabis is legal under state law, there are local laws and regulations that impact the Company's operations. For example, in some municipalities, a retail cannabis dispensary is prohibited from being located within a certain distance from schools, community centers and/or churches. These local laws and regulations may cause some of the Company's customers to close, which will impact the revenue of the Company and have a material effect on the Company's business and operations. The enforcement of identical rules or regulations with respect to cannabis may vary from municipality to municipality or city to city.

While the impact of such changes is uncertain and highly dependent on the specific laws, regulations or guidelines being changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that are materially different from the effect on similar-sized companies in the same business as the Company.

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The assets of the Company include several domain names and websites which provide information about the Company's business and business and products of its affiliates. The Company may face legal action from a state or other jurisdiction for engaging in an activity or abiding the activity that is illegal in that state or jurisdiction by way of its website.

Risks related to conflicting federal and state laws

The cannabis industry is currently conducted in thirty-three states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation and transfer of cannabis remains illegal. The Federal, and, in some cases, state law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or physician office is a customer of the Company, it will affect the Company's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Company's business and operations.

Banking Risks

As the use, cultivation, manufacture and distribution of marijuana remain illegal under U.S. federal law. U.S. banks may not be able or willing to accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding banks willing to accept their business. An inability to open or maintain bank accounts in the U.S. may make it difficult for the Company to operate its business.

The Company may have limited access to certain benefits under U.S. federal law

Because the cultivation, processing, distribution and possession of marijuana remains illegal under U.S. federal law, the Company may be limited in its ability to take advantage of certain benefits under U.S. federal law. For example, in some cases courts have denied cannabis related businesses the protections of U.S. federal bankruptcy laws, making it difficult for stakeholders to recoup their investments in cannabis related enterprises in circumstances involving the insolvency of the business. If the Company were to declare bankruptcy, there is no assurance that it would be able to avail itself to the protections of U.S. bankruptcy laws, which could have a materially adverse effect on the Company′s ability to manage and/or restructure its business and the rights of lenders and security holders of the Company.

In addition, the Company may not be able to avail itself of certain deductions under the U.S. Internal Revenue Code of 1986 (the "IRC"). Certain sections of the IRC deny normal business deductions incurred in the business

of trafficking in controlled substances under the CSA (which includes marijuana). If the Company is not able to deduct normal business expenses incurred as part of its operations, the Company may have a greater tax liability, which may make it more difficult for the Company to become profitable.

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

Third party service providers may refuse to make their services available to the company
Because the cultivation, processing, distribution and possession of marijuana remains illegal under U.S. federal law, third party service providers may refuse to provide services to, or may withdraw or suspend services provided to, the Company. This could make it more difficult for the Company to obtain services material to the operation of its business and could have a material adverse effect on the Company′s operations, financial condition and business prospects.

U.S. holders may have difficulty selling their securities
There have been reports that major U.S. securities clearing firms have ceased providing clearing services to issuers involved in the U.S. cannabis industry. If U.S. securities clearing firms and other market participants cease to provide processing services for transactions in securities of issuers with U.S. marijuana operations, U.S. security holders may have difficulty in selling their securities of the Company. This may also make it difficult for the Company to raise capital from U.S. investors.

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

The regulatory environment for marijuana operations in California remains complex. Although the Company′s wholly-owned subsidiaries, CSPA Group, Inc. and Core Isogenics Inc., as well as its affiliate, Highway 395 Dispensary Inc., currently have state and local licenses and permits for existing operations, maintaining those licenses and permits can be a complex process. With the assistance of its legal counsel, the Company regularly reviews the status of its state and local operating permits to monitor their ongoing status. In addition, the Company regularly reviews its operations and procedures in an effort to ensure compliance with state and local laws regarding the operation of cannabis enterprises. However, monitoring systems and controls procedures are not infallible and cannot guarantee absolute compliance. The Company, its subsidiaries, and affiliates may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, the Company its subsidiaries, or affiliates may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate its business and ability to execute its business plan.

The Company might be subject to heightened scrutiny by United States and Canadian authorities
The business, operations and investments of the Company in the U.S., and any future businesses, operations and investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest or hold interests in other entities in the U.S. or any other jurisdiction, in addition to those described herein.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations

that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized exchanges, the TMX Group, who is the owner and operator of CDS, announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The TMX MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the TMX MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Even though the TMX MOU indicated that there are no plans of banning the settlement of securities through the CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, the common shares would become highly illiquid until an alternative was implemented, and shareholders would have no ability to affect a trade of the common shares through the facilities of a stock exchange.

The Company likely will not be able to secure its payment and other contractual rights with liens on the inventory or licenses of its clients and contracting parties

In general, the laws of the various states that have legalized cannabis sale and cultivation do not expressly or impliedly allow for the pledge of inventory containing cannabis as collateral for the benefit of third parties, such as the Company and the subsidiaries, that do not possess the requisite licenses and entitlements to cultivate, process, sell, or possess cannabis pursuant to the applicable state law. Likewise, the laws of those states generally do not allow for transfer of the licenses and entitlements to sell or cultivate cannabis to third parties that have not been granted such licenses and entitlements by the applicable state agency. The inability of the Company and the subsidiaries to secure its payment and other contractual rights with liens on the inventory and licenses of its clients and contracting parties increases the risk of loss resulting from breaches of the applicable agreements by the contracting parties, which, in turn, could have a material adverse effect on the business, financial condition or results of operations of the Company.

FDA regulation of cannabis and industrial hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the Food, Drug and Cosmetics Act of 1938 ("FDCA"). 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 FDCA. 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 DEA; however, the FDA has enforced the FDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp sold outside of state-regulated cannabis businesses. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp.

Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis and/or industrial hemp. Clinical trials may be needed to verify efficacy and safety of both cannabis-derived products and industrial hemp-derived products. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the subsidiaries of the Company are unable to comply with the regulations or registration as prescribed by the FDA, it may have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company and its subsidiaries will be subject to applicable anti-money laundering laws and regulations

Each of the Company and its subsidiaries is subject to a variety of laws and regulations domestically and in the

U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the "Bank Secrecy Act"), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

The Financial Crimes Enforcement Network ("FinCEN") of the U.S. Department of the Treasury issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank cannabis businesses in compliance with federal enforcement priorities (the "FinCEN Memorandum"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance included in the Cole Memorandum.

Attorney General Sessions' revocation of the Cole Memorandum has not yet affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself.

Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. 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 states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the DOJ's prosecuting banks and financial institutions for crimes that were not previously prosecuted.

If the operations of the Company or its subsidiaries, or any proceeds thereof, any dividend distributions or any profits or revenues derived from these operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds from a crime under one or more of the statutes noted above. This may restrict the ability of the Company to declare or pay dividends in the future, effect other distributions or subsequently repatriate such funds back to Canada.

Limited trademark protection

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

Supply of Raw Cannabis Material

The Company, its subsidiaries, and affiliates currently obtain raw cannabis materials from third parties. However, there can be no assurance that there will continue to be a supply of raw cannabis material available to meet the production needs. Additionally, the price of raw cannabis may be volatile which would increase the cost of goods. If the Company's affiliates are unable to acquire raw cannabis in amounts sufficient to meet its business needs or if the price of raw cannabis increases significantly, the Company's affiliates, as well as the Company's business prospects, operations and financial condition, could be adversely affected.

Inconsistent public opinion and perception of the medical and adult-use use cannabis industry hinders market growth and state adoption

Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). Inconsistent public opinion and perception of the medical and adult-use cannabis may hinder growth and state adoption which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's ability to generate revenue and be successful in the implementation of its business plan is dependent on consumer acceptance and demand of its product lines. The Company's management believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Acceptance of the Company's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If customers do not accept the Company's products, or if the Company fails to meet customers' needs and expectations adequately, its ability to continue generating revenues could be reduced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable 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 recreational cannabis in general, or the Company's products specifically, or associating the consumption of recreational cannabis 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 cannabis industry presents substantial risks and uncertainty

The anticipated business of the Company and any other businesses in which the Company will invest will be engaged directly or indirectly in business within the medical and adult-use cannabis industry in the United States. The relatively new development of the medical and adult-use cannabis industry nationally presents numerous and material risks. Many of these risks are not inherent in other developing or mature industries. Many of the risks are unknown and the eventual consequences to the Company and its subsidiaries in which the Company will invest.

The risks range from the potential catastrophic collapse of the medical and adult-use cannabis industry nationally or in the states in which the Company conducts business or makes investments that might result from changes in laws or the enforcement of existing laws to the failure of individual businesses that might result from volatile market conditions that sometime accompany the development of new markets and industries. Additionally, the medical and adult-use cannabis industry is characterized by fragmented markets, immature companies, inexperienced managers lacking conventional business and financial discipline, a lack of well-known brands, an absence of industry and product standards, ever-shifting legal landscapes with multiple frameworks (from state to state), rapidly shifting public opinion, and a scarcity of significant capital.

Enforceability of contracts

Since cannabis is illegal at a federal level, judges in multiple U.S. states have on several occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. Therefore, there is uncertainty that the Company will be able to legally enforce its agreements, including agreements material to the Company.

Commercialization of psilocybin

Given the early stage of product development, there can be no assurance that the Company's research and development programs into psilocybin will result in regulatory approval or commercially viable products. The Company currently has no products that have been approved by Health Canada, the FDA or any similar regulatory authority. To obtain regulatory approvals for product candidates in the psilocybin space, clinical trials must demonstrate that the product candidates are safe for human use and that the product candidates demonstrate efficacy. To date, the Company has not commenced any preclinical trials or later stage clinical trials.

The Company can make no assurance that any future studies, if undertaken, will yield favourable results. Moreover, preclinical, and clinical data are often susceptible to varying interpretations and analyses, and many

companies that believe their product candidates performed satisfactorily in preclinical studies and clinical trials, nonetheless fail to obtain FDA approval.

Clinical trial failure risk

Before obtaining marketing approval from regulatory authorities for the sale of any psilocybin product candidates, the Company must conduct extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical trials are expensive. Design and implementing clinical trials is complex and presents many opportunities for failure, particularly with mental health disorders as the target indication. Clinical trials may take many years to complete and carry uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict results. Several companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials.

The Company cannot predict whether future clinical trials will demonstrate adequate efficacy and safety to result in regulatory approval to market any of the psilocybin product candidates. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk to the Company is the possibility that none of its product candidates will successfully gain market approval from Health Canada, the FDA or other regulatory authorities, resulting in the Company being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Reliance on third parties to conduct clinical trials

The Company will rely on third parties to conduct a significant portion of any preclinical and clinical development activities. Preclinical activities include in vivo studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the Company will face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

Risks related to the regulatory environment

The production, labeling and distribution of the products that the Company plans to develop are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future.

Psychedelic regulatory risk

Psychedelic therapy is a new and emerging industry with substantial existing regulations and uncertainty as to future regulations. There is no assurance the Company will be able to derive meaningful revenue from its investment in psychedelic therapy development, or to pursue that business to the extent currently proposed.

Controlled Substance Legislations

Most countries are parties to the Single Convention on Narcotic Drugs of 1961 as amended by the 1972 Protocol, 30 March 1961 (as amended by the 1972 Protocol), 976 UNTS 14152 (entered into force 13 December 1964), the Convention on Psychotropic Substances, 21 February 1971, 1019 UNTS 14956 (entered into force 8 August 1975) and the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 20 December 1988, 1582 UNTS 27627 (entered into force 11 November 1990). Together, these conventions govern international trade and domestic control of narcotic substances, including cannabis and psychotropic substances, such as psilocybin. Countries may interpret or implement their treaty obligations in a

way that creates a legal obstacle to our obtaining marketing approval for the Company's product candidates in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit the Company's product candidates to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.

Regulatory approval risks

The development and commercialization activities related to the development of products made using the company's CannaStrip™ technology are significantly regulated by several governmental entities, including Health Canada and the FDA. Regulatory approvals are required prior to any clinical trial and the Company may fail to obtain the necessary approvals to commence clinical testing. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials. Any analysis of data from clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit, or prevent regulatory approval. Even if clinical trials are favourable to support the marketing of product candidates, Health Canada, the FDA or other regulatory authorities may disagree. The Company has not obtained regulatory approval for any product candidate and it is possible that none of the Company's future product candidates will ever obtain regulatory approval.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to product candidates, or the therapeutic areas in which product candidates compete, could adversely affect the Company's share price and ability to finance future development of product candidates, and the Company's business and financial results could be materially and adversely affected.

The Company is a holding company and depend upon its subsidiaries for its cash flows

The Company is a holding company. All of the Company's operations are conducted, and almost all of its assets are owned, by its subsidiaries. Consequently, the Company's cash flows and its ability to meet its obligations depend upon the cash flows of its subsidiaries and the payment of funds by these subsidiaries to the Company in the form of dividends, distributions or otherwise. The ability of the Company's subsidiaries to make any payments to the Company depends on the subsidiaries' earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions. Any failure to receive dividends or distributions from the Company's subsidiaries when needed could have a material adverse effect on the Company's business, results of operations or financial condition.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Currency fluctuations

The Company′s revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. The Canadian dollar relative to the U.S. dollar or other foreign currencies is subject to fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the business, financial condition or results of operations of the Company. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will

effectively mitigate currency risks. Failure to adequately manage foreign exchange risk could therefore have a material adverse effect on the business, financial condition or results of operations of the Company.

Investments may be pre-revenue

The Company may make investments in companies with no significant sources of operating cash flow and no revenue from operations. The Company's investments in such companies will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investment in these pre-revenue companies will not be able to meet anticipated revenue targets or generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing which could have a material adverse effect on the business, financial condition or results of operations of the Company.

Enforceability of judgments against foreign subsidiaries

Certain of the subsidiaries are organized under the laws of California with assets located outside of Canada, and certain of the experts that will be retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for the eventual shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S. by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S. may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the U.S. agrees to hear a claim, it may determine that the local law in the U.S., and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

Certain directors and officers of the Company are expected to reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons. Courts in the United States may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a United States court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

Past performance not indicative of future results

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company or their affiliates will be achieved by the Company, and the Company's performance may be materially different.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company will rely on the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Further, the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company′s products with the potential to lead to a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that such adverse publicity reports or other media attention will not arise.

Fraudulent or illegal activity by employees, contractors and consultants

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

Lack of operating history

The Company has only recently started to carry on its business and is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a material adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

Reliance on management and key personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess the desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional financing

The Company's future capital requirements depend on many factors, including its ability to successfully market its products, cash flows from operations, locating and retaining talent, and competing for market developments. The Company's business model requires spending money (primarily on raw material, human capital, advertising, and marketing) in order to generate revenue. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of current holders of the common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no

assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company and its affiliates will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

Because of the early stage of the industry in which the Company provides its services, the Company expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in the United States increases, the demand for products based on the Company's technology or on similar technologies will increase and the Company expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products and develop technologies similar to the Company's core technology. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company.

Growth and consolidation in the industry

The cannabis industry is undergoing substantial change, which may result in increased consolidation and formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company and its affiliates. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content, and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or users of competing technologies consolidate with the Company's current or potential customers and affiliates. Furthermore, the Company's current competitors could become larger players in the market, or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

Intellectual property risks

The Company`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks, and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property does not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the

efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

If the Company is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected

In the area of innovation, the Company must be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Company may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Operational risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; equipment defects, malfunction and failures, changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the subsidiaries' properties, dispensary facilities, grow facilities and extraction facilities, personal injury or death, environmental damage, or have an adverse impact on the subsidiaries' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material adverse effect on the business, financial condition or results of operations of the Company. This lack of insurance coverage could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages and the Company may be affected by liability or sustain loss in respect of certain risks and hazards. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The Company may elect not to insure against certain risks due to cost of or ease of procuring such insurance. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the business, financial condition or results of operations of the Company.

Risks inherent in an agricultural business

The Company's business will indirectly rely on the growing of cannabis, an agricultural product, for use by its subsidiaries and affiliates. As a result, the business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company, its subsidiaries and affiliates may become subject to various product liability claims, including, among others, that the products based on the Company's technology caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The

inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's affiliates' products based on the Company's technology are recalled due to an alleged product defect or for any other reason, the Company may be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company's affiliates may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will ensure that its affiliates have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the significant brands based on the Company's technology were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's technology and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the affiliate operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts, and components.

Difficulty to forecast

The Company will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in the United States. A failure in demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage

The Company maintains insurance to protect its assets, operations, and employees. Due to the nature of the Company's business, insurance such as workers compensation, general liability, directors and officer's insurance, even though available, is more costly. There are no guarantees that the Company will be able to renew current insurance policies or that the cost will be affordable to the Company. While the Company believes its insurance coverage is adequate to protect it from the material risks to which it is exposed as of the date of this MD&A, no assurance can be given that such insurance will be adequate to cover the Company's future liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Growth management

The Company and its affiliates have, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its technology and services. The Company and its affiliates may be subject to growth-related risks including capacity constraints and pressure on its internal

systems and controls. The ability of the Company and its affiliates to manage growth effectively will require them to continue to implement and improve the operational and financial systems and to expand, train and manage their employee base. The inability of the Company and its affiliates to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest
Certain directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

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

The Company may become a party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue its operations, the market price for common shares, and could significantly drain the Company's resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Market Price of the common shares may be Subject to Wide Price Fluctuations
The market price of the Company shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Company shares.

Trading on the OTC Markets is volatile and sporadic, which could depress the market price of the Company's common shares and make it difficult for the Company's security holders to resell their common shares
The common shares are quoted on the OTCQX tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of common shares for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like the NYSE. These factors may result in investors having difficulty reselling common shares.

Price volatility of publicly traded securities
The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- operating and financial performance that vary from the expectations of management, securities

analysts and investors;

- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

In recent years, the securities markets in the U.S. 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 fluctuations in price of the common shares will not occur. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares.

Liquidity

Although the common shares are quoted on the Borse Frankfurt Exchange, OTCQX and CSE, the Company cannot predict at what prices the common shares of the Company will trade and there can be no assurance that an active trading market will be sustained. There is a significant liquidity risk associated with an investment in the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Shareholders will have little or no rights to participate in the Company's affairs

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Board of Directors, officers or its other agents will effectively manage and direct the affairs of the Company.

Dividends

Holders of the common shares will not have a right to dividends on such shares unless declared by the Board of Directors. The Company has not paid dividends in the past, and it is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board of Directors, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend

will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Costs of maintaining a public listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Canada-United States border risks

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time. This could adversely impact the ability of the Company from hiring Canadian citizens which could impact its operations.

Newly established legal regime

The Company's business activities will rely on newly established and/or developing laws and regulations in California and Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

The Company's business, financial condition, results of operations, and cash flow may in the future be negatively impacted by challenging global economic conditions

Future disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the Company's business, financial condition, results of operations, and cashflow.

Certain tax risks

THE FOLLOWING IS A DISCUSSION OF CERTAIN MATERIAL TAX RISKS ASSOCIATED WITH THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES. THIS AIF DOES NOT DISCUSS RISKS ASSOCIATED WITH ANY APPLICABLE STATE, PROVINCIAL, LOCAL OR FOREIGN TAX LAWS. THE TAX RELATED INFORMATION IN THIS AIF DOES NOT CONSTITUTE TAX ADVICE AND IS FOR INFORMATIONAL PURPOSES ONLY. FOR ADVICE ON TAX LAWS APPLICABLE TO A SHAREHOLDER'S INDIVIDUAL TAX SITUATIONS, SHAREHOLDERS SHOULD SEEK THE ADVICE OF THEIR TAX ADVISORS. NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY THE COMPANY OR ANY OF THE BOARDS OF DIRECTORS, OFFICERS, LEGAL COUNSEL, OTHER AGENTS OR AFFILIATES WITH RESPECT TO THE TAX TREATMENT APPLICABLE TO ANY PERSON WHO ACQUIRES RESULTANT ISSUER SHARES PURSUANT TO THE BUSINESS COMBINATION. EACH PROSPECTIVE SHAREHOLDER IS URGED TO REVIEW THE AIF IN ITS ENTIRETY AND TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE

FEDERAL, STATE, PROVINCIAL, LOCAL AND FOREIGN TAX CONSEQUENCES ARISING IN CONNECTION WITH THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES.

The Company may be subject to Canadian and United States tax on its world-wide income

The Company will be deemed to be a resident of Canada for Canadian federal income tax purposes by virtue of being organized under the laws of a Province of Canada. Accordingly, the Company will be subject to Canadian taxation on its worldwide income, in accordance with the rules in the Tax Act generally applicable to corporation's resident in Canada.

Notwithstanding that, the Company will be deemed to be a resident of Canada for Canadian federal income tax purposes, the Company also intends to be treated as a United States corporation for United States federal income tax purposes, pursuant to Section 7874(b) of the U.S. Code (the "Code"), and is expected to be subject to United States federal income tax on its worldwide income. As a result, the Company will be subject to taxation both in Canada and the United States, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

CONTINGENCIES

There are no contingent liabilities.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.

NOTICE TO READER

Subsequent to the six months ended June 30, 2020, the Company determined restatements required as part of a review of its condensed interim consolidated financial statements. Details of the changes are fully described in Note 2 to the Company's amended and restated condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 as filed on SEDAR on November 27, 2020.

In connection with the filing of the amended and restated unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019, the Company is also filing (i) amended and restated management discussion and analysis ("MD&A) in compliance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, and (ii) CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

As part of a review of its condensed interim consolidated financial statements, the Company determined the following restatements:

- Adjusted inventory, biological assets, cost of sales, realized fair value amounts included in inventory sold, and write-down of inventory to adjust the balance of inventory and biological assets as at June 30, 2020 to fair market value; and
- Adjusted warrants reserve and accretion expense related to the treatment of the CGOC Debenture and CGOC Warrants.

As a result of the restatements, the Company's reported gross margin decreased by $746,073 to a negative gross margin of $14,111 for the six months ended June 30, 2020; and the Company's reported net loss decreased by $70,642 to a net loss of $2,011,030 for the six months ended June 30, 2020.

This MD&A is amended and restated as of November 27, 2020. It should be read in conjunction with the Company's unaudited interim condensed amended and restated consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019, including the accompanying notes and the audited consolidated financial statements for the years ended December 31, 2019 and 2018, including the accompanying notes.

CORE ONE LABS INC.

(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)

AMENDED AND RESTATED

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2020 AND 2019

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. See "Risk Factors".

INTRODUCTION

The following Amended and Restated Management Discussion and Analysis ("MD&A") of Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.) (the "Company" or "Core One"), has been prepared by management, and should be read in conjunction with the accompanying amended and restated unaudited condensed interim consolidated financial statements and related notes. The preparation of financial data is in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) using accounting policies consistent with International Financial Reporting Standards ("IFRS") and all figures are reported in Canadian dollars unless otherwise indicated. The effective date of this report is November 27, 2020.

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.core1labs.com.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the foregoing MD&A constitute forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS

The Company was incorporated on September 14, 2010, pursuant to the provisions of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share. On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in this MD&A on a post-consolidation basis.

Core One is a technology company that licenses its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produces infused strips that allow for bioavailability of cannabis constituents. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group Inc. ("CSPA"), the Company operates a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California.

The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

The Company operates in two geographical locations; California, USA, and British Columbia, Canada. A majority of the assets of the Company, as well as daily operations, are located in the City of Adelanto, California. The Parent company operates in British Columbia; its primary function is the financing of the day-to-day operations in California as well as holding and developing intellectual property of the Company associated with CannaStrips™ technology.

As of the date of the filing of this MD&A, the Company has the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest	Function
Canna Delivery Systems Inc.	Nevada	100%	Holding company
LDS Agrotech Inc.	Nevada	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	75%	Consulting services - extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	100%	Holding company
LDS Development Corporation	California	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	Holding company
CSPA Group, Inc.	California	100%	Manufacturing and distribution
Core Isogenics Inc.	California	100%	Nursery and cultivation
Agrotech LLC	California	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	Medical Clinic
Shahcor Health Services Inc.	British Columbia	25%	Medical Clinic

Adelanto Operations

At the date of this MD&A, the Company's main operating facility is located in the City of Adelanto, California (the "Adelanto Facility"). The Adelanto Facility is being leased under a long-term lease expiring on March 31, 2021, which can be renewed for an additional three consecutive 5-year terms. The Adelanto Facility houses a full cultivation and manufacturing cycle starting with nursery, cultivation, extraction, distillation, strip coating, and packaging operations. The Adelanto Facility is divided into four distinct divisions: nursery, cultivation, manufacturing, and distribution. Retrofitting/construction of the manufacturing division was completed in the summer of 2018. Distribution division including outbound transportation became operational in the fall of 2018. The nursery division was completed in late April 2019, and the cultivation division of the Adelanto Facility was completed in September 2019.

As of the date of this MD&A, the Company's main business activity includes the manufacturing of CannaStrips™, cannabis-infused strips (similar to breath strips) based on the patent-pending technology, as well as producing oils, distillates, and resin for the Company's Rêveur product brand, as well as for the white-label distribution market. These operations are carried out through the Company's wholly-owned subsidiary, CSPA, which is managed by the Company's 75%-owned subsidiary, LDS Scientific Inc. ("LDS Scientific"), under a management services agreement. Based on the agreement, LDS Scientific acts as the sole manager of CSPA's cannabis extraction and manufacturing operations, supervising and ensuring the performance of all functions related to the extraction and manufacturing operations, including compliance with applicable laws and regulations for marijuana-related activities.

The Company started retrofitting the Adelanto Facility in November of 2016 and in September of 2017, the majority of required improvements for the extraction and manufacturing division were completed, and CSPA was granted a Certificate of Occupancy allowing CSPA to begin operations managed by LDS Scientific.

The Company owns a 75% interest in each of LDS Agrotech Inc. ("LDS Agrotech") and LDS Scientific. The remaining 25% of LDS Agrotech is owned by its President, Matthew Ferguson, the remaining 25% of LDS Scientific is owned by its former President, Jonathan Hunt (Mr. Ferguson and Mr. Hunt are collectively referred

to as "Minority Shareholders"). The Company retains options to purchase the remaining 25% of each of LDS Agrotech and LDS Scientific (the "LDS Agrotech and LDS Scientific Options"), which can be exercised by:

(a) issuing 208,334 common shares to each Minority Shareholder; and
(b) making a US$1,000,000 cash payment.

Nursery and Cultivation Operations

The Company's nursery and cultivation operations are operated through Core Isogenics Inc. ("Core Isogenics"), the Company's wholly-owned subsidiary. Core Isogenics' focus is developing isogenic seed strains and automated cultivation methods in addition to daily cultivation operations and crop management up to the time the plants are ready to be harvested and moved to the Company's manufacturing and/or distribution division, which is operated by CSPA, also a wholly-owned subsidiary of the Company.

Core Isogenics operates under annual renewable nursery and annual cultivation licenses, for the nursery and the cultivation operations respectively.

The current cultivation license covers two rooms, a vegetation room and a slightly larger flowering room. The vegetation room houses a two-story state-of-the-art rolling table system and 192 lights. The flower room includes the same two-story rolling table system equipped with 288 lights. Both the flowering and the vegetation rooms have automated irrigation systems in order to maintain an accurate feeding regimen for the plants and to reduce the amount of labor required to service those plants. The genetics for the rooms are bred by Core Isogenics' Nursery located in the same facility, in separate premises adjacent to the cultivation rooms.

Developing its proprietary plant genetics and the germination and grow technology allows the Company to produce seeds and plants with properties identical to those used in CannaStrips™ formula, thereby reducing the number of extraction steps that would be required to extract ingredients from conventional plants.

The nursery utilizes the seeds grown based on the Core Isogenics process. These seeds are grown inside the Company's climate-controlled, negatively-pressurized, and remotely-monitored rooms to ensure contaminant-free plant development. The Company is planning to develop both indoor and outdoor strains with a focus on future large outdoor cultivations.

In December 2019, Core Isogenics began harvesting the indoor flower. First harvest yielded approximately 345 pounds of flower which, following the drying and curing process, yielded 69 pounds of marketable flower, or 20% of the initial harvested weight. The Company continues to harvest once a week with the harvests ranging from 15 pounds to 50 pounds. Once the Company determines the optimal mix of seeds, nutrients, lights, and grow space per plant, it expects the average harvest to normalize at approximately 45 pounds per week.

In early 2020, Core Isogenics partnered with Reiziger® Holland for a 12-month study of its hydroponic solutions. The Core Isogenics' nursery dedicated approximately 25% of the genetic rooms to the project which the Company hopes will improve its harvests by accelerating the growth of cannabis plants, increasing flower yield and their quality. The initial project is estimated to take approximately twelve months and will include matching genetics to nutrients and creating feeding regimens specifically designed for maximum absorption and conversion of nutrients into cannabinoids. The early results have been promising, showing improved growth of seedlings with the stalk size doubling in diameter in half the time. The possible benefits for Core Isogenics are shorter cultivation times, and higher flower yields, both of which will translate into higher profit margins. The nursery facility is uniquely suited for this type of project, with its ability to track the growing conditions in isolated rooms, as well as documenting the feeding schedule and soil condition in order to gather information to accurately assess the cultivation process.

Distribution

As of the date of this MD&A, the Company's products are available in 90 stores across the State of California. In addition to delivering its CannaStrips™ and Rêveur products under the distribution license granted to CSPA, the Company is working with Fenix Logistics on non-exclusive basis**.**

In order to create seed-to-sale operations, in 2019 the Company started looking into building a dispensary on one of its freestanding land plots in vicinity of its Adelanto Facility. The construction was to be financed by Optimus Logistics Inc., ("Optimus"), an affiliated company formed for the purpose of financing the construction of the dispensary, and was to be managed by Highway 395 Dispensary Inc. ("Highway 395"), also an affiliated company.

During fiscal 2019, Highway 395 applied and received approvals for its construction plans, grading permits as well as approval for the San Bernardino County Fire Department. The City of Adelanto approved the addition of a conditional adult-use permit to complement Highway 395's existing medical-use permit for the dispensary, as well as delivery operations. In September 2019, the connection to the City of Adelanto's water system was completed. In October 2019, Highway 395 started preparation for the next step of the project, however, due to financial constraints, stopped the construction until such time that either Highway 395 or the Company raises sufficient funds to finance the project.

In January 2020, the Company entered into an option agreement with Optimus whereby the Company granted Optimus the exclusive right and option to purchase the land plot designated for construction of Highway 395 dispensary (the "Optimus Option"). The Optimus Option is for $200,000, and gives Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023.

As of the date of this MD&A, the Optimus Option remains unexercised and the construction has not resumed.

Rainy Daze Cannabis Corp

On November 15, 2019, the Company completed the acquisition of Rainy Daze Cannabis Corp. ("Rainy Daze"). Rainy Daze holds a long-term lease for a bay in a micro-cultivation facility that is currently under construction with a lease term of 5 years, commencing on the day immediately following Rainy Daze receiving an occupancy permit from the Capital Regional District. As at the date of this MD&A, this lease has not commenced. Rainy Daze intends to apply for a micro-cultivation license with Health Canada at a time when the building has received required approvals. As at the date of this MD&A, the Company is waiting to receive the licensing for Rainy Daze.

Vocan Biotechnologies Inc.

On October 7, 2020, the Company entered into a Letter of Intent (the "LOI") dated effective October 1, 2020 to acquire all of the outstanding share capital of Vocan Biotechnologies Inc. ("Vocan"). Vocan is a genetic engineering and biosynthesis research firm developing a proprietary fermentation system for the production of psilocybin API. Vocan's mission is to use science and technology to advance the knowledge of natural-based medicines for the treatment of mental health illnesses, including addictions.

Under the terms of the LOI, in consideration for all of the outstanding share capital of Vocan, the Company is expected to issue 23,500,000 common shares (the "Consideration Shares"), and 4,000,000 common share purchase warrants (the "Consideration Warrants"), to the existing shareholders of Vocan. Each Consideration Warrant will be exercisable to acquire an additional common share of the Company at a price of $0.30 for a period of twenty-four months. In addition to the Consideration Shares, and the Consideration Warrants, the existing shareholders of Vocan will also be eligible to receive bonus payments of up to 5,000,000 common shares (the "Bonus Shares"). The Bonus Shares will be issuable in two tranches, of which 2,500,000 will be issuable upon the successful synthesis of psilocybin, and a further 2,500,000 will be issuable upon the filing of a patent application for such synthesis method in at least one jurisdiction. It is anticipated that a portion of the Consideration Shares will be subject to the terms of a pooling arrangement, during which time they not be transferred or traded without the prior consent of the Company. The Consideration Shares will be released from the arrangement in tranches over a period of nine months following completion of the acquisition.

Completion of the acquisition of Vocan remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation. No finders fees or commissions are payable in connection with the acquisition of Vocan. An

administrative fee of 470,000 common shares is owing to a third-party consultant who will be assisting with completion of the acquisition.

OTHER SIGNIFICANT BUSINESS EVENTS

Debt Facility with Cannabis Growth Opportunity Corporation

On March 16, 2020, the Company entered into definitive agreements with Cannabis Growth Opportunity Corporation ("CGOC") for a $1,500,000 convertible debt facility (the "Debt Facility"). As consideration for the Debt Facility the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "Debenture") and 750,000 common share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture was to be advanced by CGOC to the Company in three equal installments of $500,000 each, of this amount, as of the date of this MD&A, the Company received a total of $450,000. The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $0.80 per share. The warrants issued to CGOC are exercisable at a price of $1.20 per share, expiring on the Maturity Date, and will vest and become exercisable in three equal tranches of 250,000 warrants each upon CGOC making each $500,000 advance under the Debenture. The Company may accelerate the expiration date of the CGOC Warrants to 30 days after providing written notice to CGOC if the Company's common shares trade at or above $3.00 per share for 10 consecutive trading days on the CSE. The Debentures and the CGOC Warrants, and any shares issued upon exercise of the conversion rights or purchase rights attached thereto, were subject to a hold period expiring on July 17, 2020.

In addition to the Debenture and the Warrants, the Company and CGOC also exchanged approximately $2,000,000 worth of each other's common shares (the "Share-Swap"), with the Company issuing to CGOC 2,666,667 common shares at an agreed value of $0.75 per share, and CGOC issuing 3,149,606 common shares to the Company at an agreed value of $0.635 per share. In connection with the Share-Swap, the Company and CGOC entered into a voting and resale agreement, with each party agreeing to vote the shares acquired from the other under the Share-Swap as recommended by the issuer of the shares, and with each party agreeing not to trade the shares received in the Share-Swap for a period of 18 months. The Company has also agreed that, upon payment of the full amount of the initial advance of $500,000 under the Debenture, CGOC will have the right to nominate one director to the Company's board and, if CGOC's nominee is not appointed or elected to the Company's board, CGOC will have the right to appoint a board observer.

Debt Settlement Agreements

Effective April 29, 2020, the Company entered into multiple debt settlement agreements with certain creditors, including certain directors and officers of the Company (the "Creditors") to settle $808,325 in debt owed to the Creditors by the issuance of a total of 2,449,470 common shares of the Company at a price of $0.33 per share. Brad Eckenweiler, the former Chief Executive Officer ("CEO") and a director of the Company, settled US$175,000 in amounts owed for unpaid management fees for 768,674 unrestricted common shares of the Company, and an additional $142,500 in debts owed to Mr. Eckenweiler for 431,818 common shares, subject to a hold period expiring four months and one day from the date of issuance. Casey Fenwick, the President and a director of the Company, settled a total of US$25,000 owed by the Company in respect of reimbursable expenses for 108,311 common shares. All shares issued on conversion of debt, aside from the 431,818 restricted shares issued to Mr. Eckenweiler, were not subject to hold periods under applicable Canadian securities laws.

Private Placement Financing

On July 3, 2020, the Company completed a non-brokered private placement of 21,052,632 units (each, a "July Unit") at a price of $0.19 per July Unit for gross proceeds of $4,000,000. Each July Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant (each, a "July Warrant"). Each whole July Warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022.

In connection with completion of the private placement, the Company paid finders' fees of $31,947 and issued 434,891 July Warrants to certain arms-length parties who assisted in introducing subscribers to the Company.

The securities issued under the this offering are subject to a hold period expiring on November 4, 2020, pursuant to applicable Canadian securities laws.

Grant of Stock Options

- On May 28, 2020, the Company granted 1,500,000 options to certain employees, consultants, directors and officers of the Company. Each option is exercisable to acquire one common share at a price of $0.33 per share, until May 1, 2022. The options are subject to vesting, with 25% of the options vesting every three months after the grant date.

- On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option vested immediately upon grant and is exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025.

Transaction with TransCanna Holdings Inc.

During the fiscal 2019, the Company entered into several business transactions with TransCanna Holdings Inc. ("TransCanna"), a former related party by virtue of having directors in common, and its subsidiaries. On July 1, 2019, the Company announced the signing of a letter of intent for a proposed business amalgamation with TransCanna (the "LOI"). On July 12, 2019, the Company announced the termination of the LOI to amalgamate, as the Company's management determined that the proposed transaction would not be in the best interests of its shareholders. Concurrent with the signing of the LOI, on July 5, 2019, TransCanna advanced to the Company US$150,000 (the "TCAN Loan") in exchange for a note payable dated for reference July 30, 2019. Outstanding principal under the TCAN Loan was secured by 250,000 TransCanna shares.

On April 1, 2019, the Company, through LDS Development Corp., entered into a sublease agreement with TCM Distribution Inc. (a subsidiary of TransCanna), for a sublease of real property adjacent to the Adelanto Facility. Based on the sublease agreement, TransCanna was to pay 50% of the leased space. As of August 1, 2019, TransCanna ceased making payments, and the Company impaired the collectible at December 31, 2019.

On April 1, 2019, the Company, through LDS Development Corp., entered into a sublease agreement with TCM Distribution Inc. (a subsidiary of TransCanna). for a sublease of real property adjacent to the Company's Adelanto Facility. Based on the sublease agreement, TransCanna was to pay 50% of the leased space. As of August 1, 2019, TransCanna stopped making payments, and the Company impaired the collectible at December 31, 2019.

In addition to the above transactions, the Company and TransCanna were also party to an Intellectual Property License and Royalty Agreement (the "TCAN Agreement") dated for reference November 15, 2017, and amended on February 20, 2018, for a Track and Trace software which the Company was commissioned by TransCanna to develop.

On May 5, 2020, the Company entered into a Settlement Agreement with TransCanna and TCM Distribution to settle certain obligations which arose from the above agreements. Pursuant to the Settlement Agreement, the Company agreed to return to treasury 250,000 common shares of TransCanna it held as security for the TCAN Loan, in exchange for release of the Company from its obligations under the TCAN Loan. In addition, the Settlement Agreement released the Company from a requirement to deliver Track and Trace software, and lastly, released TransCanna from any liability under the sublease agreement.

Changes in Management

On January 17, 2020, Mr. Patrick Morris was appointed as an independent director of the Company.

On May 29, 2020, Mr. Joel Shacker was appointed as a director of the Company.

On July 3, 2020, the Company appointed Mr. Joel Shacker as CEO of the Company and Mr. Ryan Hoggan as an independent director of the Company. Concurrently with these appointments, Mr. Eckenweiler resigned as a director and officer of the Company. Mr. Eckenweiler agreed to remain with the Company in a temporary advisory capacity to assist with the transition of any ongoing matters.

On August 19, 2020, Mr. Geoff Balderson was appointed as Chief Financial Officer ("CFO") and Secretary of the Company to replace Yanika Silina, who resigned from this position on April 30, 2020.

Acquisition of Interest in Medical Clinics

On July 10, 2020, the Company completed the acquisition (the "Acquisition") of all of the outstanding share capital of Rejuva Alternative Medicine Research Centre Inc. ("Rejuva") and one-quarter of the non-voting participating share capital of Shahcor Health Services Inc. ("Shahcor").

Rejuva and Shahcor are privately held companies which operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia, and maintain a database of over 200,000 patients, combined. The Company intends to further develop its current product offerings through research and development in these clinics, including the integration of intellectual property related to psychedelic treatments and novel drug therapies. The Company will aim to prove increased efficacy and bioavailability of existing and novel drugs, including psilocybin, with its proprietary delivery methods currently utilized by its CannaStrips™ technology. Core One and Rejuva plan to advance psychedelic-derived treatments and establish a portfolio of intellectual property, through human clinical trials, to build a robust drug development platform in the psychedelic medicine space.

The Acquisition was completed pursuant to share exchange agreements, dated for reference July 9, 2020, entered into with each of the shareholders of Rejuva and Shahcor. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva. In consideration for one-quarter of the non-voting participating share capital of Shahcor, the Company paid cash of $400,000 and issued 5,555,556 common shares to the existing shareholders of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the CSE in the ten trading days prior to the issuance of the shares.

The Company is at arms-length from each of Rejuva, Shahcor, and their respective shareholders.

In connection with completion of the Acquisition, the Company has issued 2,300,000 common shares to an arms-length third party that assisted in introducing the Acquisition to the Company. The Company has also issued 571,111 common shares and paid $8,000 as an administrative fee to a consultant who assisted with completion of the Acquisition.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the unaudited condensed consolidated interim financial statements for the six-month period ended June 30, 2020, and the audited consolidated financial statements for the year ended December 31, 2019.

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Total Revenue	$ 1,253,282	$ 5,041,651
Net Loss	$ 2,011,030	$ 21,652,443
Loss per Share	$ (0.12)	$ (1.91)
Working Capital Deficit	$ (3,277,151)	$ (4,934,210)
Total Assets	$ 20,067,073	$ 17,803,135
Property, Plant, and Equipment	$ 13,519,226	$ 14,048,482
Total Liabilities	$ 13,594,351	$ 12,184,594
Share Capital and Reserves	$ 61,342,917	$ 58,820,940
Non-controlling interests	$ (1,839,450)	$ (1,611,558)
Deficit	$ 53,761,116	$ 51,889,363

The statements of financial position as of June 30, 2020 and December 31, 2019, indicated a cash position of $1,003,059 and $116,850, respectively, and total current assets of $6,547,847 and $3,754,653, respectively. The change in total current assets was mainly associated with a $949,094 increase in marketable securities associated with acquisition of shares of CGOC pursuant to the share-swap agreement between the Company and CGOC, a $50,000 increase in debenture receivable also associated with the transaction between the Company and CGOC, a $371,855 increase in biological assets and an $80,062 increase in inventory. These increases were supplemented by increases of $313,994 and $139,592 in amounts receivable, and in prepaids and other current assets, respectively.

The long-term assets of the Company totaled $13,519,226 (2019 - $14,048,482), and included $1,708,137 (2019 - $1,627,919) recorded as cost of four undeveloped land parcels varying in size from 4 to 10 acres for a total of 24.5 acres; production equipment recorded at $4,697,277 (2019 - $5,033,275); $5,240,398 (2019 - $5,446,598) recorded as cost of leasehold improvements at the Adelanto Facility, and $1,873,414 (2019 - $1,940,690) associated with capitalized lease obligations for the Adelanto Facility.

As at the date of this MD&A, the Company has completed retrofitting its Adelanto Facility, and only minor maintenance work is being performed from time to time.

At June 30, 2020, current liabilities totaled $9,824,998 (2019 - $8,688,863) and were comprised of the following:

- $7,435,152 in accounts payable and accrued liabilities (2019 - $5,623,597). Included in accounts payable and accrued liabilities was $1,049,299 (2019 - $1,000,021) related to liabilities under crop-share arrangement due to the farm owners under the crop-share agreement for their share of expected net income. During the year ended December 31, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, entered into two crop-share farm lease agreements for outdoor cultivation of cannabis (the "Farm Agreements") which expired on December 31, 2019. According to the Farm Agreements, the farm owners are entitled to receive 50% of net income generated from the sale of the biological assets;

- $1,260,124 in amounts due to related parties (2019 - $1,015,964);

- $193,603 in advances payable (2019 - $317,180);

- $33,525 (2019 - $671,495) in unearned revenue, which was associated with $33,525 (2019 - $57,033) in prepayments to the Company collected from its customers and $Nil (2019 - $614,462) received

pursuant to the Intellectual Property License and Royalty Agreement with TransCanna, for its Track and Trace software, which the Company was commissioned to develop. At June 30, 2020, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the State of California. At June 30, 2020, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna. At the time of the transaction, TransCanna was a related corporation to the Company through its former directors, James Pakulis and Arni Johannson, who were also directors of TransCanna;

- $198,415 (2019 - $188,525) the Company received from Optimus Logistics Inc., a Canadian corporation affiliated with the Company through Mr. Eckenweiler; as deposit on an option to acquire one of the land parcels the Company owns in Adelanto;

- $Nil (2019 - $206,249) owing under the TCAN Loan, as amounts due were written off pursuant to the Settlement Agreement: and

- $704,179 (2019 - $665,853) representing a current obligation under long-term leases for the Adelanto Facility.

The Company's long-term liabilities included $3,341,534 (2019 - $3,495,731) lease obligations for the Adelanto Facility and warehouse space that the Company had committed to paying for on a monthly basis, and $427,819 liability under the CGOC convertible debenture, which becomes payable on December 31, 2022.

At June 30, 2020, the Company had a working capital deficit of $3,277,151, as compared to a working capital deficit of $4,934,210 at December 31, 2019. Based on the current operation and expansion plans, the Company is required to generate funds from an alternative source of financing before it will be in a position to support its operations from its core business activities. As the construction and retrofitting of the Adelanto Facility have been completed, all divisions have been able to start operating at the expected capacity levels, the Company believes it will be able to start generating sufficient revenue to fund its day-to-day operations. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources through equity or debt financing in order to fund ongoing operating expenditures and the Company's development plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future.

Parent shareholders' equity was comprised of share capital of $52,905,180 (2019 - $51,372,447), reserves of $7,557,136 (2019 - $7,448,493), accumulated other comprehensive income of $730,371 (2019 - $298,522) and accumulated deficit of $53,761,116 (2019 - $51,889,363). The total parent shareholders' equity at June 30, 2020, was $8,312,172 (2019 – $7,230,099). In addition, the Company recorded $1,839,450 (2019 – $1,611,558) in non-controlling interests associated with 25% allocations to LDS Agrotech and LDS Scientific, and a 50% allocation to Agrotech LLC (hereinafter referred to as "Minority Shareholders").

The weighted average number of common shares outstanding for the six-month period ended June 30, 2020, was 15,732,733 (2019 – 10,452,294) resulting in a net loss per common share of $0.12 (2019 – net income per share of $0.20). As at June 30, 2020, the Company had outstanding warrants to acquire up to 750,000 shares of the Company's common stock.

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the three-month period ended June 30, 2020, the Company reported net income of $439,811 and total comprehensive income of $1,380,991, of which income of $74,853 and loss of $74,742, respectively, was attributable to Minority Shareholders. During the comparative three-month period ended June 30, 2019, the Company reported a net loss of $3,375,514 and a total comprehensive loss of $3,685,811, of which income of $187,363 and $226,080, respectively, were attributed to the Minority Shareholders. The net income attributable to each common share of the Company was determined to be $0.02 for the three-month period ended June 30,

2020 and $0.33 net loss for the three-month period ended June 30, 2019.

During the six-month period ended June 30, 2020, the Company reported a net loss of $2,011,030 and a total comprehensive loss of $1,667,796, of which loss of $139,277 and loss of $227,891, respectively, was attributable to Minority Shareholders. During the comparative six-month period ended June 30, 2019, the Company reported a net loss of $2,222,604 and a total comprehensive loss of $2,820,550, of which a loss of $144,426 and $83,446, respectively, were attributed to the Minority Shareholders. The net loss attributable to each common share of the Company was determined to be $0.12 for the six-month period ended June 30, 2020 and $0.20 for the six-month period ended June 30, 2019.

Revenue

During the three-month period ended June 30, 2020, the Company generated $893,819 in revenue (2019 - $1,058,317) which was associated with revenue from sales generated by CSPA and Agrotech LLC. The cost of sales was determined to be $840,610 (2019 - $1,608,399). The revenue and cost of sales for the three-month period ended June 30, 2020, resulted in a gross margin of $53,209 (2019 – negative gross margin of $550,082) before taking into account fair value adjustments for biological assets transferred to inventory.

During the three-month period ended June 30, 2020, the Company recognized $124,085 (2019 - $(1,043,811)) in non-cash expense relating to the changes in fair value of inventory sold.

During the six-month period ended June 30, 2020, the Company generated $1,253,282 in revenue (2019 - $3,773,118) which was associated with revenue from sales generated by CSPA and Agrotech LLC. The cost of sales was determined to be $1,106,349 (2019 - $4,790,974). The revenue and cost of sales for the six-month period ended June 30, 2020, resulted in a gross margin of $146,933 (2019 – negative gross margin of $1,017,856) before taking into account fair value adjustments for biological assets transferred to inventory.

During the six-month period ended June 30, 2020, the Company recognized $161,044 (2019 - $(1,043,811)) in non-cash expense relating to the changes in fair value of inventory sold.

During the six-month period ended June 30, 2020, the Company's operations resulted in positive gross margin before taking into account fair value adjustments for biological assets transferred to inventory, as a result of the Company efforts to control its costs of production and overheads, and an overall lack of funding, which resulted in a tighter control and smaller production outputs. In addition, the Company's main source of raw material during the period ended June 30, 2020, was either biomass received for tolling and white-label production, and/or harvested flower from Core Isogenics, which greatly reduced input costs.

All of the Company's revenues were derived from sales in the United States.

Operating Expenses

Three months ended June 30, 2020 and 2019

During the three-month period ended June 30, 2020, the Company's operating expenses had a recovery of $510,687 (2019 - $3,869,243 expense). The decrease in operating expenses of $4,379,930 during the three-month period ended June 30, 2020 was mainly due to:

- $913,573 decrease in general and administrative expenses which were reduced due to the lack of funds available for marketing and the Company's management concentrating on streamlining its indoor grow and manufacturing operations.

- $250,329 decrease in impairment of advances receivable, as no impairment was recorded in the current period compared to impairment of $250,329 from the prior period relating to advances determined uncollectible.

- Gain on investment of $1,132,311 (2019 - loss of $208,297)

  As at June 30, 2020, pursuant to the Settlement Agreement with TransCanna, the Company returned its TCAN Shares and wrote off marketable securities of $200,000 based on the market price of TCAN Shares of $0.80 per share at the settlement date, resulting in a loss on investment. In addition, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna and wrote off unearned revenue of $614,947, resulting in a gain in the statement of profit and loss.

  In addition, at June 30, 2020, the revaluation of the equity investment in CGOC shares resulted in an unrealized gain on investment of $519,685, due to the increase in CGOC's share price from $0.23 at acquisition to $0.395 per share at June 30, 2020.

  In addition, loss of $87,675 was recorded as $87,675 of leasehold improvements were written off as the lease is now terminated.

- Gain on settlement of debt of $225,066 (2019 - $Nil)

  Pursuant to the Settlement Agreement with TransCanna, the Company no longer has the obligation to repay the US$150,000 loan, resulting in a gain on settlement of $225,066.

- $954,595 decrease in marketing, sales, and distribution expenses, which were reduced due to the lack of funds available for marketing and the Company's management concentrating on streamlining its indoor grow and manufacturing operations.

- $603,662 decrease in share-based payments as no options were granted during the period.

- Change in write down of inventory of $128,140 due to inventory impairment related to indoor cultivation.

During the three-month period ended June 30, 2020, the Company incurred $233,583 (2019 - $177,840) in consulting fees, which remained relatively consistent with prior year consulting fees.

Six months ended June 30, 2020 and 2019

During the six-month period ended June 30, 2020, the Company's operating expenses were $1,996,919 (2019 - $2,248,559). The decrease in operating expenses of $251,640 during the six-month period ended June 30, 2020 was mainly due to:

- $1,454,421 decrease in general and administrative expenses which were reduced due to the lack of funds available for marketing and the Company's management concentrating on streamlining its indoor grow and manufacturing operations.

- $250,329 decrease in impairment of advances receivable, as no impairment was recorded in the current period compared to impairment of $250,329 from the prior period relating to advances determined uncollectible.

- Gain on investment of $751,957 (2019 - $3,968,114)

  During the six-month period ended June 30, 2020, the Company recorded $95,000 loss on revaluation of its equity investment in TCAN Shares, associated with the decrease of the market price of TCAN shares from $1.18 per share at December 31, 2019, to $0.80 per share at June 30, 2020. As at June 30, 2020, pursuant to the Settlement Agreement with TransCanna, the Company returned its TCAN Shares and wrote off marketable securities of $200,000 based on the market price of TCAN Shares of $0.80 per share at the settlement date, resulting in a loss on investment. In addition, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement

Agreement between the Company and TransCanna and wrote off unearned revenue of $614,947, resulting in a gain in the statement of profit and loss.

In addition, at June 30, 2020, the revaluation of the equity investment in CGOC shares resulted in an unrealized gain on investment of $519,685, due to the increase in CGOC's share price from $0.23 at acquisition to $0.395 per share at June 30, 2020.

In addition, loss of $87,675 was recorded as $87,675 of leasehold improvements were written off as the lease is now terminated.

- Gain on settlement of debt of $225,066 (2019 - loss of $88,279)

  Pursuant to the Settlement Agreement with TransCanna during the six months ended June 30, 2020, the Company no longer has the obligation to repay the US$150,000 loan, resulting in a gain on settlement of $225,066.

- $1,069,232 decrease in marketing, sales, and distribution expenses, which were reduced due to the lack of funds available for marketing and the Company's management concentrating on streamlining its indoor grow and manufacturing operations.

- $1,279,366 decrease in share-based payments as no options were granted during the period.

- Change in write down of inventory of $804,725 due to inventory impairment related to indoor cultivation.

During the six-month period ended June 30, 2020, the Company incurred $487,362 (2019 - $432,528) in consulting fees, which remained relatively consistent with prior year consulting fees.

During the six-month period ended June 30, 2020, the Company incurred $1,142,275 (2019 - $2,596,696) in general and administrative expenses, which consisted of the following:

		June 30, 2020		June 30, 2019
Accounting fees	$	140,000	$	83,265
Accretion and finance fees for debenture		16,426		-
IT infrastructure		136,946		159,426
Legal fees		267,624		242,072
Meals and travel expenses		55,767		266,294
Office and general		87,265		561,734
Regulatory fees		48,890		227,839
Salaries and wages expense		389,357		1,056,066
Total general and administrative expenses	**$**	**1,142,275**	**$**	**2,596,696**

Salaries and wages expense included salaries for the management team receiving payroll, as well as for the employees working at the Adelanto Facility not directly associated with manufacturing operations.

The Company's current operations started generating revenue in the late 3rd quarter of the Company's fiscal 2018, and the operations are still in their growth stage resulting in fluctuations in the cost of sales and overall operating costs. The Company continues to improve on the quality of its indoor material, which has been showing positive results on the overall margins, however, the lack of funds for marketing and sales resulted in a decrease in production and overall sales during the six-month period ended June 30, 2020. The Company's operations continue to lack cost benefits that could be derived from economies of scale, as well as sustained uncertain legal and regulatory environment within the industry, continues impacting costs of raw material and packaging requirements.

The Company's management believes that the seed-to-sale business model will be essential to the Company's ability to mitigate some of the market risks, as it removes additional margins associated with costs of cultivating and marketing by third party providers. Until such time that the Company can successfully control costs of its revenue-generating inputs, the Company will continue relying on equity and debt financing in order to meet its ongoing day-to-day operating requirements. The Company's current cash reserves are not sufficient to be able to support its operations for the next twelve-month period. Should anticipated revenue from production and sale of the biological assets be delayed, the Company will be required to seek additional financing either through debt or equity. There can be no assurance that such financing will be available to the Company in the amount required at any particular time, or, if available, it can be obtained on terms satisfactory to the Company.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total Revenue	$ 893,819	$ 359,463	$ 663,106	$ 605,427
Net Income (Loss)	$ 439,811	$ (2,450,841)	$(13,642,846)	$ (5,786,993)
Income (Loss) per Share	$ 0.02	$ (0.17)	$ (1.07)	$ (0.50)
Total Assets	$ 20,067,073	$ 19,638,494	$ 17,803,135	$ 22,543,285
Working Capital	$ (3,277,151)	$ (5,584,651)	$ (4,934,210)	$ 646,100

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Total Revenue	$ 1,058,317	$ 2,714,801	$ 3,164,407	$ 600,649
Net Income (Loss)	$ (3,375,514)	$ 1,152,910	$ 4,404,795	$ 3,720,279
Income (Loss) per Share	$ (0.33)	$ 0.12	$ (0.48)	$ (0.36)
Total Assets	$ 26,327,866	$ 23,597,960	$ 21,064,193	$ 20,888,963
Working Capital	$ 4,954,161	$ 2,044,001	$ (916,432)	$ 3,498,939

Overall, during the eight recently completed quarters, consulting, accounting, legal, research and development, and office and general expenses, advertising and marketing, amortization, were the major components that caused variances in net losses from quarter to quarter. At the end of the 3rd quarter of its Fiscal 2018, the Company started its manufacturing operations; therefore, the quarter ended December 31, 2018, saw a spike in revenue and costs of sales associated with it. The quarters ended December 31, 2019, September 30, 2018, March 31, 2018, and December 31, 2017, were also significantly affected by non-cash share-based compensation issued to the Company's management team, and for shares released from escrow, as well as for options granted to consultants for advertising and marketing services. The quarter ended December 31, 2019, was significantly impacted by impairment and amortization charges on the Company's PP&E and intangible assets.

The quarter ended June 30, 2020 was impacted by the gains realized from the Settlement Agreement with TCAN. During the quarter ended March 31, 2020, revenue increased from previous quarter with a decrease in cost of sales as the Company is starting to gain efficiencies in its cultivation, manufacturing and distribution operations.

During the quarter ended March 31, 2020, the Company generated $359,463 in sales from its cannabis products and realized a total gross margin of $56,765, representing 16% of gross sales. The cost of revenue was calculated to be $265,739 and was further increased by $36,959 loss on changes in fair value of biological assets included in the sold inventory. During the same quarter, the Company's operating expenses totaled $2,507,606 and were comprised of $199,465 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $253,779 in consulting

fees payable to the executive management team and external consultants for their services, $31,761 in marketing and advertising expenses, and $29,532 in research and development fees. In addition to the above operating expenses, the Company recorded $380,354 loss on its equity investments associated with revaluation of shares of TCAN and CGOC to their fair market values at March 31, 2020, and $932,865 in write-down of inventory to its net realizable value.

During the quarter ended December 31, 2019, the Company generated $663,106 in sales from its cannabis products. The cost of revenue was calculated to be $536,989. During the quarter ended December 31, 2019, the Company recorded $679,267 loss on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations were governed by crop-share lease agreements between Agrotech LLC, the Company's 50%-owned subsidiary, and Sacramento Farms, and recorded $110,181 in realized fair value included in inventory sold. During the same quarter, the Company's operating expenses totaled $5,172,982 and were comprised of $242,739 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $293,206 in consulting fees payable to the executive management team and external consultants for their services, $122,630 in marketing and advertising expenses, and $948,479 in research and development fees. In addition to the above operating expenses, the Company recorded $401,761 in non-cash share-based compensation mainly associated with recalculation of share-based compensation on cancellation of all of the outstanding options and warrants.

During the quarter ended December 31, 2019, the Company wrote down its inventory of cannabis-related products to the net realizable value, which resulted in an impairment of $2,157,732.

During the quarter ended December 31, 2019, the Company recognized an amortization charge of $3,580,455 relating to the Membership in CSPA and NHMC the Company acquired in its fiscal 2018, and initial CUP acquired fiscal 2017, both were required to secure cannabis-related operating licenses required by various regulatory authorities in the State of California. Due to regulatory changes in the State of California, the memberships were no longer required to acquire and/or renew operating licenses during the year ended December 31, 2019.

During the quarter ended December 31, 2019, the Company recognized an impairment charge for a total of $2,755,327, of which $338,566 were associated with impairment of one of the land parcels the Company acquired in 2017, as the fair market value of the parcel decreased; $285,283 was associated with architectural designs for development of its lands which were determined not to have any future value; $61,749 was associated with writing down leasehold improvements made at one of the office locations, as the Company decided not to maintain the short-term lease for the office; and $2,069,729 was associated with an ROU asset related to a lease agreement between a landlord and the Company for the use of an additional warehouse facility in Adelanto. At December 31, 2019, the Company had no immediate plans to use this warehouse facility, therefore the agreement was determined to be an onerous contract under the definition of IAS 37, and was fully impaired.

In addition, the Company recognized $1,992,607 loss on acquisition of Rainy Daze, as at the time of the acquisition, the Company assessed that there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

During the same period, the Company recognized $478,057 in interest expense associated with long-term lease of its Adelanto Facility.

These expenses were in part offset by $540,769 reversal of impairment of related party receivables, which were associated with the recovery of advances the Company extended to EPG Energy Corporation ("EPG"), a privately held company of which Brad Eckenweiler, the Company's former director and CEO, is the sole director and officer. The amounts advanced to EPG during the period represented reclassification of series of payments made by the Company to several vendors for the rental of power-generating equipment as well as natural gas supplied to the Company, as the Company entered into an agreement with EPG, whereby these costs were agreed to be required by the Company itself to run operations of its Adelanto indoor grow, and therefore the Company agreed to not seek repayment of this advances by EPG.

During the quarter ended September 30, 2019, the Company generated $605,427 in sales from its cannabis products. The cost of revenue was calculated to be $966,399 and comprised of $192,313 in direct cost of goods sold and $774,086 in allocated overhead. During the quarter ended September 30, 2019, the Company recorded $324,715 as unrealized gain on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations are governed by a crop-share lease agreements between Agrotech LLC, the Company's 50% owned subsidiary, and Sacramento Farms, and recorded $206,308 in unrealized loss on inventory of raw product harvested from the farms and moved to inventory for drying and further handling and/or sale. During the same quarter, the Company's operating expenses totaled $2,530,251 and were comprised of $435,098 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $244,177 in consulting fees payable to the executive management team and external consultants for their services, $130,975 in marketing and advertising expenses, and $69,737 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $1,069,512 in non-cash share-based compensation associated with options the Company granted to its management team on September 13, 2019, as well as on the vested portion of options and warrants granted in February of 2019.

During the quarter ended June 30, 2019, the Company generated $1,058,317 in sales from its cannabis products. The cost of revenue was calculated to be $1,608,399 and comprised of $782,557 in direct cost of goods sold and $825,842 in allocated overhead. During the quarter ended June 30, 2019, the Company recorded $1,043,811 as unrealized gain on changes in fair value of biological assets which were associated with cannabis plants the Company planted during the second quarter of its Fiscal 2019 at Sacramento Farms, which operations are governed by a crop-share lease agreements between Agrotech LLC, the Company's 50% owned subsidiary, and Sacramento Farms. During the same quarter, the Company's operating expenses totaled $3,334,642 and were comprised of $543,248 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $177,840 in consulting fees payable to the executive management team and external consultants for their services, $1,025,407 in marketing and advertising expenses, and $215,981 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $38,847 in interest expense accrued on the note payable issued as part of the $700,000 Loan Agreement, and $250,329 loss on impairment of advances issued to EPG. The amounts advanced to EPG during the period represented a series of payments made by the Company to several vendors for the rental of power-generating equipment as well as natural gas supplied to the Company. The payments were made throughout the period and did not accumulate any interest.

During the quarter ended March 31, 2019, the Company generated $2,714,801 in sales from its cannabis products. The cost of revenue was calculated to be $3,182,575 and comprised of $2,488,254 in direct cost of goods sold and $694,321 in allocated overhead. The Company's operating expenses totaled $2,368,326 and comprised of $512,818 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $254,688 in consulting fees payable to the executive management team and external consultants for their services, $146,398 in marketing and advertising expenses, and $50,313 in meals and entertainment expenses. In addition to the above operating expenses, the Company recorded $52,835 in interest expense accrued on the note payable issued as part of the Loan Agreement with an arms-length entity for $700,000, and $88,279 loss on settlement of debt with Ms. Elrod pursuant to the settlement and release agreement the Company negotiated with Ms. Elrod. The largest item that contributed to the overall net income during the three-month period ended March 31, 2019, was associated with $4,176,411 gain the Company recorded on its equity investments into common shares of TransCanna, as TransCanna's share price increased from $0.50, the value the Company received its shares at pursuant to the Intellectual Property License and Royalty Agreement to $4.28 per share, being a fair market value of TransCanna shares on March 29, 2019.

During the quarter ended December 31, 2018, the Company generated $3,164,407 in sales from its cannabis products. The cost of revenue was calculated to be $5,351,335 and included $901,713 in allocated overhead costs, $131,478 in City of Adelanto tax on gross revenue from cannabis business operations, and $689,604 in inventory impairment costs. The Company's operating expenses totaled $1,074,569 and comprised of $326,237 in wages and salaries paid to employees working in the Adelanto Facility not directly associated with the manufacturing, as well as to the management, $273,723 in consulting fees payable to the executive management team and external consultants for their services, $135,529 in meals and entertainment expenses, $113,211 in advertising, promotions, and corporate awareness fees. In addition to the above operating expenses, the Company recorded $21,000 in interest expense accrued on the note payable issued as part of the

Loan Agreement with an arms-length entity for $700,000 and $1,204,405 impairment of its advances receivable from a related company.

During the quarter ended September 30, 2018, the Company's operating expenses totaled $3,868,308 and comprised of $1,790,688 in share-based compensation of which $850,793 was associated with the fair market value of options to acquire up to 2,825,820 common shares the Company granted to its director and CEO, $892,500 in adjusted fair value of 1,200,000 shares released from escrow for technology, as well as $47,395 in adjusted fair value of 108,333 finder's shares associated with acquisition of technology from CDS; $561,123 in office and other general expenses the Company incurred during the quarter, $460,950 in wages and salaries paid to employees working in the Adelanto facility, $180,685 in research and development costs, $289,872 in consulting fees, of which $208,525 included consulting fees paid to the executive management team, and $233,879 the Company incurred in legal fees. During the quarter ended September 30, 2018, CSPA received a temporary distribution and transportation license from the Bureau of Cannabis Control of California, which allowed CSPA to start its operations resulting in total sales of $1,007,187, of this revenue $755,390 were attributed to LDS Scientific under the management agreement between LDS Scientific and CSPA.

During the quarter ended June 30, 2018, the Company's operating expenses totaled $3,169,180 and comprised of $615,807 the Company incurred in research and development costs, $294,013 in consulting fees, which included $206,700 in consulting fees paid to the top management team, $50,508 in share-based compensation which included an adjustment to a fair market value of an option to acquire up to 500,000 shares the Company granted to its director and market value of the services provided to the Company by the new members of the Company's advisory board, $602,316 in office and other general expenses, and $932,798 the Company spent on its advertising and investor relation activities.

During the quarter ended March 31, 2018, the Company's operating expenses totaled $2,123,875 and comprised of $528,673 the Company incurred in research and development costs, $440,706 in consulting fees, which included $202,593 in consulting fees paid to the top management team, $301,623 in share-based compensation for an option to acquire up to 500,000 shares the Company granted to its director, $246,830 in office and other general expenses, and $181,683 the Company spent on its advertising and investor relation activities.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2020, the Company had $1,003,059 (2019 – $116,850) in cash and had a working capital deficit of $3,277,151 (2019 – $4,934,210). The Company's share capital was $52,905,180 (2019 - $51,372,447) representing 18,488,239 (2019 – 13,372,102) common shares, and reserves of $7,557,136 (2019 - $7,448,493). As at June 30, 2020, the Company had accumulated $53,761,116 in deficit (2019 – $51,889,363), accumulated other comprehensive income of $730,371 (2019 - $298,522) and allocated a portion of its comprehensive loss and equity totaling $1,839,450 (2019 - $1,611,558) to non-controlling interests associated with a 25% ownership of LDS Agrotech, and LDS Scientific, as well as a 50% ownership of Agrotech LLC held by Minority Shareholders of these subsidiaries.

During the six-month period ended June 30, 2020, the Company generated $1,253,282 in revenue from its operations (2019 - $3,773,118), which was offset by the cost of sales totaling $1,106,349 (2019 - $4,790,974); therefore, the revenue generated was not sufficient to support the working capital needs of the Company. As such, the Company continues to depend on the equity and debt markets as its additional source of operating capital. Until the Company is able to increase the revenue from its main business activities and effectively control costs associated with generating the revenue, the Company will have to continue relying on equity and debt financing. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations at June 30, 2020, is detailed in the table below.

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 7,435,152	$ -
Amounts due to related parties	1,260,124	-
Advances payable	193,603	-
Note payable	-	-
Lease liability	704,179	3,341,534
Convertible debenture	-	427,819
Total	**$ 9,593,058**	**$ 3,769,353**

Management believes that the Company will be able to generate sufficient cash through equity or debt financing to meet its current obligations for the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

RELATED PARTY TRANSACTIONS

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 aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		June 30, 2020	June 30, 2019
Management consulting fees	a)	$ 281,362	$ 278,379
Consulting services for research and development	b)	$ 40,500	$ 46,763
Management salaries	c)	$ 221,146	$ 653,803
Share-based compensation	d)	$ 111,933	$ 336,683

a) Management consulting services consist of the following:

$170,973 (2019 – $199,283) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services until his termination on July 3, 2020.

- $40,349 (2019 - $60,153) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms. Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

- $Nil (2019 - $12,500) in consulting fees paid or accrued to Mr. Johannson, a former member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement. Mr. Johannson resigned as a director of the Company on March 15, 2019, effectively terminating his management consulting agreement with the Company.

- $49,541 (2019 - $6,443) in consulting fees paid or accrued to Mr. McEnulty, director, and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

- $10,500 (2019 - $Nil) in consulting fees paid or accrued to Mr. Morris, director of the Company. The Company agreed to pay Mr. Morris $1,500 per month for his services pursuant to a consulting agreement.

- $10,000 (2019 - $Nil) in consulting fees paid or accrued to Mr. Shacker, current CEO of the Company. The Company agreed to pay Mr. Shacker $10,000 per month for his services pursuant to a consulting agreement starting June 2020.

b) Consulting services for research and development consist of the following:

- $40,500 (2019 – $39,775) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $Nil (2019 - $6,988) in consulting fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson ("Nanostrips"). In addition to the research and development fees, the Company incurred $12,231 with Nanostrips during the six months ended June 30, 2019, which were associated with the manufacturing of CannaStripsTM and therefore included in cost of sales.

c) Management salaries consist of the following:

- $122,859 in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees

- $94,192 in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

- $4,095 in management salaries paid to Ms. Christopherson, CEO of CSPA Group, Inc. and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

	June 30, 2020	December 31, 2019
Brad Eckenweiler	$ -	$ -
Casey Fenwick	41,239	437,182
Dr. John Sanderson	11,782	-
Patrick Morris	5,891	-
Frank McEnulty	11,782	216,621
Matt Ferguson	41,239	-
Total share-based compensation	**$ 111,933**	**$ 653,803**

Related party payables at June 30, 2020 and December 31, 2019 consisted of the following:

Related party payables

	June 30, 2020	December 31, 2019
Brad Eckenweiler	$ 226,548	$ 337,532
Casey Fenwick	397,998	294,884
Dr. John Sanderson	81,768	38,964
Yanika Silina	140,051	88,476
Arni Johannson	49,875	49,875
Patrick Morris	12,607	-
Frank McEnulty	173,424	125,077
Jonathan Hunt	29,277	27,903
Nanostrips Inc.	8,861	8,445
Matt Ferguson	125,048	44,808
Joel Shacker	14,667	
Total payable to related parties	**$ 1,260,124**	**$ 1,015,964**

During the quarter ended December 31, 2019, the Company received $188,525 in advances from Optimus Logistics Inc. (“Optimus”). Optimus was formed for the purpose of financing the construction of the marijuana dispensary being developed by the Company in Adelanto, California. In the Company’s efforts to raise financing for the development of the dispensary, the Company received interest from potential outside investors that were interested in financing the dispensary, but not the overall operations of the Company. As a result, Optimus was formed, with the Company’s CEO, Brad Eckenweiler, the Company’s President, Case Fenwick, and the Treasurer and Secretary of the Company’s subsidiaries, LDS Scientific, LDS Agrotech and LDS Development Corporation acting as the first directors. It is expected that the Company will ultimately own a 25% interest in Optimus, with third party investors owning the remaining 75%. Funds advanced to Optimus by outside investors were advanced to the Company for the purpose of financing the build out of the dispensary.

In January 2020, the Company entered into an option agreement with Optimus, where the Company granted Optimus the exclusive right and option to purchase the Company’s land parcel in Adelanto, California for $200,000. The option gave Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023.The funds Optimus advanced for build out of the dispensary as per above were applied toward the deposit on the Option. As at of the date of the filing of this MD&A, the Option has not been exercised.

Advances

At June 30, 2020, the Company had a total of $36,248 in advances receivable from affiliated entities (2019 - $33,860). The advances are due on demand and do not accumulate interest.

During the year ended December 31, 2019, the Company advanced $6,312 to Highway 395 as payment for the dispensary license.

During the year ended December 31, 2018, the Company advanced $1,102,464 (US$889,865) to EPG. At December 31, 2018, the Company assessed EPG's financial position and its ability to repay the advances; it considered EPG's short cash position, negative working capital, and ongoing negotiations with the City of Adelanto to supply power to cannabis operations, which led to a decision to set up an impairment of the amount advanced to EPG being $1,204,405.

During the year ended December 31, 2019, the Company used EPG's power generator in its cultivation operations resulting in $540,768 in advances being recovered. As at June 30, 2020, $602,269 continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

FINANCIAL INSTRUMENTS

The following is the Company's accounting policy for financial instruments under IFRS 9:

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Amounts and advances receivable	Amortized cost
Marketable securities	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Advances payable	Amortized cost
Note payable	Amortized cost
Lease liabilities	Amortized cost
Convertible debenture	FVTPL

ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income (loss) ("OCI"). On derecognition, gains and losses

accumulated in OCI are reclassified to profit or loss

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Fair Value Measurement
The Company classifies the fair value of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. The fair values of the risk management contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the six-month period ended June 30, 2020, and for the year ended December 31, 2019.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at June 30, 2020, and December 31, 2019, as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, June 30, 2020	Balance, December 31, 2019
	$	$	$	$	$
Cash	1,003,059	-	-	1,003,059	116,850
Marketable securities	1,244,094	-	-	1,244,094	295,000
Total Fair Value	2,247,153	-	-	2,247,153	411,850

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate, and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale, and pattern of its operations would warrant such hedging activities.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at June 30, 2020 is the carrying amount of cash, marketable securities, accounts, and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA.

Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at June 30, 2020, the Company had cash of $1,003,059 to settle current financial liabilities of $9,824,998. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The following shows the Company's financial liabilities and is an analysis of the contractual maturities of the Company's financial liabilities as at June 30, 2020:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$7,435,152	$ -
Amounts due to related parties	1,260,124	-
Advances payable	193,603	-
Lease liability	704,179	3,341,534
Convertible debenture	-	427,819
Total	**$ 9,593,058**	**$ 3,769,353**

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i.Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

ii.Currency risk:

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents,

receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	June 30, 2020	December 31, 2019
Cash denominated in USD	$ 107,972	$ 116,470
Accounts receivable denominated in USD	330,405	391,132
Prepaids and other current assets denominated in USD	545,602	478,737
Accounts and wages payable and accrued liabilities denominated in USD	(6,567,755)	(4,569,278)
Notes and advances denominated in USD	(24,789)	(476,191)
Total	$ (5,608,565)	$ (4,059,130)
Effect of a 10% change in exchange rates	$ (560,856)	$ (405,913)

iii. Equity price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At June 30, 2020, the Company held 3,149,606 restricted common shares of CGOC valued at $1,244,094 (2019 – $Nil). As at June 30, 2020, the Company's equity investment represented 50% of its current assets; however, market fluctuations in share price of CGOC would not have an impact on the Company's liquidity until such time that the CGOC shares become free-trading. For these reasons the Company's management determined that equity price risk was not material to the Company's operations.

OUTSTANDING SHARE DATA

As at the date of this report, the Company had the following securities issued and outstanding:

Type	Amount	Exercise Price	Expiry Date
Common shares[(1)]	70,967,507	n/a	Issued and outstanding
Stock options	1,500,000	$0.33	Vest over a 12-month period beginning on August 28, 2020, at 375,000 shares per quarter. These options expire on May 1, 2022.
Stock options	2,100,000	$0.67	July 8, 2025
Stock warrants	750,000	$1.20	Vest in three equal tranches of 250,000 shares each upon closing of each $500,000 advance under the Convertible Debenture with CGOC.
Stock warrants	10,961,215	$0.70	July 3, 2022
	86,278,722		Total shares outstanding (fully diluted)

(1) *Authorized: Unlimited common shares without par value.*

ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published and are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2019. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents, such as MD&A's, in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that cannabis is illegal under U.S. federal law and that the U.S. enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's U.S. cannabis-related activities are conducted in a manner consistent with U.S. federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

As a result of the Company's existing operations in the United States, Core One is subject to the Staff Notice and accordingly provides the following disclosure.

Legal Advice in Accordance with the Staff Notice

The Company has engaged California legal counsel to provide advice on, and to assist the Company in, complying with California State law requirements and to advise the Company on potential exposure and implications arising from U.S. federal law as a result of its cannabis operations in the United States. The Company is not aware of any non-compliance with any applicable regulatory framework or licensing requirements enacted by the State of California. In accordance with the Staff Notice, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulations. Any non-compliance, citation or notice of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"). Pursuant to the CSA, cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, lacks safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse."

The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any use

Canada has federal legislation which uniformly governs the cultivation, processing, distribution, sale and possession of both medical and recreational cannabis under the *Cannabis Act*, as well as various provincial and territorial regulatory frameworks that further govern the distribution, sale and consumption of recreational cannabis within the applicable province or territory. In contrast, cannabis is only permissively regulated at the state level in the United States.

State laws in the United States regulating cannabis are in direct conflict with the CSA, which prohibits cannabis use and possession. Although certain states and territories of the U.S. authorize medical or recreational cannabis cultivation, manufacturing, production, distribution, and sales by licensed or registered entities, under U.S. federal law, the cultivation, manufacture, distribution, possession, use, and transfer of cannabis and any related drug paraphernalia, unless specifically exempt, is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable United States state law, strict compliance with state 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.

The risk of federal enforcement and other risks associated with the Company's business are described in *Risk Factors*.

California Regulatory Landscape

In 1996, California became the first state to permit the use of medical marijuana by qualified patients through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). In 2003, Senate Bill 420 (the "Medical Marijuana Program Act") was enacted to clarify the scope and application of the CUA, which also created the "collective" commercial model for medical marijuana transactions. In September 2015, the California legislature took the next step and established the framework for a statewide medical marijuana program when it passed three bills collectively known as the Medical Marijuana Regulation and Safety Act ("MMRSA"),[1] which was further amended in 2016 and renamed the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). MCRSA established a comprehensive licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for cultivation, processing, distribution, transportation, sales (including delivery only) and testing – including subcategories for the various activities, such as volatile and non-volatile licenses types for edible infused product manufacturers depending on the specific extraction methodology, and different licenses for cultivators depending on canopy size and cultivation medium. MRSCA set forth uniform operating standards and responsibilities for licensees. Under MCRSA, multiple agencies would oversee different aspects of the program alongside a newly established Bureau of Medical Cannabis Regulation within the California Department of Consumer Affairs that would control and govern how cannabis businesses would operate. All commercial cannabis businesses would require a state license and local approval to operate.

Subsequently, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("AUMA"), legalizing adult-use of cannabis by individuals 21 years of age or older. AUMA established a regulatory program for adult-use cannabis businesses and had some conflicting provisions with MCRSA. So, in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which amalgamates MCRSA and AUMA to provide a single system with uniform regulations to govern both medical and adult-use cannabis businesses in the State of California. The legislature also enacted subsequent technical "fix it" bills, such as California Assembly Bills No. 133 and 266, further refining cannabis laws and the calculation of application cultivation and excise taxes. The three main agencies that regulate medical and adult-use marijuana businesses at the state level today are Bureau of Cannabis Control ("BCC"),[2] California Department of Food and Agriculture CalCannabis Cultivation Licensing ("CDFA"),[3] and California Department of Public Health's Manufactured Cannabis Safety Branch ("CDPH").[4] Additionally, the California Department of Tax and Fee Administration oversees the collection of taxes from cannabis businesses. Various other state agencies play more minor roles in licensing and operational approval, such as the Department of Pesticide Regulation and Department of Fish and Wildlife for certain cultivation activities. The BCC, CDFA, and CDPH promulgated regulations to give effect to the general framework for the regulation of commercial medicinal and adult-use cannabis in California created by MAUCRSA, with each set of final regulations adopted by each agency on January 16, 2019. In addition, the CUA remains valid law, but the medical marijuana "collective" model is now illegal as of January 9, 2019.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local approval and state licensure for each type of commercial cannabis activity conducted at a specified business premises (and only one type of commercial cannabis activity may be conducted at a licensed premises, but there may be multiple premises on a given piece of real estate so long as they are sufficiently separated in accordance with MAUCRSA). Cities and counties in California have discretion to determine the number and types of licenses they will issue to marijuana operators or can choose to limit or outright ban commercial cannabis activities within their jurisdiction. This limits cannabis businesses to cities and counties with marijuana licensing or approval programs.[5]

[1] AB 243, AB 266, and SB 643.
[2] In place of Bureau of Medical Marijuana Regulation; oversees brick and mortar and delivery-only retailers, distributors, microbusinesses, testing laboratories and event organizers.
[3] Oversees cultivators and processors.
[4] Oversees manufacturing.
[5] There is currently a dispute concerning cities' rights to prohibit incoming deliveries that originate from

Temporary cannabis licenses under MAUCRSA began to issue to operators on January 1, 2018, when MAUCRSA took full effect. Temporary cannabis licenses (so long as the business also has prior local approval) allow cannabis businesses to open their doors without an annual license. All cannabis businesses in California must eventually secure an annual license to operate for twelve-month periods. As of January 1, 2019, the state will no longer issue or renew temporary commercial cannabis licenses, and the legislature created provisional licenses to ensure continued operations while businesses wait on annual licensure. To receive a provisional license, a cannabis business must have, or have held (at the same location for the same cannabis activity), a temporary license and have filed with the state a complete application for an annual license (at the same location for the same cannabis activity) before the expiration of its temporary license(s). The Company began acquiring and/or applying for and receiving marijuana medical and adult- use licenses throughout the state of California in 2018. The Company only operates in California cities with clearly defined marijuana licensing programs.

California Licenses and Regulations

California state annual licenses must be renewed annually. Each year, licensees are required to submit a renewal application per regulations published by BCC, CDFA, and CDPH, respectively. While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, in respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, there are no material violations noted against the applicable license, and there are no changes in ownership of the business or major changes to the operations of the business, the Company would expect to receive the applicable renewed license in the ordinary course of business. While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner, and this does not account for the individual renewal processes for necessary local entitlements to maintain the required local approval (see below). Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects. Additionally, the legislative and regulatory requirements are subject to change.

The renewal process for local entitlements is different in each jurisdiction and for each type of entitlement. For example, a conditional use permit or development agreement may last for a number of years, but a city may also require that an applicant obtain a local business license or tax certificate that must be renewed annually. This will require a detailed focus on each local jurisdiction's laws and regulations, as well as the terms of any local entitlement. Ultimately, the Company would expect to obtain renewed local entitlements along the same lines as state entitlements, and subject to the same caveats.

California Reporting Requirements

The State of California has selected Franwell Inc.'s METRC solution ("METRC") as the state's T&T system used to track commercial cannabis activity and movement across the distribution chain ("seed-to-sale"). The METRC system is in the process of being implemented statewide Applicants for annual licensure with the BCC and the other state agencies are each required to designate T&T account managers who must register for METRC training within 10 days after receiving confirmation of receipt of filing an annual license application. When operational, the METRC system will allow for other third-party system integration via application programming interface ("API").

licensed cannabis companies in other California cities. The BCC adopted a final regulation that allows deliveries into any jurisdiction in the state, even ones which apparently prohibit it. See 16 C.C.R. § 5416(d). MAUCRSA and Prop. 64, however, give localities discretion to prohibit or limit cannabis activities. See Cal. Bus. & Prof. Code §§ 26090(e); 26001(a)(1). On April 4, 2019, a group of California cities and counties sued the BCC and its Chief, Lori Ajax, seeking a declaration that the BCC's regulation is invalid and may not be enforced. See County of Santa Cruz et. al v. Bureau of Cannabis Control et. al, No. 19CECG01224, (Apr. 4, 2019). The case is in its infancy and no substantive motions have been filed as of May 10, 2019.

Core One's Licenses and Permits in California

CSPA currently holds Conditional Use Permits from the City of Adelanto for extraction and manufacturing, as well as the transportation and distribution, of medicinal cannabis products at the Adelanto Facility. CSPA also holds state licenses for manufacturing and distribution and transportation.

Core Isogenics currently holds Conditional Use Permits from the City of Adelanto for operation of a nursery and a cultivation operation. Core Isogenics also holds state licenses for a nursery and a cultivation operation. An affiliate of the Company, Highway 395 currently holds a Conditional Use Permit from the City of Adelanto for operation of a retail operation. Highway 395 also holds a retail license issued by the Bureau of Cannabis Control. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Each licensed operator must also grant state and local authorities access its video security systems.

Company Compliance Program

The Company is classified as having direct and indirect involvement in the U.S. marijuana industry and is in material compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates (i.e. the State of California). The Company is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the State of California which may have an impact on its licenses, business activities or operations.

The Company's management oversees, maintains, and implements the Company's compliance program and personnel. In addition, the Company engages regulatory/compliance counsel in California, when required.

The Company's management oversees training for all employees, such training includes, but is not limited to, the following topics:

- compliance with state and local laws;
- security and safety policies and procedures;
- inventory control;
- Track & Trace training session;
- quality control;
- transportation procedures; and
- extensive ingredient and product testing, often beyond that required by law to assure product safety and accuracy.

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory. Management of the Company monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at its Adelanto Facility.

Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by state and local laws, regulations, ordinances, licenses, and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all

applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in the *Risk Factors* section below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in *Risk Factors*.

RISKS FACTORS

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

Coronavirus (COVID-19) and global health crisis

The COVID-19 global outbreak and efforts to contain it may have an impact on the Company's business. The Company continues to monitor the situation and the impact the virus may have on its operations. The extent to which COVID-19 and other infectious diseases may impact the Company's business, including its operations and the market for its securities and its financial condition, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These include the duration, severity and scope of the outbreak and the actions taken by applicable governmental entities to address and mitigate COVID-19 or any other infectious diseases. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including, without limitation, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants and partners to meet obligations, employee health, workforce productivity, increased insurance premiums, limitations on travel, disruption to supply chains and the ability to deliver the Company's products to end customers. In addition, government efforts to curtail the spread of COVID-19 may result in temporary or long-term suspensions or shut-downs of our operations, impact our customers, and affect our supply chain. Such suspensions and disruptions may have a material and adverse effect on the Company's business, financial condition and results of operations.

Regulatory risks

Through its subsidiaries, the Company has, or is currently developing, cannabis cultivation, extraction, processing/manufacturing, transportation and distribution operations within the State of California and the Province of British Columbia. The activities of the Company are subject to strict regulation by governmental authorities imposed on the affiliates of the Company. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by various governmental authorities and obtaining all regulatory approvals, where necessary, for the development and sale of cannabis and cannabis products. The Company cannot predict the time required to secure all appropriate regulatory approvals for the Company's cannabis products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products by the Company and its affiliates and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Marijuana remains a controlled substance under U.S. federal law

100% of the Company's revenues during the six-month period ended June 30, 2020, and for the year ended December 31, 2019 were from U.S. marijuana related activities. At June 30, 2020, 66% ($3,239,250) of the Company's current assets, and 91% ($17,942,465) of its total assets were attributable to U.S. marijuana related activities.

The regulation of cannabis related activities in the United States occurs largely at the state and local level. In December 2018, the U.S. federal Hemp Farming Act of 2018 was passed into law, removing cannabis with a THC content of 0.3% or less (i.e. hemp) from Schedule 1 of the U.S. Controlled Substances Act of 1970 (the "CSA"), making hemp an ordinary agricultural commodity. However, cannabis having THC content of greater than 0.3% (usually referred to as "marijuana" or "marihuana") continues to be a Schedule I drug under the

CSA. As a result, the cultivation, processing, distribution and possession of marijuana and marijuana-related products remains illegal under U.S. federal law. Although the State of California has enacted laws legalizing the use, cultivation, extraction, manufacture, and distribution of cannabis and cannabis products, U.S. federal law criminalizing the use of marijuana may pre-empt state laws that legalize its use and production. Although Congress has prohibited the US Justice Department from spending federal funds to interfere with the implementation of state medical marijuana laws, this prohibition must be renewed each year to remain in effect. There are no assurances that these spending prohibitions will continue in the future. If these spending prohibitions are not renewed, unless the CSA is amended, of which there can be no assurance, the Company's operations and operations of its affiliates may be deemed to be in violation of United States federal law and the Company and/or its affiliates could become subject to enforcement proceedings under United States federal law. Active enforcement of United States federal law as it currently exists could adversely affect the Company's future business prospects, cash flows, earnings, results of operations and financial condition and would likely prevent the Company from being able to proceed with its current business plan.

Change in laws, regulations, and guidelines

The Company has engaged California legal counsel to provide advice on, and to assist the Company in, complying with California State law requirements and to advise the Company on potential exposure and implications arising from U.S. federal law. However, the Company's operations are subject to a variety of laws, regulations and guidelines relating to the business activities of its affiliates, the acquisition, manufacture, management, transportation, storage and disposal of cannabis and cannabis-related products as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company and its affiliates may cause adverse effects to the operations of the Company's affiliates thereby affecting the results of operations of the Company.

As of the date of this MD&A, thirty-three states and the District of Columbia allow the use of cannabis. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal and/or recreational use of cannabis. While the Company believes that the number of states legalizing the use of cannabis will increase, there is no assurance of the trend. There is no assurance that the thirty-three existing states or the District of Columbia will not reverse their position on cannabis and revoke the legal use of cannabis. These changes would materially impact the growth of the Company's business, and the Company may experience declining revenues if the market for its product and services declines as a result of such changes.

Even in areas where the recreational and/or medicinal use of cannabis is legal under state law, there are local laws and regulations that impact the Company's operations. For example, in some municipalities, a retail cannabis dispensary is prohibited from being located within a certain distance from schools, community centers and/or churches. These local laws and regulations may cause some of the Company's customers to close, which will impact the revenue of the Company and have a material effect on the Company's business and operations. The enforcement of identical rules or regulations with respect to cannabis may vary from municipality to municipality or city to city.

While the impact of such changes is uncertain and highly dependent on the specific laws, regulations or guidelines being changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that are materially different from the effect on similar-sized companies in the same business as the Company.

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The assets of the Company include several domain names and websites which provide information about the Company's business and business and products of its affiliates. The Company may face legal action from a state or other jurisdiction for engaging in an activity or abiding the activity that is illegal in that state or jurisdiction by way of its website.

Risks related to conflicting federal and state laws

The cannabis industry is currently conducted in thirty-three states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis remains illegal. The Federal, and, in some cases, state law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or

physician office is a customer of the Company, it will affect the Company's revenue. Enforcement actions that impact new retail dispensaries, growers, producers, and physician offices entering the cannabis industry may materially affect the Company's business and operations.

Banking Risks

As the use, cultivation, manufacture, and distribution of marijuana remain illegal under U.S. federal law. U.S. banks may not be able or willing to accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding banks willing to accept their business. An inability to open or maintain bank accounts in the U.S. may make it difficult for the Company to operate its business.

The Company may have limited access to certain benefits under U.S. federal law

Because the cultivation, processing, distribution, and possession of marijuana remains illegal under U.S. federal law, the Company may be limited in its ability to take advantage of certain benefits under U.S. federal law. For example, in some cases courts have denied cannabis related businesses the protections of U.S. federal bankruptcy laws, making it difficult for stakeholders to recoup their investments in cannabis related enterprises in circumstances involving the insolvency of the business. If the Company were to declare bankruptcy, there is no assurance that it would be able to avail itself to the protections of U.S. bankruptcy laws, which could have a materially adverse effect on the Company's ability to manage and/or restructure its business and the rights of lenders and security holders of the Company.

In addition, the Company may not be able to avail itself of certain deductions under the U.S. Internal Revenue Code of 1986 (the "IRC"). Certain sections of the IRC deny normal business deductions incurred in the business of trafficking in controlled substances under the CSA (which includes marijuana). If the Company is not able to deduct normal business expenses incurred as part of its operations, the Company may have a greater tax liability, which may make it more difficult for the Company to become profitable.

Risk of civil asset forfeiture

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

Third party service providers may refuse to make their services available to the company

Because the cultivation, processing, distribution and possession of marijuana remains illegal under U.S. federal law, third party service providers may refuse to provide services to, or may withdraw or suspend services provided to, the Company. This could make it more difficult for the Company to obtain services material to the operation of its business and could have a material adverse effect on the Company's operations, financial condition, and business prospects.

U.S. holders may have difficulty selling their securities

There have been reports that major U.S. securities clearing firms have ceased providing clearing services to issuers involved in the U.S. cannabis industry. If U.S. securities clearing firms and other market participants cease to provide processing services for transactions in securities of issuers with U.S. marijuana operations, U.S. security holders may have difficulty in selling their securities of the Company. This may also make it difficult for the Company to raise capital from U.S. investors.

Liability, enforcement complaints, etc.

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

The regulatory environment for marijuana operations in California remains complex. Although the Company's wholly-owned subsidiaries, CSPA and Core Isogenics, as well as its affiliate, Highway 395, currently have state and local licenses and permits for existing operations, maintaining those licenses and permits can be a complex process. With the assistance of its legal counsel, the Company regularly reviews the status of its state

and local operating permits to monitor their ongoing status. In addition, the Company regularly reviews its operations and procedures in an effort to ensure compliance with state and local laws regarding the operation of cannabis enterprises. However, monitoring systems and controls procedures are not infallible and cannot guarantee absolute compliance. The Company, its subsidiaries, and affiliates may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its medical marijuana business. In addition, the Company its subsidiaries, or affiliates may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate its business and ability to execute its business plan.

The Company might be subject to heightened scrutiny by United States and Canadian authorities

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

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized exchanges, the TMX Group, who is the owner and operator of CDS, announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE and the Toronto Stock Exchange confirming that it relies on such exchanges to review the conduct of listed issuers. The TMX MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the TMX MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Even though the TMX MOU indicated that there are no plans of banning the settlement of securities through the CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, the common shares would become highly illiquid until an alternative was implemented, and shareholders would have no ability to affect a trade of the common shares through the facilities of a stock exchange.

The Company likely will not be able to secure its payment and other contractual rights with liens on the inventory or licenses of its clients and contracting parties

In general, the laws of the various states that have legalized cannabis sale and cultivation do not expressly or impliedly allow for the pledge of inventory containing cannabis as collateral for the benefit of third parties, such as the Company and the subsidiaries, that do not possess the requisite licenses and entitlements to cultivate, process, sell, or possess cannabis pursuant to the applicable state law. Likewise, the laws of those states generally do not allow for transfer of the licenses and entitlements to sell or cultivate cannabis to third parties that have not been granted such licenses and entitlements by the applicable state agency. The inability of the Company and the subsidiaries to secure its payment and other contractual rights with liens on the inventory and licenses of its clients and contracting parties increases the risk of loss resulting from breaches of the applicable agreements by the contracting parties, which, in turn, could have a material adverse effect on the business, financial condition or results of operations of the Company.

FDA regulation of cannabis and industrial hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the Food, Drug and Cosmetics Act of 1938 ("FDCA"). 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 FDCA. 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 DEA; however, the FDA has enforced the FDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp sold outside of state-regulated cannabis businesses. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp.

Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis and/or industrial hemp. Clinical trials may be needed to verify efficacy and safety of both cannabis-derived products and industrial hemp-derived products. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the subsidiaries of the Company are unable to comply with the regulations or registration as prescribed by the FDA, it may have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company and its subsidiaries will be subject to applicable anti-money laundering laws and regulations

Each of the Company and its subsidiaries is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the "Bank Secrecy Act"), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

The Financial Crimes Enforcement Network ("FinCEN") of the U.S. Department of the Treasury issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank cannabis businesses in compliance with federal enforcement priorities (the "FinCEN Memorandum"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance included in the Cole Memorandum.

Attorney General Sessions' revocation of the Cole Memorandum has not yet affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself.

Although the FinCEN Memorandum remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum. 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 states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the DOJ's prosecuting banks and financial institutions for crimes that were not previously prosecuted.

If the operations of the Company or its subsidiaries, or any proceeds thereof, any dividend distributions or any profits or revenues derived from these operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds from a crime under one or more of the statutes noted above. This may restrict the ability of the Company to declare or pay dividends in the future, effect other distributions or subsequently repatriate such funds back to Canada.

Limited trademark protection

The Company's subsidiaries will not be able to register any U.S. federal trademarks for their cannabis products. Because producing, processing, possessing, distributing, selling, and using cannabis is illegal under the CSA,

the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company's subsidiaries likely will be unable to protect their cannabis product trademarks beyond the geographic areas in which they conduct business. The use of their trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Supply of Raw Cannabis Material

The Company, its subsidiaries, and affiliates currently obtain raw cannabis materials from third parties. However, there can be no assurance that there will continue to be a supply of raw cannabis material available to meet the production needs. Additionally, the price of raw cannabis may be volatile which would increase the cost of goods. If the Company's affiliates are unable to acquire raw cannabis in amounts sufficient to meet its business needs or if the price of raw cannabis increases significantly, the Company's affiliates, as well as the Company's business prospects, operations and financial condition, could be adversely affected.

Inconsistent public opinion and perception of the medical and adult-use use cannabis industry hinders market growth and state adoption

Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general). Inconsistent public opinion and perception of the medical and adult-use cannabis may hinder growth and state adoption which could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company's ability to generate revenue and be successful in the implementation of its business plan is dependent on consumer acceptance and demand of its product lines. The Company's management believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Acceptance of the Company's products will depend on several factors, including availability, cost, ease of use, familiarity of use, convenience, effectiveness, safety, and reliability. If customers do not accept the Company's products, or if the Company fails to meet customers' needs and expectations adequately, its ability to continue generating revenues could be reduced. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable 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 recreational cannabis in general, or the Company's products specifically, or associating the consumption of recreational cannabis 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 cannabis industry presents substantial risks and uncertainty

The anticipated business of the Company and any other businesses in which the Company will invest will be engaged directly or indirectly in business within the medical and adult-use cannabis industry in the United States. The relatively new development of the medical and adult-use cannabis industry nationally presents numerous and material risks. Many of these risks are not inherent in other developing or mature industries. Many of the risks are unknown and the eventual consequences to the Company and its subsidiaries in which the Company will invest.

The risks range from the potential catastrophic collapse of the medical and adult-use cannabis industry nationally or in the states in which the Company conducts business or makes investments that might result from changes in laws or the enforcement of existing laws to the failure of individual businesses that might result

from volatile market conditions that sometime accompany the development of new markets and industries. Additionally, the medical and adult-use cannabis industry is characterized by fragmented markets, immature companies, inexperienced managers lacking conventional business and financial discipline, a lack of well-known brands, an absence of industry and product standards, ever-shifting legal landscapes with multiple frameworks (from state to state), rapidly shifting public opinion, and a scarcity of significant capital.

Enforceability of contracts

Since cannabis is illegal at a federal level, judges in multiple U.S. states have on several occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. Therefore, there is uncertainty that the Company will be able to legally enforce its agreements, including agreements material to the Company.

Commercialization of psilocybin

Given the early stage of product development, there can be no assurance that the Company's research and development programs into psilocybin will result in regulatory approval or commercially viable products. The Company currently has no products that have been approved by Health Canada, the FDA or any similar regulatory authority. To obtain regulatory approvals for product candidates in the psilocybin space, clinical trials must demonstrate that the product candidates are safe for human use and that the product candidates demonstrate efficacy. To date, the Company has not commenced any preclinical trials or later stage clinical trials.

The Company can make no assurance that any future studies, if undertaken, will yield favourable results. Moreover, preclinical, and clinical data are often susceptible to varying interpretations and analyses, and many companies that believe their product candidates performed satisfactorily in preclinical studies and clinical trials, nonetheless fail to obtain FDA approval.

Clinical trial failure risk

Before obtaining marketing approval from regulatory authorities for the sale of any psilocybin product candidates, the Company must conduct extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical trials are expensive. Design and implementing clinical trials is complex and presents many opportunities for failure, particularly with mental health disorders as the target indication. Clinical trials may take many years to complete and carry uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict results. Several companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials.

The Company cannot predict whether future clinical trials will demonstrate adequate efficacy and safety to result in regulatory approval to market any of the psilocybin product candidates. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk to the Company is the possibility that none of its product candidates will successfully gain market approval from Health Canada, the FDA or other regulatory authorities, resulting in the Company being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Reliance on third parties to conduct clinical trials

The Company will rely on third parties to conduct a significant portion of any preclinical and clinical development activities. Preclinical activities include in vivo studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the

Company will face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

Risks related to the regulatory environment
The production, labeling and distribution of the products that the Company plans to develop are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future.

Psychedelic regulatory risk
Psychedelic therapy is a new and emerging industry with substantial existing regulations and uncertainty as to future regulations. There is no assurance the Company will be able to derive meaningful revenue from its investment in psychedelic therapy development, or to pursue that business to the extent currently proposed.

Controlled Substance Legislations
Most countries are parties to the Single Convention on Narcotic Drugs of 1961 as amended by the 1972 Protocol, 30 March 1961 (as amended by the 1972 Protocol), 976 UNTS 14152 (entered into force 13 December 1964), the Convention on Psychotropic Substances, 21 February 1971, 1019 UNTS 14956 (entered into force 8 August 1975) and the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 20 December 1988, 1582 UNTS 27627 (entered into force 11 November 1990). Together, these conventions govern international trade and domestic control of narcotic substances, including cannabis and psychotropic substances, such as psilocybin. Countries may interpret or implement their treaty obligations in a way that creates a legal obstacle to our obtaining marketing approval for the Company's product candidates in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit the Company's product candidates to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.

Regulatory approval risks
The development and commercialization activities related to the development of products made using the company's CannaStrip™ technology are significantly regulated by several governmental entities, including Health Canada and the FDA. Regulatory approvals are required prior to any clinical trial and the Company may fail to obtain the necessary approvals to commence clinical testing. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials. Any analysis of data from clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit, or prevent regulatory approval. Even if clinical trials are favourable to support the marketing of product candidates, Health Canada, the FDA or other regulatory authorities may disagree. The Company has not obtained regulatory approval for any product candidate and it is possible that none of the Company's future product candidates will ever obtain regulatory approval.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to product candidates, or the therapeutic areas in which product candidates compete, could adversely affect the Company's share price and ability to finance future development of product candidates, and the Company's business and financial results could be materially and adversely affected.

The Company is a holding company and depend upon its subsidiaries for its cash flows
The Company is a holding company. All of the Company's operations are conducted, and almost all of its assets are owned, by its subsidiaries. Consequently, the Company's cash flows and its ability to meet its obligations depend upon the cash flows of its subsidiaries and the payment of funds by these subsidiaries to the Company in the form of dividends, distributions or otherwise. The ability of the Company's subsidiaries to make any payments to the Company depends on the subsidiaries' earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions. Any failure to receive dividends or distributions from the Company's subsidiaries when needed could have a material adverse effect on the Company's business, results of operations or financial condition.

Future acquisitions or dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business, (ii) distraction of management, (iii) the Company may become more financially leveraged, (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected, (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional equity interests in connection with such transactions, which would dilute a shareholder's holdings in the Company.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Currency fluctuations

The Company′s revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. The Canadian dollar relative to the U.S. dollar or other foreign currencies is subject to fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the business, financial condition or results of operations of the Company. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks. Failure to adequately manage foreign exchange risk could therefore have a material adverse effect on the business, financial condition or results of operations of the Company.

Investments may be pre-revenue

The Company may make investments in companies with no significant sources of operating cash flow and no revenue from operations. The Company′s investments in such companies will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company′s investment in these pre-revenue companies will not be able to meet anticipated revenue targets or generate no revenue at all. The risk is that underperforming pre-revenue companies may lead to these businesses failing which could have a material adverse effect on the business, financial condition or results of operations of the Company.

Enforceability of judgments against foreign subsidiaries

Certain of the subsidiaries are organized under the laws of California with assets located outside of Canada, and certain of the experts that will be retained by the Company or its affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for the eventual shareholders of the Company to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the U.S. by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the U.S. may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the U.S. agrees to hear a claim, it may determine that the local law in the U.S., and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.
Certain directors and officers of the Company are expected to reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Company shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons. Courts in the United States may refuse to hear a claim based on a violation of Canadian securities laws on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a United States court agrees to hear

a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process.

Past performance not indicative of future results

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company or their affiliates will be achieved by the Company, and the Company's performance may be materially different.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company will rely on the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Further, the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that such adverse publicity reports or other media attention will not arise.

Fraudulent or illegal activity by employees, contractors and consultants

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

Lack of operating history

The Company has only recently started to carry on its business and is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a material adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits.

No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

Reliance on management and key personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess the desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional financing

The Company's future capital requirements depend on many factors, including its ability to successfully market its products, cash flows from operations, locating and retaining talent, and competing for market developments. The Company's business model requires spending money (primarily on raw material, human capital, advertising, and marketing) in order to generate revenue. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of current holders of the common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company and its affiliates will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

Because of the early stage of the industry in which the Company provides its services, the Company expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in the United States increases, the demand for products based on the Company's technology or on similar technologies will increase and the Company expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products and develop technologies similar to the Company's core technology. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company.

Growth and consolidation in the industry

The cannabis industry is undergoing substantial change, which may result in increased consolidation and formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company and its affiliates. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content, and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or users of competing technologies consolidate with the Company's current or potential customers and affiliates. Furthermore, the Company's current competitors could become larger players in the market, or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

Intellectual property risks

The Company`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks, and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property does not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

If the Company is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected

In the area of innovation, the Company must be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Company may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Operational risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; equipment defects, malfunction and failures, changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the subsidiaries' properties, dispensary facilities, grow facilities and extraction facilities, personal injury or death, environmental damage, or have an adverse impact on the subsidiaries' operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material adverse effect on the business, financial condition or results of operations of the Company. This lack of insurance coverage could have a material adverse effect on the business, financial condition or results of operations of the Company.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages and the Company may be affected by liability or sustain loss in respect of certain risks and hazards. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The Company may elect not to insure against certain risks due to cost of or ease of procuring such

insurance. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the business, financial condition or results of operations of the Company.

Risks inherent in an agricultural business

The Company's business will indirectly rely on the growing of cannabis, an agricultural product, for use by its subsidiaries and affiliates. As a result, the business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company, its subsidiaries and affiliates may become subject to various product liability claims, including, among others, that the products based on the Company's technology caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's affiliates' products based on the Company's technology are recalled due to an alleged product defect or for any other reason, the Company may be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company's affiliates may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will ensure that its affiliates have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the significant brands based on the Company's technology were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's technology and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the affiliate operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts, and components.

Difficulty to forecast
The Company will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in the United States. A failure in demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage
The Company maintains insurance to protect its assets, operations, and employees. Due to the nature of the Company's business, insurance such as workers compensation, general liability, directors and officer's insurance, even though available, is more costly. There are no guarantees that the Company will be able to renew current insurance policies or that the cost will be affordable to the Company. While the Company believes its insurance coverage is adequate to protect it from the material risks to which it is exposed as of the date of this MD&A, no assurance can be given that such insurance will be adequate to cover the Company's future liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Growth management
The Company and its affiliates have, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its technology and services. The Company and its affiliates may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company and its affiliates to manage growth effectively will require them to continue to implement and improve the operational and financial systems and to expand, train and manage their employee base. The inability of the Company and its affiliates to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest
Certain directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

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

The Company may become a party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue its operations, the market price for common shares, and could significantly drain the Company's resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Market Price of the common shares may be Subject to Wide Price Fluctuations
The market price of the Company shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Company shares.

Trading on the OTC Markets is volatile and sporadic, which could depress the market price of the Company's common shares and make it difficult for the Company's security holders to resell their common shares

The common shares are quoted on the OTCQX tier of the OTC Markets. Trading in securities quoted on the OTC Markets is often thin and characterized by wide fluctuations in trading prices, due to many factors, some of which may have little to do with the Company's operations or business prospects. This volatility could depress the market price of common shares for reasons unrelated to operating performance. Moreover, the OTC Markets is not a stock exchange, and trading of securities on the OTC Markets is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like the NYSE. These factors may result in investors having difficulty reselling common shares.

Price volatility of publicly traded securities

The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

In recent years, the securities markets in the U.S. 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 fluctuations in price of the common shares will not occur. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the common shares.

Liquidity

Although the common shares are quoted on the Borse Frankfurt Exchange, OTCQX and CSE, the Company cannot predict at what prices the common shares of the Company will trade and there can be no assurance that an active trading market will be sustained. There is a significant liquidity risk associated with an investment in the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Shareholders will have little or no rights to participate in the Company's affairs

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of the Company's affairs will be made exclusively by the Board of Directors and its officers. Shareholders will have little or no control over the Company's future business and investment decisions, its business, and its affairs. The Company may also retain other officers and agents to provide various services to the Company, over which the shareholders will have no control. There can be no assurance that the Board of Directors, officers or its other agents will effectively manage and direct the affairs of the Company.

Dividends

Holders of the common shares will not have a right to dividends on such shares unless declared by the Board of Directors. The Company has not paid dividends in the past, and it is not anticipated that the Company will pay any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board of Directors, even if the Company has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Costs of maintaining a public listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

Canada-United States border risks

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States-Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time. This could adversely impact the ability of the Company from hiring Canadian citizens which could impact its operations.

Newly established legal regime

The Company's business activities will rely on newly established and/or developing laws and regulations in California and Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the Department of Justice, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital.

The Company's business, financial condition, results of operations, and cash flow may in the future be negatively impacted by challenging global economic conditions

Future disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability. These macroeconomic developments could negatively impact the Company's business, which depends on the general economic environment and levels of consumer spending. As a result, the Company may not be able to maintain its existing customers or attract new customers, or the Company may be forced to reduce the price of its products. The Company is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on the Company's business, financial condition, results of operations, and cashflow.

Certain tax risks

THE FOLLOWING IS A DISCUSSION OF CERTAIN MATERIAL TAX RISKS ASSOCIATED WITH THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES. THIS AIF DOES NOT DISCUSS RISKS ASSOCIATED WITH ANY APPLICABLE STATE, PROVINCIAL, LOCAL OR FOREIGN TAX LAWS. THE TAX RELATED INFORMATION IN THIS AIF DOES NOT CONSTITUTE TAX ADVICE AND IS FOR INFORMATIONAL PURPOSES ONLY. FOR ADVICE ON TAX LAWS APPLICABLE TO A SHAREHOLDER'S INDIVIDUAL TAX SITUATIONS, SHAREHOLDERS SHOULD SEEK THE ADVICE OF THEIR TAX ADVISORS. NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY THE COMPANY OR ANY OF THE BOARDS OF DIRECTORS, OFFICERS, LEGAL COUNSEL, OTHER AGENTS OR AFFILIATES WITH RESPECT TO THE TAX TREATMENT APPLICABLE TO ANY PERSON WHO ACQUIRES RESULTANT ISSUER SHARES PURSUANT TO THE BUSINESS COMBINATION. EACH PROSPECTIVE SHAREHOLDER IS URGED TO REVIEW THE AIF IN ITS ENTIRETY AND TO CONSULT HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE, PROVINCIAL, LOCAL AND FOREIGN TAX CONSEQUENCES ARISING IN CONNECTION WITH THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES.

The Company may be subject to Canadian and United States tax on its world-wide income

The Company will be deemed to be a resident of Canada for Canadian federal income tax purposes by virtue of being organized under the laws of a Province of Canada. Accordingly, the Company will be subject to Canadian taxation on its worldwide income, in accordance with the rules in the Tax Act generally applicable to corporation's resident in Canada.

Notwithstanding that, the Company will be deemed to be a resident of Canada for Canadian federal income tax purposes, the Company also intends to be treated as a United States corporation for United States federal income tax purposes, pursuant to Section 7874(b) of the U.S. Code (the "Code"), and is expected to be subject to United States federal income tax on its worldwide income. As a result, the Company will be subject to taxation both in Canada and the United States, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

CONTINGENCIES

There are no contingent liabilities.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.

SCHEDULE “C”
Shahcor Financial Statements

(see attached)

Financial statements of

Shahcor Health Services Inc.

Years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shahcor Health Services Inc.

Opinion

We have audited the financial statements of Shahcor Health Services Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of net income and comprehensive income, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2018 are unaudited.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 27, 2020

MOORE
An independent firm associated with Moore Global Network Limited

Shahcor Health Services Inc.

Statements of Financial Position

(Expressed in Canadian dollars)

	December 31, 2019	December 31, 2018 (Unaudited)
Assets		
Current assets		
Cash	**$ 400**	$ 400
Amounts receivable (Note 5)	**177,132**	134,048
Finance lease receivable (Note 7)	**173,596**	-
Deposit (Note 7)	**22,033**	22,033
	373,161	156,481
Long term finance lease receivable (Note 7)	**110,981**	-
Property and equipment (Note 6)	**677,451**	1,869
Total assets	**$ 1,161,593**	$ 158,350
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities (Note 8)	**$ 262,184**	$ 178,570
Lease liability (Note 7)	**142,699**	-
Term loan (Note 9)	**67,807**	162,755
	472,690	341,325
Long term lease liability (Note 7)	**939,438**	-
Total liabilities	**1,412,128**	341,325
Shareholders' deficiency		
Share capital (Note 11)	**400**	400
Deficit	**(250,935)**	(183,375)
Total shareholders' deficiency	**(250,535)**	(182,975)
Total liabilities and shareholders' deficiency	**$ 1,161,593**	$ 158,350

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

Approved by the Board of Directors and authorized for issue on November 27, 2020:

"John Corey" Director

"Masoud Shahrokhi" Director

The accompanying notes are an integral part of these financial statements.

Shahcor Health Services Inc.

Statements of Net Income and Comprehensive Income

(Expressed in Canadian dollars)

	Years ended December 31	
	2019	2018 (Unaudited)
Revenue (Note 10)	**$ 1,031,426**	$ 961,843
Expenses		
Advertising and promotion	**-**	3,552
Amortization (Note 6 and 7)	**112,862**	3,553
Finance expense (Note 7)	**127,277**	-
Interest and bank charges	**15,461**	11,664
Insurance	**40,721**	32,248
Office and administrative	**98,837**	83,350
Professional fees	**3,465**	5,182
Rent	**109,633**	287,391
Salaries and wages	**289,607**	218,646
Security	**635**	1,071
Utilities	**6,449**	6,141
	(804,947)	(652,798)
Finance income (Note 7)	**38,110**	-
Income tax provision (Note 16)	**(42,149)**	(32,202)
Net income and comprehensive income	**$ 222,440**	$ 276,843
Basic and diluted net income per share	**$ 556**	$ 692
Weighted average number of common shares outstanding - basic and diluted	**400**	400

The accompanying notes are an integral part of these financial statements.

Shahcor Health Services Inc.

Statements of Shareholders' Deficiency

(Expressed in Canadian dollars)

	Share capital			Total shareholders'
	Number	Amount	Deficit	deficiency
Balance at December 31, 2017 (Unaudited)	400	$ 400	$ (240,218)	$ (239,818)
Dividends declared and paid	-	-	(220,000)	(220,000)
Net income	-	-	276,843	276,843
Balance at December 31, 2018 (Unaudited)	400	400	(183,375)	(182,975)
Dividends declared and paid	-	-	(290,000)	(290,000)
Net income	-	-	222,440	222,440
Balance at December 31, 2019	400	$ 400	$ (250,935)	$ (250,535)

The accompanying notes are an integral part of these financial statements.

Shahcor Health Services Inc.

Statements of Cash Flows

(Expressed in Canadian dollars)

	For the year ended December 31, 2019	For the year ended December 31, 2018 (Unaudited)
Operating activities		
Income for the year:	**$ 222,440**	$ 276,843
Adjusted for:		
Amortization	**112,862**	3,553
Finance expense	**127,277**	-
Finance income	**(38,110)**	-
Changes in non-cash working capital items:		
Amounts receivable and deposits	**(43,084)**	(61,075)
Amounts payable and accrued liabilities	**(11,334)**	(68,951)
Cash provided by operating activities	**370,051**	150,370
Financing activities		
Dividends paid to Company's shareholders (Note 12)	**(290,000)**	(220,000)
Lease payments	**(231,682)**	-
Cash used in financing activities	**(521,682)**	(220,000)
Investing activities		
Proceeds from sublease	**151,631**	-
Cash provided by investing activities	**151,631**	-
Net change in cash during the year	**-**	(69,630)
Cash, beginning of year	**400**	70,030
Cash, end of year	**$ 400**	$ 400
Supplemental cash flow information		
Recognition of right-of-use asset and lease liability	**$ 1,186,542**	$ -
Supplemental disclosures:		
Interest paid	**$ 1,353**	$ 1,156
Income taxes paid	**$ 34,057**	$ 28,338

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Shahcor Health Services Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is the operation of walk-in medical clinics located in Vancouver and West Vancouver, British Columbia. The Company provides medical services to patients through its doctors both onsite and through telemedicine.The head office and registered and records office of the Company is located in 622 Bute St, Vancouver, BC V6E 3M1.

These audited financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

During the year ended December 31, 2019, the Company had net income of $222,440, has working capital deficiency of $99,529 and has an accumulated deficit of $250,935.

These financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2020.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements as at December 31, 2019 and for the year ended December 31, 2019, are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee) ("IFRIC").

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

(d) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

2. BASIS OF PRESENTATION (Continued)

(a) Significant accounting judgments and estimates (Continued)

Critical Judgments

The preparation of these financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

Lease

Measurement of ROU asset and lease liability required management to estimate the market interest rates and lease period, including an estimate of the renewal period.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

Financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statements of net income and comprehensive income for the year. Financial assets and liabilities classified at amortized cost are measured using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Financial Instrument	**Classification**
Cash	FVTPL
Amounts receivable and finance lease receivable	Amortized Cost
Deposit	Amortized Cost
Amounts payable, accrued liabilities and other payables	Amortized Cost
Lease liabilities	Amortized Cost
Term loan payable	Amortized Cost

(b) Cash

Cash includes cash on deposit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

(d) Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that financial asset. An impairment loss in respect of a financial asset, measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Material financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company follows a three-stage expected credit loss model for calculating impairment for financial assets. A triggering event is not required to have occurred before credit losses are recognized. The Company recognizes expected credit losses when financial instruments are initially recognized and updates the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

For financial assets, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

All impairment losses are recognized in the statement of loss.

Non-financial Assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If indicators are present, the assets are written down to their recoverable amount being the higher of an asset's fair value less costs to sell and its value-in-use.

(e) Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Taxes (Continued)

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and
- in respect of taxable temporary differences associated with the investments in subsidiaries, associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that is has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Revenue recognition

The Company's revenue is derived from medical services provided to patients and from rental income.

The Company recognizes revenue derived from medical services provided when control of the services are transferred to the customer, when the service has been provided. Revenue recognized is limited to the amount of revenue that can be reliably measured and to the extent that it is probable that future economic benefits will flow to the entity.

The Company evaluates the following indicators amongst others when determining whether it is acting as a principal in the transaction and recording revenue on a gross basis: (1) the Company is primarily responsible for the fulfilling the promise to provide the specified goods or service, (ii) the Company has inventory risk before the specified good or services has been transferred to a customer or after transfer of control to the customer and (iii) the Company has discretion in establishing the price for the specified good or service. If the terms of a transaction do not indicate the Company is acting as a principal in the transaction, then the Company is acting as an agent in the transaction and the associated revenues are recognizes on a net basis.

For medical services, the Company is acting as an agent in the transaction and recognizes revenue from these transactions on a net basis.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recently adopted accounting standards

IFRS 16 – Leases

The Company adopted IFRS 16 Leases ("IFRS 16"), which introduces a single, on-balance sheet accounting model for lessees, effective January 1, 2019. As a result, the Company, as a lessee, has recognized right-of-use assets (the "ROU Assets") representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has elected not to apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value.

The Company adopted IFRS 16 using the modified retrospective approach; therefore the comparative information for 2018 has not been restated.

As at January 1, 2019, the applicable leases consisted of two medical clinic leases that had previously been classified as operating leases. On transition, the lease liabilities for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019, which was estimated at 11.3% and 9.5%. The Company elected to measure the ROU assets at an amount equal to the lease liability.

On transition to IFRS 16, the recognition of ROU assets and lease liability for its leases resulted in an increase to its property, plant, and equipment of $1,186,542 as at January 1, 2019, with a corresponding increase in lease liability. The ROU assets are presented as right-of-use assets within property and equipment, and lease liability is presented in the statement of financial position.

A reconciliation of lease commitments as reported at December 31, 2018, to the lease liability recorded at January 1, 2019, is as follows:

Lease liability at December 31, 2018 (Unaudited)	$	-
Additions to lease commitment at January 1, 2019		1,752,503
Impact of discounting using the incremental borrowing rate at January 1, 2019		(565,961)
Lease liability recognized as at January 1, 2019	$	1,186,542

The following table summarizes the impacts of adopting IFRS 16 on the consolidated financial statements:

	Balance, December 31, 2018 (Unaudited)	Adoption of IFRS 16	Restated balance January 1, 2019
Finance lease receivable	$ -	$ 398,098	$ 398,098
Right-of-use assets	$ -	$ 1,186,542	$ 1,186,542
Lease Liability	$ -	$ 1,186,542	$ 1,186,542

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Recently adopted accounting standards (Continued)

The Company recognizes a ROU asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of the ROU asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the ROU assets is depreciated on a straight-line basis over the life of the leases, which at December 31, 2019, had an expected life of 6.59 years and 3.45 years, to July 2026 and July 2023, respectively.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize ROU assets and lease liabilities for leases of low-value assets and leases with lease terms less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for those lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

ROU assets are presented in the same line item as property, plant, and equipment in the statement of financial position as it presents underlying assets of the same nature owned by the Company.

IFRS 16 requires an intermediate lessor to classify a sublease as a finance lease or an operating lease as follows:

•If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognizing the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease.

•Otherwise, the sublease must be classified by reference to the ROU asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset, such as the item of property, plant or equipment that is the subject of the lease.

The Company has 2 subleases that are classified as finance leases.

4. FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, deposit, amounts payable and accrued liabilities, taxes and other payables, lease liabilities and term loan payable. Their carrying values approximate fair value. The Company has classified its cash as measured at fair value through profit and loss.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is minimal, as amounts receivable are due from Medical Services Plan ("MSP") and are received after 2 weeks of being approved.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at December 31, 2019, the Company had working capital deficiency of $99,529 and net income of $222,440 for the year ended December 31, 2019.

The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2019, the Company's financial liabilities consist of amounts payable and accrued liabilities, and term loan payable, all of which have maturities of less than one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at December 31, 2019, the Company had current liabilities of $472,690.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

The Company is minimally exposed to any interest rate risk.

b) *Foreign Currency Risk*

The Company is not exposed to foreign currency risk.

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Amounts receivable, finance lease receivable, amounts payable and accrued liabilities, lease liability and term loan approximate fair value due to the short-term nature of these items.

5. AMOUNTS RECEIVABLE

As at December 31, 2019, amounts receivable was comprised entirely from amounts receivable from MSP recoveries.

6. PROPERTY, PLANT AND EQUIPMENT

Cost	**Equipment**	**Leasehold Improvements**	**Right-of-use asset**	**Total**
Balance, December 31, 2017 and 2018 (Unaudited)	$ 7,922	$ 575,664	$ -	$ 583,586
Adoption of IFRS 16	-	-	1,186,542	1,186,542
Reclassification of sublease receivable	-	-	(398,098)	(398,098)
Balance December 31, 2019	$ 7,922	$ 575,664	$ 788,444	$ 1,372,030

Accumulated depreciation				
Balance, December 31, 2017 (Unaudited)	$ 2,500	$ 575,664	$ -	$ 578,164
Depreciation	3,553	-	-	3,553
Balance, December 31, 2018 (Unaudited)	6,053	575,664	-	581,717
Depreciation	374	-	112,488	112,862
Balance December 31, 2019	$ 6,427	$ 575,664	$ 112,488	$ 694,579

Carrying amount				
Balance, December 31, 2018 (Unaudited)	$ 1,869	$ -	$ -	$ 1,869
Balance December 31, 2019	$ 1,495	$ -	$ 675,956	$ 677,451

7. LEASES

As at December 31, 2019, the lease payable consisted of two medical clinic leases with lease periods ending July 2026 and July 2023. The lease liability for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of the start date of the leases, which was estimated at 11.3% and 9.5%. The Company measured the right-of-use assets at an amount equal to the lease liability.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the leases, which have a remaining term of 6.59 years to July 2026 and 3.45 years to July 2023, as at December 31, 2019.

(Expressed in Canadian dollars)

7. LEASES (Continued)

Information about right-of use assets for which the Company is a lessee is presented below:

Right-of-use assets

Balance - December 31, 2018 (Unaudited)	$	-
Adoption of IFRS 16		1,186,542
Reclassification of sublease receivable		(398,098)
Depreciation		(112,488)
Balance - December 31, 2019	$	675,956

As at December 31, 2019, the Company was an intermediate lessor for two subleases and has recognized these leases as finance leases. The following table summarizes the Company's finance lease receivable as at December 31, 2019:

Fiannce lease receivable

Balance - December 31, 2018 (Unaudited)	$	-
Adoption of IFRS 16 - reclassification of sublease receivable		398,098
Interest income		38,110
Proceeds from sublease		(151,631)
Balance - December 31, 2019	$	284,577

The following table summarizes the Company's lease commitment as at December 31, 2019:

Lease Liability

Balance - December 31, 2018 (Unaudited)	$	-
Adoption of IFRS 16		1,186,542
Lease payments		(231,682)
Finance expense		127,277
Balance - December 31, 2019	$	1,082,137

		December 31, 2019
Current lease liability included in lease	$	142,699
Non-current lease liability included in long-term lease		939,438
Total lease liability	$	1,082,137

(Expressed in Canadian dollars)

7. LEASES (Continued)

Maturity analysis of undiscounted cash flows as at December 31, 2019:

		December 31, 2019
Short-term portion of the lease (<1 Year)	$	347,339
Long-term portion of the lease (>1 Year)		1,860,562
Total	$	2,207,901

As at December 31, 2019 and 2018, $22,033 was held as deposit for these leases.

8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31, **2019**	2018 (Unaudited)
Amounts payable	**$ 217,090**	$ 143,953
Accrued liabilities	**2,940**	2,415
Corporate taxes payable	**42,154**	32,202
	$ 262,184	$ 178,570

9. TERM LOAN

As at December 31, 2019, the Company had a term loan for $67,807 (2018: $162,755) maturing on December 28, 2020.

10. REVENUE

Revenue for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31, **2019**	2018 (Unaudited)
Medical services	**$ 1,031,426**	$ 788,240
Rental income	**-**	173,604
	$ 1,031,426	$ 961,843

The Company adopted IFRS 16 during the year ended December 31, 2019 and recognized proceeds from sublease against finance lease receivable (Note 6).

(Expressed in Canadian dollars)

11. EQUITY

(a) Authorized

Class "A" voting non-participating common shares with a par value of $1.00 each	**10,000**
Class "B" non-voting participating common shares with a par value of $1.00 each	**10,000**
Class "C" non-voting participating common shares with a par value of $1.00 each	**10,000**
Class "D" non-voting redeemable preference shares with a par value of $1.00 each	**100,000**
Class "E" non-voting redeemable preference shares with a par value of $1.00 each	**100,000**

(b) Issued and outstanding common shares

There were no common shares issued during the years ended December 31, 2019 and 2018.

As at December 31, 2019 and 2018, there were 400 shares outstanding consisting of 200 Class A shares, 100 Class B shares and 100 Class C shares.

12. RELATED PARTY TRANSACTIONS

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

The following amounts owed to key management personnel are due on demand, non-interest bearing, and included in amounts payable and accrued liabilities in the statements of financial position.

	December 31, 2019	December 31, 2018 (Unaudited)
Payable to Company directors	**$ 8,412**	$ 1,064

During the years ended December 31, 2019 and 2018, the following were accrued and paid to key management personnel.

	Years ended December 31, **2019**	2018 (Unaudited)
Locum fees	**$ 427,809**	$ 253,459
Dividends	**290,000**	220,000
	$ 717,809	$ 473,459

(Expressed in Canadian dollars)

13. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the year ended December 31, 2019, there has been no change in the Company's management of capital policies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

14. INCOME TAX

During the year ended December 31, 2019, the Company accrued for income taxes of $42,149 (2018: $32,202).

A reconciliation of combined federal and provincial corporate income taxes at statutory rates of 27% and the Company's effective income tax expense is as follows:

	Years ended December 31,	
	2019	2018
		(Unaudited)
Net income before income taxes	**$ 264,589**	$ 309,045
Canadian federal and provincial income tax rates	**27%**	27%
Tax provision for income taxes	**71,439**	83,442
Tax effect of small business deduction	**(50,272)**	(58,719)
Non-deductible expenses	**20,982**	7,479
Income tax expense	**$ 42,149**	$ 32,202

At December 31, 2019, the Company had $nil (2018 - $Nil) non-capital losses for income tax purposes which can be carried forward and applied against future taxable income.

15. COVID-19 UNCERTAINTY

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company cancelled 100 Class C shares and issued 300 Class B shares to its existing shareholders for $Nil consideration.

On July 10, 2020, one-quarter of the non-voting participating share capital of the Company or 100 Class B shares of the Company was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for one-quarter of the non-voting participating share capital of the Company, Core One made a one-time cash payment of $400,000 and issued 5,555,556 common shares of Core One to the existing shareholders of the Company. Pursuant to the agreement, the existing shareholders of the Company are also eligible to receive a one-time bonus payment of $1,000,000 (in cash or common shares, at the discretion of Core One) in the event the Company achieves monthly recurring revenue of at least $30,000 in the three months following completion of the acquisition.

As at the date this report is filed, the Company had 600 shares outstanding consisting of 200 Class A shares and 400 Class B shares.

Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Shahcor Health Services Inc. (the "Company") and should be read in conjunction with the accompanying financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is November 27, 2020.

Caution Regarding Forward Looking Information

This report may contain forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to the Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to, the Company's requirements for additional financing, and the effect of general healthcare regulations, reliance on physicians and other healthcare professionals and responsibility for confidentiality of personal and health information. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Risks and Uncertainties section of this report and otherwise Company's filings with Canadian securities regulators, which are available at www.sedar.com, for a further description of these risks. The forward-looking information included in this report is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable Canadian Securities Laws.

Description of Business

The Company was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is the operation of operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia. The Company provides medical services to patients through its doctors both onsite and through telemedicine. The head office of the Company is located in 622 Bute St, Vancouver, BC V6E 3M1.

Subsequent Events

On July 10, 2020, one-quarter of the non-voting participating share capital of the Company or 100 Class B shares was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for one-quarter of the non-voting participating share capital of the Company, Core One made a one-time cash payment of $400,000 and issued 5,555,556 common shares of Core One to the existing shareholders of the Company. Pursuant to the agreement, the existing shareholders of the Company are also eligible to receive a one-time bonus payment of $1,000,000 (in cash or common shares, at the discretion of Core One) in the event the Company achieves monthly recurring revenue of at least $30,000 in the three months following completion of the acquisition.

Summary of Quarterly Results

The following is a summary of financial information prepared in accordance with IFRS:

		Q4 2019
Revenue	$	253,131
Net income and comprehensive income		13,101
Basic and diluted loss per share		32.75

Summary of Annual Results

The following is a summary of financial information prepared in accordance with IFRS:

	December 31, 2019	December 31, 2018 (Unaudited)	December 31, 2017 (Unaudited)
Total assets	**$ 1,161,593**	$ 158,350	$ 126,200
Net income for the year	**$ 222,440**	$ 276,843	$ 206,420
Basic and diluted income (loss) per share	**$ 556.10**	$ 692.11	$ 516.05

Overall Performance and Results of Operations

Total assets as at December 31, 2019 was $1,161,593. The Company recorded a net income and comprehensive income of $222,440 during the year ended December 31, 2019, compared to $276,843 during the year ended December 31, 2018. Revenue and expenses during the year ended December 31, 2019 remained relatively consistent with the previous year. The variances in amortization, finance expense and rent expense were due to the Company adopting IFRS 16 Leases during the year ended December 31, 2019. The Company adopted IFRS 16 using the modified retrospective approach; therefore the comparative information for 2018 has not been restated.

Liquidity and Capital Resources

As at December 31, 2019, the Company had working capital deficiency of $99,259 and net income of $220,440 for the year ended December 31, 2019. The Company currently has a recurring source of revenue. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company's cash is invested in bank accounts which are available on demand. The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2019, the Company's financial liabilities consist of amounts payable, all of which have maturities of less than one year. The Business manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the year ended December 31, 2019, there has been no change in the Company's management of capital policies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

Outstanding Share Data

As at December 31, 2019, there were 400 shares outstanding consisting of 200 Class A shares, 100 Class B shares and 100 Class C shares.

Subsequent to December 31, 2019, the Company cancelled 100 Class C shares and issued 300 Class B shares to its existing shareholders for $Nil consideration.

As at the date this report is filed, the Company had 600 shares outstanding consisting of 200 Class A shares and 400 Class B shares.

Related Party Transactions

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

The following amounts owed to key management personnel are due on demand, non-interest bearing, and included in amounts payable and accrued liabilities in the statements of financial position.

	December 31, 2019	December 31, 2018
Dr. John Corey, Director	**$ 6,600**	$ 1,064
Dr. Masoud Shahrokhi, Director	**1,812**	-
Total payable to Company Directors	**$ 8,412**	$ 1,064

During the years ended December 31, 2019 and 2018, the following were accrued and paid to key management personnel.

	Years ended December 31, **2019**	2018
Locum fees		
Dr. John Corey, Director	**$ 90,947**	$ 34,440
Dr. Masoud Shahrokhi, Director	**336,862**	219,019
	427,809	253,459
Dividends		
Dr. John Corey, Director	**145,000**	110,000
Dr. Masoud Shahrokhi, Director	**145,000**	110,000
	290,000	220,000
	$ 717,809	$ 473,459

Risks and Uncertainties

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Reliance on Physicians and other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future, this would cause interruptions in the Company's business until these services are replaced. As such, vacancies and disabilities relating to the Company's current medical staff may cause interruptions in the Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

COVID-19

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Financial Instruments

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, deposit, amounts payable and accrued liabilities, taxes and other payables, lease liabilities and term loan payable. Their carrying values approximate fair value. The Company has classified its cash as measured at fair value through profit and loss.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is minimal, as amounts receivable are due from Medical Services Plan ("MSP") and are received after 2 weeks of being approved.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at December 31, 2019, the Company had working capital deficiency of $99,529 and net income of $222,440 for the year ended December 31, 2019.

The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at December 31, 2019, the Company's financial liabilities consist of amounts payable, all of which have maturities of less than one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at December 31, 2019, the Company had current liabilities of $472,690.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

   The Company is minimally exposed to any interest rate risk.

b) *Foreign Currency Risk*

   The Company is not exposed to foreign currency risk.

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

Amounts receivable, finance lease receivable, amounts payable and accrued liabilities, lease liability and term loan approximate fair value due to the short-term nature of these items.

Outlook

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Condensed Interim Financial Statements of

Shahcor Health Services Inc.

Six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)
(Unaudited)

Shahcor Health Services Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current assets		
Cash	**$ 82,687**	$ 400
Amounts receivable (Note 4)	**122,497**	177,132
Finance lease receivable (Note 6)	**167,355**	173,596
Deposit (Note 6)	**22,033**	22,033
	394,572	373,161
Long term finance lease receivable (Note 6)	**28,530**	110,981
Property and equipment (Note 5)	**620,908**	677,451
Total assets	**$ 1,044,010**	$ 1,161,593
Liabilities		
Current liabilities		
Amounts payable and accrued liabilities (Note 7)	**$ 225,710**	$ 262,184
Lease liability (Note 6)	**143,959**	142,699
Term loan (Note 8)	**53,789**	67,807
	423,458	472,690
Long term lease liability (Note 6)	**875,746**	939,438
Total liabilities	**1,299,204**	1,412,128
Shareholders' deficiency		
Share capital (Note 10)	**400**	400
Deficit	**(255,594)**	(250,935)
Total shareholders' deficiency	**(255,194)**	(250,535)
Total liabilities and shareholders' deficiency	**$ 1,044,010**	$ 1,161,593

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

Approved by the Board of Directors and authorized for issue on November 27, 2020:

"John Corey" Director

"Masoud Shahrokhi" Director

The accompanying notes are an integral part of these condensed interim financial statements.

Shahcor Health Services Inc.

Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue	**$ 129,076**	$ 331,937	**$ 489,308**	$ 525,101
Expenses				
Amortization (Note 5)	**28,197**	28,215	**56,543**	56,431
Finance expense (Note 6)	**29,099**	32,186	**59,054**	65,068
Interest and bank charges	**2,705**	3,202	**6,452**	5,833
Insurance	**8,699**	10,289	**19,112**	20,701
Office and administrative	**34,284**	17,521	**52,926**	34,122
Professional fees	**3,000**	-	**6,000**	-
Rent	**26,092**	27,408	**52,183**	54,817
Salaries and wages	**53,049**	58,474	**133,252**	119,370
Security	**212**	212	**609**	423
Utilities	**2,361**	1,942	**2,901**	3,082
	(187,698)	(179,449)	**(389,032)**	(359,847)
Finance income	**6,043**	10,017	**13,122**	20,959
Income tax provision	**(38,057)**	(38,363)	**(38,057)**	(38,363)
Net income (loss) and comprehensive income (loss)	**$ (90,636)**	$ 124,142	**$ 75,341**	$ 147,850
Basic and diluted net income (loss) per share	**$ (226.59)**	$ 310	**$ 188**	$ 370
Weighted average number of common shares outstanding - basic and diluted	**400**	400	**400**	400

The accompanying notes are an integral part of these condensed interim financial statements.

Shahcor Health Services Inc.

Statements of Shareholders' Deficiency

(Expressed in Canadian dollars)
(Unaudited)

	Share capital			Total shareholders'
	Number	Amount	Deficit	deficiency
Balance at December 31, 2018	400	$ 400	$ (183,375)	$ (182,975)
Dividends declared and paid	-	-	(170,000)	(170,000)
Net income	-	-	147,850	147,850
Balance at June 30, 2019	400	400	(205,525)	(205,125)
Dividends declared and paid	-	-	(120,000)	(120,000)
Net income	-	-	74,590	74,590
Balance at December 31, 2019	400	400	(250,935)	(250,535)
Dividends declared and paid	-	-	(80,000)	(80,000)
Net income	-	-	75,341	75,341
Balance at June 30, 2020	400	$ 400	$ (255,594)	$ (255,194)

The accompanying notes are an integral part of these condensed interim financial statements.

Shahcor Health Services Inc.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)
(Unaudited)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Operating activities		
Income for the period:	**$ 75,341**	$ 147,849
Adjusted for:		
Amortization	**56,543**	56,431
Finance expense	**59,054**	65,068
Finance income	**(13,122)**	(20,959)
Changes in non-cash working capital items:		
Amounts receivable and deposits	**54,635**	(15,733)
Amounts payable and accrued liabilities	**(50,492)**	(20,403)
Cash provided by operating activities	**181,959**	212,253
Financing activities		
Dividends paid to Company's shareholders (Note 11)	**(80,000)**	(170,000)
Lease payments	**(121,486)**	(115,841)
Cash used in financing activities	**(201,486)**	(285,841)
Investing activities		
Proceeds from sublease	**101,814**	86,802
Cash provided by investing activities	**101,814**	86,802
Net change in cash during the period	**82,287**	13,214
Cash, beginning of period	**400**	400
Cash, end of period	**$ 82,687**	$ 13,614
Supplemental cash flow information		
Recognition of right-of-use asset and lease liability	**$ -**	$ 1,186,542
Supplemental disclosures:		
Interest paid	**$ 730**	$ 584.39
Income taxes paid	**$ -**	$ -

The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Shahcor Health Services Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is the operation of operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia. The Company provides medical services to patients through its doctors both onsite and through telemedicine.The head office of the Company is located in 622 Bute St, Vancouver, BC V6E 3M1.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

During the six months ended June 30, 2020, the Company recorded net income of $75,341, has working capital deficiency of $28,886 and has an accumulated deficit of $255,594.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2020.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

3. FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, deposit, amounts payable and accrued liabilities, taxes and other payables, lease liabilities and term loan payable. Their carrying values approximate fair value. The Company has classified its cash as measured at fair value through profit and loss.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is minimal, as amounts receivable are due from Medical Services Plan ("MSP") and are received after 2 weeks of being approved.

3. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at June 30, 2020, the Company had working capital deficiency of $28,886 and net income of $75,341 for the six months ended June 30, 2020.

The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at June 30, 2020, the Company's financial liabilities consist of amounts payable, all of which have maturities of less than one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at June 30, 2020, the Company had current liabilities of $423,458.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

The Company is minimally exposed to any interest rate risk.

b) *Foreign Currency Risk*

The Company is not exposed to foreign currency risk.

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

Amounts receivable, finance lease receivable, amounts payable and accrued liabilities, lease liability and term loan approximate fair value due to the short-term nature of these items.

4. AMOUNTS RECEIVABLE

As at June 30, 2020 and 2019, amounts receivable was comprised entirely from amounts receivable from MSP recoveries.

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

Cost	**Equipment**	**Leasehold Improvements**	**Right-of-use asset**	**Total**
Balance, December 31, 2018	$ 7,922	$ 575,664	$ -	$ 583,586
Additions	-	-	1,186,542	1,186,542
Reclassification of sublease receivable	-	-	(398,098)	(398,098)
Balance, December 31, 2019 and June 30, 2020	$ 7,922	$ 575,664	$ 788,444	$ 1,372,030

Accumulated depreciation				
Balance, December 31, 2018	$ 6,053	$ 575,664	$ -	$ 581,717
Depreciation	374	-	112,488	112,862
Balance, December 31, 2019	6,427	575,664	112,488	694,579
Depreciation	299	-	56,244	56,543
Balance, June 30, 2020	$ 6,726	$ 575,664	$ 168,732	$ 751,122

Carrying amount				
Balance, December 31, 2019	$ 1,495	-$ 0	$ 675,956	$ 677,451
Balance, June 30, 2020	$ 1,196	-$ 0	$ 619,712	$ 620,908

6. LEASES

As at June 30, 2020, the lease payable consisted of two medical clinic leases with lease periods ending July 2026 and July 2023. The lease liability for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of the start date of the leases, which was estimated at 11.3% and 9.5%. The Company measured the right-of-use assets at an amount equal to the lease liability.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the leases, which have a remaining term of 6.09 years to July 2026 and 2.96 years to July 2023, as at June 30, 2020.

Information about right-of use assets for which the Company is a lessee is presented below:

Right-of-use assets

Balance - December 31, 2018	$ -
Adoption of IFRS 16	1,186,542
Reclassification of sublease receivable	(398,098)
Depreciation	(112,488)
Balance - December 31, 2019	675,956
Depreciation	(56,244)
Balance - June 30, 2020	$ 619,712

(Expressed in Canadian dollars)

6. LEASES (Continued)

As at June 30, 2020, the Company was an intermediate lessor for two subleases and have recognized these leases as finance leases. The following table summarizes the Company's finance lease receivable as at June 30, 2020:

Finance lease receivable

Balance - December 31, 2018	$	-
Adoption of IFRS 16 - reclassification of sublease receivable		398,098
Interest income		38,110
Proceeds from sublease		(151,631)
Balance - December 31, 2019		284,577
Interest income		13,122
Proceeds from sublease		(101,814)
Balance - June 30, 2020	$	195,885

The following table summarizes the Company's lease commitment as at June 30, 2020:

Lease Liability

Balance - December 31, 2018	$	-
Adoption of IFRS 16		1,186,542
Lease payments		(231,682)
Finance expense		127,277
Balance - December 31, 2019	$	1,082,137
Lease payments		(121,486)
Finance expense		59,054
Balance - June 30, 2020	$	1,019,705

		June 30, 2020
Current lease liability included in lease	$	143,959
Non-current lease liability included in long-term lease		875,746
Total lease liability	$	1,019,705

Maturity analysis of undiscounted cash flows as at June 30, 2020:

		June 30, 2020
Short-term portion of the lease (<1 Year)	$	242,973
Long-term portion of the lease (>1 Year)		1,156,362
Total	$	1,399,335

As at June 30, 2020 and December 31, 2019, $22,033 was held as deposit for these leases.

(Expressed in Canadian dollars)

7. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2020		December 31, 2019
Amounts payable	**$**	**136,559**	$	217,090
Accrued liabilities		**8,940**		2,940
Corporate taxes payable		**80,211**		42,154
	$	**225,710**	$	262,184

8. TERM LOAN

As at June 30, 2020, the Company had a term loan for $53,789 (December 31, 2019: $67,807) maturing on December 28, 2020.

9. REVENUE

Revenue for the six months ended June 30, 2020 and 2019 consisted entirely of medical services revenue.

10. EQUITY

(a) Authorized

Class “A” voting non-participating common shares with a par value of $1.00 each	**10,000**
Class “B” non-voting participating common shares with a par value of $1.00 each	**10,000**
Class “C” non-voting participating common shares with a par value of $1.00 each	**10,000**
Class “D” non-voting redeemable preference shares with a par value of $1.00 each	**100,000**
Class “E” non-voting redeemable preference shares with a par value of $1.00 each	**100,000**

(b) Issued and outstanding common shares

There were no common shares issued during the six months ended June 30, 2020 and 2019.

As at June 30, 2020 and December 31, 2019, there were 400 shares outstanding consisting of 200 Class A shares, 100 Class B shares and 100 Class C shares.

11. RELATED PARTY TRANSACTIONS

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

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (Continued)

The following amounts owed to key management personnel are due on demand, non-interest bearing, and included in amounts payable and accrued liabilities in the statements of financial position.

		June 30, 2020		December 31, 2019
Payable to Company directors	**$**	**23,743**	$	8,412

During the six months ended June 30, 2020 and 2019, the following were accrued and paid to key management personnel.

		Six months ended June 30, **2020**		2019
Locum fees	**$**	**141,111**	$	227,443
Dividends		**80,000**		170,000
	$	**221,111**	$	397,443

12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the six months ended June 30, 2020, there has been no change in the Company's management of capital policies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

13. COVID-19 UNCERTAINTY

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company cancelled 100 Class C shares and issued 300 Class B shares to its existing shareholders for $Nil consideration.

On July 10, 2020, one-quarter of the non-voting participating share capital of the Company or 100 Class B shares of the Company was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for one-quarter of the non-voting participating share capital of the Company, Core One made a one-time cash payment of $400,000 and issued 5,555,556 common shares of Core One to the existing shareholders of the Company. Pursuant to the agreement, the existing shareholders of the Company are also eligible to receive a one-time bonus payment of $1,000,000 (in cash or common shares, at the discretion of Core One) in the event the Company achieves monthly recurring revenue of at least $30,000 in the three months following completion of the acquisition.

As at the date this report is filed, the Company had 600 shares outstanding consisting of 200 Class A shares and 400 Class B shares.

Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Shahcor Health Services Inc. (the "Company"), and should be read in conjunction with the accompanying unaudited condensed interim financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34, Interim Financial Reporting as issued by the IASB and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is November 27, 2020.

Caution Regarding Forward Looking Information

This report may contain forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to the Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to, the Company's requirements for additional financing, and the effect of general healthcare regulations, reliance on physicians and other healthcare professionals and responsibility for confidentiality of personal and health information. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Risks and Uncertainties section of this report and otherwise Company's filings with Canadian securities regulators, which are available at www.sedar.com, for a further description of these risks. The forward-looking information included in this report is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable Canadian Securities Laws.

Description of Business

The Company was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is the operation of operate walk-in medical clinics located in Vancouver and West Vancouver, British Columbia. The Company provides medical services to patients through its doctors both onsite and through telemedicine. The head office of the Company is located in 622 Bute St, Vancouver, BC V6E 3M1.

Subsequent Events

On July 10, 2020, one-quarter of the non-voting participating share capital of the Company or 100 Class B shares of the Company was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to share exchange agreement, dated effective July 9, 2020. In consideration for one-quarter of the non-voting participating share capital of the Company, Core One made a one-time cash payment of $400,000 and issued 5,555,556 common shares of Core One to the existing shareholders of the Company. Pursuant to the agreement, the existing shareholders of the Company are also eligible to receive a one-time bonus payment of $1,000,000 (in cash or common shares, at the discretion of Core One) in the event the Company achieves monthly recurring revenue of at least $30,000 in the three months following completion of the acquisition.

Summary of Quarterly Results

The following is a summary of financial information prepared in accordance with IFRS:

		Q2 2020
Revenue	$	129,076
Net loss and comprehensive loss		(90,636)
Basic and diluted loss per share		(226.59)

Overall Performance and Results of Operations

Total assets as at June 30, 2020 was $1,044,010. The Company recorded a net income and comprehensive income of $75,341 during the six months ended June 30, 2020, compared to $147,850 during the six months ended June 30, 2019. Revenue decreased during the six months ended June 30, 2020 due to less patients during the period, as a result of COVID-19. Expenses during the six months ended June 30, 2020 remained relatively consistent with the previous period.

Liquidity and Capital Resources

As at June 30, 2020, the Company had working capital deficiency of $28,886 and net income of $75,341 for the six months ended June 30, 2020. The Company currently has a recurring source of revenue. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company's cash is invested in bank accounts which are available on demand. The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at June 30, 2020, the Company's financial liabilities consist of amounts payable, all of which have maturities of less than one year. The Business manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the six months ended June 30, 2020, there has been no change in the Company's management of capital policies. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

Outstanding Share Data

As at June 30, 2020, there were 400 shares outstanding consisting of 200 Class A shares, 100 Class B shares and 100 Class C shares.

Subsequent to June 30, 2020, the Company cancelled 100 Class C shares and issued 300 Class B shares to its existing shareholders for $Nil consideration.

As at the date this report is filed, the Company had 600 shares outstanding consisting of 200 Class A shares and 400 Class B shares.

Related Party Transactions

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

The following amounts owed to key management personnel are due on demand, non-interest bearing, and included in amounts payable and accrued liabilities in the statements of financial position.

		June 30, 2020		December 31, 2019
Dr. John Corey, Director	**$**	**1,423**	$	6,600
Dr. Masoud Shahrokhi, Director		**22,320**		1,812
Total payable to Company Directors	**$**	**23,743**	$	8,412

During the years six months ended June 30, 2020 and 2019, the following were accrued and paid to key management personnel.

		Six months ended June 30, **2020**		2019
Locum fees				
Dr. John Corey, Director	**$**	**25,070**	$	45,340
Dr. Masoud Shahrokhi, Director		**116,041**		182,103
		141,111		227,443
Dividends				
Dr. John Corey, Director		**40,000**		85,000
Dr. Masoud Shahrokhi, Director		**40,000**		85,000
		80,000		170,000
	$	**221,111**	$	397,443

Risks and Uncertainties

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

General Healthcare Regulation

Healthcare service providers in Canada are subject to various governmental regulation and licensing requirements and, as a result, the Company's businesses operate in an environment in which government regulations and funding play a key role. The level of government funding directly reflects government policy related to healthcare spending, and decisions can be made regarding such funding that are largely beyond the businesses' control. Any change in governmental regulation, delisting of services, and licensing requirements relating to healthcare services, or their interpretation and application, could adversely affect the business, financial condition and results of operations of these business units. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime. Non-compliance with any existing or proposed laws or regulations could result in audits, civil or regulatory proceedings,

fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Reliance on Physicians and other Healthcare Professionals

The Company relies heavily on the availability of physicians and other healthcare professionals to provide services at its facilities. If physicians and other healthcare professionals were unable or unwilling to provide these services in the future, this would cause interruptions in the Company's business until these services are replaced. As such, vacancies and disabilities relating to the Company's current medical staff may cause interruptions in the Company's business and result in lower revenues. As the Company expands its operations, it may encounter difficulty in securing the necessary professional medical and skilled support staff to support its expanding operations. There is currently a shortage of certain medical physicians in Canada and this may affect the Company's ability to hire physicians and other healthcare practitioners in adequate numbers to support its growth plans, which may adversely affect the business, financial condition and results of operations.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees and consultants have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

COVID-19

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Financial Instruments

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, deposit, amounts payable and accrued liabilities, taxes and other payables, lease liabilities and term loan payable. Their carrying values approximate fair value. The Company has classified its cash as measured at fair value through profit and loss.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is minimal, as amounts receivable are due from Medical Services Plan ("MSP") and are received after 2 weeks of being approved.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at June 30, 2020, the Company had working capital deficiency of $28,886 and net income of $75,341 for the six months ended June 30, 2020.

The Company attempts to ensure there is sufficient liquidity in order to meet short-term business requirements, taking into account its current cash position and potential funding sources. As at June 30, 2020, the Company's financial liabilities consist of amounts payable, all of which have maturities of less than one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at June 30, 2020, the Company had current liabilities of $423,458.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

The Company is minimally exposed to any interest rate risk.

b) *Foreign Currency Risk*

The Company is not exposed to foreign currency risk.

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

Amounts receivable, finance lease receivable, amounts payable and accrued liabilities, lease liability and term loan approximate fair value due to the short-term nature of these items.

Outlook

Additional information relating to the Company is available on SEDAR at www.sedar.com.

SCHEDULE “D”
Rejuva Financial Statements

(see attached)

Financial statements of

Rejuva Alternative Medicine Research Center Inc.

Period from incorporation on May 28, 2020 to June 30, 2020

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rejuva Alternative Medicine Research Center Inc.

Opinion

We have audited the financial statements of Rejuva Alternative Medicine Research Center Inc. (the "Company"), which comprise the statement of financial position as at June 30, 2020, and the statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation on May 28, 2020 to June 30, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and its financial performance and its cash flows for the period from incorporation on May 28, 2020 to June 30, 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that as at June 30, 2020, the Company had a working capital deficit of $29,354 and requires additional funding to continue operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 27, 2020

MOORE
An independent firm associated with Moore Global Network Limited

Rejuva Alternative Medicine Research Center Inc.

Statement of Financial Position

(Expressed in Canadian dollars)

	As at June 30, 2020
Assets	
Total assets	**$ -**
Liabilities and shareholders' deficiency	
Current liabilities	
Amounts payable and accrued liabilities	**$ 29,354**
	29,354
Sharehodlers' deficiency	
Deficit	**(29,354)**
Total deficiency	**(29,354)**
Total liabilities and sharehodlers' deficiency	**$ -**

Nature and continuance of operations (Note 1)
Subsequent events (Note 9)

Approved by the Board of Directors and authorized for issue on November 27, 2020:

"Chadwick Clelland" Director

The accompanying notes are an integral part of these financial statements.

Rejuva Alternative Medicine Research Center Inc.

Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		From date of incorporation on May 28, 2020 to June 30, 2020
Expenses		
Professional fees	**$**	**25,000**
Office		**4,354**
		(29,354)
Net loss and comprehensive loss	**$**	**(29,354)**

The accompanying notes are an integral part of these financial statements.

Rejuva Alternative Medicine Research Center Inc.

Statement of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Share capital			Total shareholders'
	Number	Amount	Deficit	deficiency
Balance at May 28, 2020	1	$ -	$ -	$ -
Net loss and comprehensive loss	-	-	(29,354)	(29,354)
Balance at June 30, 2020	1	$ -	$ (29,354)	$ (29,354)

The accompanying notes are an integral part of these financial statements.

Rejuva Alternative Medicine Research Center Inc.

Statement of Cash Flows

(Expressed in Canadian dollars)

		From date of incorporation on May 28, 2020 to June 30, 2020
Operating activities		
Net loss	**$**	**(29,354)**
Changes in non-cash working capital items:		
Amounts payable and accrued liabilities		**29,354**
		-
Change in cash		**-**
Cash, beginning of period		**-**
Cash, end of period	**$**	**-**

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Rejuva Alternative Medicine Research Center Inc. (the "Company") was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is focused on the research and development of psychedelic treatments and novel drug therapies. The Company's registered and records office is in 2200 HSBC Building, 885 West Georgia Street Vancouver, BC V6C

These financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred a net loss of $29,354, has working capital deficiency of $29,354 and has an accumulated deficit of $29,354. The Company will require further financing to operate and further develop its business. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

These financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2020.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements as at June 30, 2020 and for the period from incorporation on May 28, 2020 to June 30, 2020, are prepared in accordance with International Financial Reporting Standings ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations by the IFRS Interpretations Committee (previously the International Financial Reporting Interpretations Committee) ("IFRIC").

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

(d) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

2. BASIS OF PRESENTATION (Continued)

(a) Significant accounting judgments and estimates (Continued)

Critical Judgments

The preparation of these financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments

Financial Assets

Financial assets are classified and measured at: amortized cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial Liabilities

Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. These financial liabilities are recognized initially at fair value and subsequently are measured at amortized costs using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest. The Company's financial liabilities which consist of amounts payable are recorded at amortized cost.

(b) Cash

Cash includes cash on deposit.

(c) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity, net of any tax effects.

(d) Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that financial asset. An impairment loss in respect of a financial asset, measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Material financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment (Continued)

Financial Assets (Continued)

As a result of the adoption of IFRS 9, the Company follows a new three-stage expected credit loss model for calculating impairment for financial assets. A triggering event is not required to have occurred before credit losses are recognized. The Company recognizes expected credit losses when financial instruments are initially recognized and updates the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

For financial assets, an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

All impairment losses are recognized in the statement of loss.

Non-financial Assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If indicators are present, the assets are written down to their recoverable amount being the higher of an asset's fair value less costs to sell and its value-in-use.

(e) Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income taxes are recognized for all taxable temporary differences, except:

- where deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting earnings nor taxable earnings or loss; and
- in respect of taxable temporary differences associated with the investments in subsidiaries, associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable earnings will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income Taxes (Continued)

extent that is has become probable that future taxable earnings will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4. FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, prepaids, and amounts payable and accrued liabilities. Their carrying values approximate fair value due to the short-term nature of these instruments. There are no financial instruments carried at fair value.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is not exposed to credit risk.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at June 30, 2020, the Company had a working capital deficit of $29,354 and requires additional funding to continue operations for the next twelve months (Note 1).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) Interest Rate Risk

The Company is not exposed to any interest rate risk.

b) Foreign Currency Risk

The Company is not exposed to foreign currency risk.

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS (Continued)

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Amounts Payable and accrued liabilities	Amortized cost

5. EQUITY

(a) Authorized

Unlimited common shares without par value.

Unlimited number of preferred shares issuable in series.

(b) Issued and outstanding common shares

There were no common shares issued during the period from incorporation on May 28, 2020 to June 30, 2020.

As at June 30, 2020, there was 1 common share issued and outstanding from incorporation.

6. RELATED PARTY TRANSACTIONS

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

During the period from incorporation on May 28, 2020 to June 30, 2020, there were no payments made to key management personnel.

7. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the period from incorporation on May 28, 2020 to June 30, 2020, there has been no change in the Company's management of capital policies. To

(Expressed in Canadian dollars)

7. MANAGEMENT OF CAPITAL (Continued)

maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets. Refer to Note 1 for additional details of the Company's ability to continue as a going concern.

8. COVID-19 UNCERTAINTY

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

9. SUBSEQUENT EVENTS

In July 2020, the Company completed a financing for gross proceeds of $99,999 by issuing 99,999 common shares at a price of $1 per share.

On July 10, 2020, all of the issued and outstanding share capital of the Company was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to a share exchange agreement, dated July 9, 2020. In consideration for all of the outstanding share capital of the Company, Core One issued 23,000,000 common shares to the existing shareholders of the Company.

10. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 27% and the Company's effective income tax expense is as follows:

		From date of incorporation on May 28, 2020 to June 30, 2020
Loss before income taxes	**$**	**(29,354)**
Canadian federal and provincial income tax rates		**27%**
Expected income tax recovery		**(7,926)**
Change in valuation allowance		**7,926**
		-

The Company had the following deferred tax asset:		
Non-capital loss carry forward		7,926
Valuation alloance		(7,926)
Income tax recovery	**$**	**-**

At June 30, 2020, the Company has non-capital losses for income tax purposes of approximately $29,354 which can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income in 2040.

10. INCOME TAXES (Continued)

The Company has not recorded deferred tax assets related to these unused carry forward losses as it is not probable that future taxable profits will be available against which these can be deducted.

Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Rejuva Alternative Medicine Research Center Inc. (the "Company") and should be read in conjunction with the accompanying financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is November 27, 2020.

Caution Regarding Forward Looking Information

This report may contain forward-looking information including the Company's future plans. The use of any of the words "target", "plans", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. Such forward looking information, including but not limited to statements pertaining to the Company's future plans and management's belief as to the Company's potential involve known and unknown risks, uncertainties and other factors which may cause the actual results of the Company and its operations to be materially different from estimated costs or results expressed or implied by such forward-looking statements. Forward looking information is based on management's expectations regarding future growth, results of operations, future capital and other expenditures (including the amount, nature and sources of funding for such expenditures), business prospects and opportunities. Forward looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to, the Company's requirements for additional financing, the Company's limited operating history and lack of historical profits, responsibility to keep confidentiality of personal and health information, psychedelic regulatory risk, and risks related to psilocybin. Although the Company has attempted to take into account important factors that could cause actual costs or results to differ materially, there may be other factors that cause the results of the Company's business to not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. See the Risks and Uncertainties section of this report and otherwise Company's filings with Canadian securities regulators, which are available at www.sedar.com, for a further description of these risks. The forward-looking information included in this report is expressly qualified in its entirety by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments except as required by applicable Canadian Securities Laws.

Description of Business

The Company was incorporated under the laws of the province of British Columbia, Canada, and its principal activity is focused on the research and development of psychedelic treatments and novel drug therapies. The Company's registered and records office is in 2200 HSBC Building, 885 West Georgia Street Vancouver, BC V6C.

Subsequent Events

In July 2020, the Company completed a financing for gross proceeds of $99,999 by issuing 99,999 common shares at a price of $1 per share.

The Company entered into a one-year sublease on July 9, 2020, to sublease a room in Unit A - 622 Bute Street, Vancouver, BC.

On July 10, 2020, all of the issued and outstanding share capital of the Company was acquired by Core One Labs Inc. ("Core One") (the "Acquisition"). The Acquisition was completed pursuant to a share exchange agreement, dated July 9, 2020. In consideration for all of the outstanding share capital of the Company, Core One issued 23,000,000 common shares to the existing shareholders of the Company.

The Company is currently building out an educational platform and developing a research program to collect information from qualified patients related to psilocybin.

Summary of Results

The following is a summary of financial information prepared in accordance with IFRS:

	Period from incorporation on May 28, 2020 to June 30, 2020
Revenue	$ -
Loss for the period	(29,354)

Overall Performance and Results of Operations

Total assets as at June 30, 2020 was $nil. The Company recorded a net loss and comprehensive loss of $29,354 for the period from incorporation on May 28, 2020 to June 30, 2020. The loss for the period was primarily attributable to:

- Professional fees of $25,000 which consisted primarily of legal and audit fees; and
- Office expenses of $4,354 which consisted primarily of incorporation costs.

Liquidity and Capital Resources

As at June 30, 2020, the Company had a working capital deficit of $29,354 and requires additional funding to continue operations for the next twelve months. The Company does not currently have a recurring source of revenue. The Company's ability to continue on a going concern basis depends on management's capacity to complete adequate financing, identify additional sources of capital or to raise sufficient resources to fund its current expenditures and its future development plan. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to complete or obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The uncertainty of the Company's success in raising additional capital funding, may cast significant doubt on the Company's ability to continue as a going concern.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

The Company has no bank debt or banking credit facilities in place.

Outstanding Share Data

As at June 30, 2020, there was 1 common share issued and outstanding from incorporation.

Subsequent to June 30, 2020, 99,999 common shares were issued pursuant to a private placement for gross proceeds of $99,999.

Subsequent to June 30, 2020, all of the issued and outstanding share capital of the Company was acquired by Core One.

As at the date of this report, there were 100,000 common shares issued and outstanding.

Related Party Transactions

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

During the period from incorporation on May 28, 2020 to June 30, 2020, there were no payments made to key management personnel.

Risks and Uncertainties

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Confidentiality of Personal and Health Information

The Company has access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Company's employees or arm's length third parties. If a client's privacy is violated, or if the Company is found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

Psychedelic Regulatory Risk

While the Company's income will not rely substantially on revenue from psychedelic therapy products and treatments, the Company proposes to use certain of its available working capital to (i) implement psilocybin research and education and (ii) develop certain protocols for the use of psilocybin in the treatment of mental health issues, including treatment resistant depression and addiction. Psychedelic therapy is a new and emerging industry with substantial existing regulations and uncertainty as to future regulations. There is no assurance the Company will be able to derive meaningful revenue from its investment in psychedelic therapy development, or to pursue that business to the extent currently proposed or at all.

Risks related to psilocybin

The Company intends to study psilocybin. Given the very early stage of development, there can be no assurance that the Company will successfully develop a research and development program related to psilocybin or achieve regulatory approval or commercially viable psilocybin products. The Company currently has no psilocybin products under development, has not commenced any preclinical trials or later stage clinical trials of psilocybin and is not currently involved in the psilocybin industry other than in an aspirational manner.

There can be no assurance that any future studies, if undertaken at all, will yield favourable results. Moreover, preclinical, and clinical data are often susceptible to varying interpretations and analyses, and many companies that believe their product candidates performed satisfactorily in preclinical studies and clinical trials, nonetheless fail to obtain regulatory approval.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful develop its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Limited Operating History

The Company has no consumer products producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from its products in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future. Significant capital investment will be required to achieve profitable sales from the Company's existing and future products. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Failure to Meet Business Objectives

From time to time, we may announce the timing of certain events we expect to occur, such as the anticipated timing of results from our clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, timing of the completion of clinical trials, or any other event having the effect of delaying the publicly announced timeline. We undertake no obligation to update or revise any forward-looking information, or statements, whether because of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on our business plan, financial condition or operating results and the trading price of common shares.

Dependence on Management Team

The Company will depend on certain key senior managers to oversee the core marketing, business development, operational and fund-raising activities and who have developed key relationships in the industry. Their loss or departure in the short-term would have an adverse effect on the Company's future performance.

COVID-19

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

FINANCIAL INSTRUMENTS

Financial Risk Management and Fair Value Measurement

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, prepaids, and amounts payable and accrued liabilities. Their carrying values approximate fair value due to the short-term nature of these instruments. There are no financial instruments carried at fair value.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is not exposed to credit risk.

Liquidity Risk

The Company's cash is invested in bank accounts which are available on demand. As at June 30, 2020, the Company had a working capital deficit of $29,354 and requires additional funding to continue operations for the next twelve months.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign currency and price risk.

a) *Interest Rate Risk*

The Company is not exposed to any interest rate risk.

b) *Foreign Currency Risk*

The Company is not exposed to foreign currency risk.

Fair value

IFRS establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Amounts Payable and accrued liabilities	Amortized cost

Outlook

Additional information relating to the Company is available on SEDAR at www.sedar.com.

SCHEDULE “E”
Proforma Financial Statements

(see attached)

CORE ONE LABS INC.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Prepared by Management

(Presented in Canadian dollars)

CORE ONE LABS INC.

Unaudited Pro Forma Consolidated Statements of Financial Position
As at June 30, 2020
CAD$

	COOL June 30, 2020 Unaudited	Rejuva June 30, 2020 Unaudited	Vocan June 30, 2020 Unaudited	*Note 3*	Pro Forma Adjustments	Consolidated
Assets						
Current assets						
Cash	$ 1,003,059	$ -	$ 120,258	*a*	3,119,399	$ 6,702,948
				b	(31,947)	
				f	(408,000)	
				h	3,000,000	
				h	(99,821)	
Amounts receivable	717,490	-	4,418	*h*	(692,842)	29,066
Advances receivable	36,248	-	-		-	36,248
Prepaid expenses and deposits	686,070	-	-	*h*	(422,950)	263,120
Biological assets	539,736	-	-	*h*	(110,766)	428,970
Inventory	2,271,150	-	-	*h*	(2,654,437)	(383,287)
Debenture receivable	50,000	-	-		-	50,000
Marketable securities	1,244,094	-	-		-	1,244,094
Total current assets	**6,547,847**	**-**	**124,676**		**1,698,636**	**8,371,159**
Investment	-	-	55,204	*f*	4,941,334	4,996,538
Property, plant and equipment	13,519,226	-	46,043	*h*	(12,755,157)	810,112
Total assets	**$ 20,067,073**	**$ -**	**$ 225,923**		**$ (6,115,187)**	**$ 14,177,809**
Liabilities						
Current liabilities						
Amounts payable and accrued liabilities	7,435,152	29,354	91,306	*h*	(6,219,523)	1,336,289
Amounts due to related parties	1,260,124	-	14,994	*h*	(396,119)	878,999
Advances payable	193,603	-	-		-	193,603
Lease liability	704,179	-	-	*h*	(704,179)	-
Deposit on sale of assets	198,415	-	-	*h*	(198,415)	-
Unearned revenue	33,525	-	-	*h*	(33,525)	-
Total current liabilities	**9,824,998**	**29,354**	**106,300**		**(7,551,761)**	**2,408,891**
Convertible debenture	427,819	-	-		-	427,819
Non-current lease liability	3,341,534	-	-	*h*	(3,341,534)	-
Total liabilities	**$ 13,594,351**	**$ 29,354**	**$ 106,300**		**$ (10,893,295)**	**$ 2,836,710**
Equity						
Share capital	52,905,180	-	308,930	*a*	4,000,000	101,332,530
				b	(31,947)	
				b	(139,041)	
				e	20,608,000	
				f	4,533,334	
				g	19,427,004	
				g	(308,930)	
				h	30,000	
Obligation to issue shares	880,601	-	-	*a*	(880,601)	-
Equity reserve	7,557,136	-	326,710	*b*	139,041	8,765,349
				g	(326,710)	
				d	1,069,172	
Deficit	(53,761,116)	(29,354)	(516,017)	*e*	29,354	(97,647,701)
				e	(20,637,354)	
				d	(1,069,172)	
				g	516,017	
				g	(19,307,381)	
				h	(2,872,678)	
Accumulated other comprehensive income	730,371	-	-		-	730,371
Total parent shareholders' equity	**$ 8,312,172**	**$ (29,354)**	**$ 119,623**		**$ 4,778,108**	**$ 13,180,549**
Non-controlling interests	(1,839,450)	-	-		-	(1,839,450)
Total shareholders' equity	**$ 6,472,722**	**$ (29,354)**	**$ 119,623**		**$ 4,778,108**	**$ 11,341,099**
Total liabilities and shareholders' equity	**$ 20,067,073**	**$ -**	**$ 225,923**		**$ (6,115,187)**	**$ 14,177,809**

The accompanying notes form an integral part of these unaudited pro forma consolidated financial statements

CORE ONE LABS INC.

Unaudited Pro Forma Consolidated Statements of Loss and Comprehensive Loss
For the Six Months ended June 30, 2020
CAD$

	COOL Six months ended June 30, 2020 Unaudited	Rejuva Six months ended June 30, 2020 Unaudited	Vocan Six months ended June 30, 2020 Unaudited	Note 3	Pro Forma Adjustments	Consolidated
Sales	**$ 1,253,282**	$ -	$ -		$ -	$ 1,253,282
Cost of sales	**1,106,349**	-	-		-	1,106,349
Gross profit, excluding fair value items and unallocated manufacturing costs	**146,933**	-	-		-	146,933
Unrealized gain on changes in fair value of biological assets	**-**	-	-		-	-
Realized fair value amounts included in inventory sold	**161,044**	-	-		-	161,044
Gross margin	**(14,111)**	-	-		-	(14,111)
Consulting fees	**487,362**	-	61,500		-	548,862
Depreciation	**249,710**	-	6,192		-	255,902
Foreign exchange loss	**76,151**	-	-		-	76,151
General and administrative expenses	**1,142,275**	176,124	55,555		-	1,373,954
Impairment of advances receivable	**-**	-	-		-	-
Interest expense	**26,313**	-	-		-	26,313
Loss on acquisition of assets	**-**	-	-	*e*	20,637,354	39,944,735
	-	-	-	*g*	19,307,381	
Loss (gain) on investment	**(751,957)**	-	-		-	(751,957)
Loss on sale of assets	**-**	-	-	*h*	2,872,678	2,872,678
Loss (gain) on settlement of debt	**(225,066)**	-	-		-	(225,066)
Marketing, sales and distribution	**102,573**	-	7,000		-	109,573
Research and development	**58,566**	-	2,673		-	61,239
Share-based payments	**26,267**	-	371,990	*d*	1,069,172	1,467,429
Write-down of inventory	**804,725**	-	-		-	804,725
Total operating expenses	**1,996,919**	176,124	504,910		43,886,584	46,564,538
Net income (loss) for the period	**$ (2,011,030)**	$ (176,124)	$ (504,910)		$ (43,886,584)	$ (46,578,649)
Net income (loss) attributable to:						
Shareholders of the Company	**(1,871,753)**	(176,124)	(504,910)		(43,886,584)	(46,439,371)
Non-controlling interests	**(139,277)**	-	-		-	(139,277)
	$ (2,011,030)	$ (176,124)	$ (504,910)		$ (43,886,584)	$ (46,578,648)
Other comprehensive income (loss) (items that may be subsequently reclassified to profit and loss)						
Foreign exchange translation	**343,312**	-	-		-	343,312
Total comprehensive income (loss) for the period	**$ (1,667,718)**	$ (176,124)	$ (504,910)		$ (43,886,584)	$ (46,235,336)
Other comprehensive income (loss) attributed to:						
Shareholders of the Company	**431,849**	-	-		-	431,849
Non-controlling interests	**(88,615)**	-	-		-	(88,615)
	$ 343,234	$ -	$ -		$ -	$ 343,234
Total comprehensive income (loss) attributable to:						
Shareholders of the Company	**(1,439,905)**	(176,124)	(504,910)		(43,886,584)	(46,007,523)
Non-controlling interests	**(227,891)**	-	-		-	(227,891)
	$ (1,667,796)	$ (176,124)	$ (504,910)		$ (43,886,584)	$ (46,235,414)
Weighted average common shares outstanding - basic and diluted:						18,488,239
Pro forma - basic and dilluted loss per share:						$ (2.51)

The accompanying notes form an integral part of these unaudited pro forma consolidated financial statements

CORE ONE LABS INC.

Unaudited Pro Forma Consolidated Statements of Loss and Comprehensive Loss
For the Year ended December 31, 2019
CAD$

	COOL December 31, 2019 Unaudited	Rejuva June 30, 2020 Unaudited	Vocan December 31, 2019 Unaudited	Note 3	Pro Forma Adjustments	Consolidated
Sales	**$ 5,041,651**	$ -	$ -		$ -	$ 5,041,651
Cost of sales	**6,294,362**	-	-		-	6,294,362
Gross profit, excluding fair value items and unallocated manufacturing costs	**(1,252,711)**	-	-		-	(1,252,711)
Unrealized gain on changes in fair value of biological assets	**(679,267)**	-	-		-	(679,267)
Realized fair value amounts included in inventory sold	**96,127**	-	-		-	96,127
Gross margin	**(669,571)**	-	-		-	(669,571)
Amortization expense	**3,580,455**	-	9,550		-	3,590,005
Bad debt expense	**154,937**	-	-		-	154,937
Consulting fees	**969,911**	-	-		-	969,911
Depreciation	**407,517**	-	-		-	407,517
Foreign exchange loss	**90,075**	-	-		-	90,075
General and administrative expenses	**4,385,160**	352,248	557		-	4,737,965
Impairment of advances receivable	**(410,889)**	-	-		-	(410,889)
Impairment of PP&E and ROU assets	**2,755,327**	-	-		-	2,755,327
Interest expense	**575,410**	-	-		-	575,410
Loss on acquisition of assets	**1,992,607**	-	-	*e*	20,637,354	41,937,342
	-	-	-	*g*	19,307,381	
Loss (gain) on investment	**(1,089,360)**	-	-		-	(1,089,360)
Loss on sale of assets	**-**	-	-	*h*	2,872,678	2,872,678
Loss (gain) on settlement of debt	**88,106**	-	-		-	88,106
Marketing, sales and distribution	**1,424,963**	-	-		-	1,424,963
Research and development	**1,124,015**	-	-		-	1,124,015
Share-based payments	**2,776,906**	-	-	*d*	1,069,172	3,846,078
Write-down of inventory	**2,157,732**	-	-		-	2,157,732
Total operating expenses	**20,982,872**	352,248	10,107		43,886,584	65,231,812
Net income (loss) for the period	**$ (21,652,443)**	$ (352,248)	$ (10,107)		$ (43,886,584)	$ (65,901,383)
Net income (loss) attributable to:						
Shareholders of the Company	**(21,463,191)**	(352,248)	(10,107)		(43,886,584)	(65,712,130)
Non-controlling interests	**(189,252)**	-	-		-	(189,252)
	$ (21,652,443)	$ (352,248)	$ (10,107)		$ (43,886,584)	$ (65,901,382)
Other comprehensive income (loss) (items that may be subsequently reclassified to profit and loss)						
Foreign exchange translation	**(530,783)**	-	-		-	(530,783)
Total comprehensive income (loss) for the period	**$ (22,183,226)**	$ (352,248)	$ (10,107)		$ (43,886,584)	$ (66,432,165)
Other comprehensive income (loss) attributed to:						
Shareholders of the Company	**(605,381)**	-	-		-	(605,381)
Non-controlling interests	**74,598**	-	-		-	74,598
	$ (530,783)	$ -	$ -		$ -	$ (530,783)
Total comprehensive income (loss) attributable to:						
Shareholders of the Company	**(22,068,572)**	(352,248)	(10,107)		(43,886,584)	(66,317,511)
Non-controlling interests	**(114,654)**	-	-		-	(114,654)
	$ (22,183,226)	$ (352,248)	$ (10,107)		$ (43,886,584)	$ (66,432,165)
Weighted average common shares outstanding - basic and diluted:						18,488,239
Pro forma - basic and dilluted loss per share:						$ (3.55)

The accompanying notes form an integral part of these unaudited pro forma consolidated financial statements

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements of Core One Labs Inc. ("COOL" or the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

These unaudited pro forma consolidated financial statements are derived from information from the financial statements of COOL, Rejuva Alternative Medicine Research Centre Inc. ("Rejuva"), Shahcor Health Services Inc. ("Shahcor") and Vocan Biotechnologies Inc. ("Vocan") using the same accounting policies as described in COOL's, Shahcor's, and Vocan's audited financial statements for the year ended December 31, 2019, and Rejuva's audited financial statements for the period ended June 30, 2020, together with other information available to the Company. The unaudited pro forma consolidated financial statements have been compiled from the information derived from and should be read in conjunction with:

- COOL's unaudited interim financial statements for the six months ended June 30, 2020;
- COOL's audited financial statements as at December 31, 2019 and 2018, and for the years then ended;
- Rejuva's audited financial statements as at June 30, 2020, and for the period then ended;
- Shahcor's unaudited interim financial statements for the six months ended June 30, 2020;
- Shahcor's audited financial statements as at December 31, 2019 and 2018 (unaudited), and for the years then ended;
- Vocan's unaudited interim financial statements for the six months ended June 30, 2020;
- Vocan's audited financial statements as at December 31, 2019 and 2018, and for the years then ended;

The unaudited pro forma consolidated financial statements have been prepared for inclusion in the Listing Statement of COOL dated on November 27, 2020, whereby COOL outlines expected changes in the business of the Company.

The unaudited pro forma consolidated financial statements have been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position and results of operations that would have occurred if the acquisition had been in effect at the dates indicated or of results which may be obtained in the future.

The unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 3 in accordance with IFRS applied on a basis consistent with COOL's accounting policies.

As at June 30, 2020, the functional and presentation currency of COOL, Rejuva, Shahcor and Vocan was the Canadian dollar. Accordingly, these pro forma financial statements have been presented in Canadian dollar.

2. PROPOSED TRANSACTIONS

Proposed transactions are described in Note 3(g) and 3(h).

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

These pro forma consolidated financial statements give effect to the completion of the proposed transaction contemplated by the Agreement and subsequent amalgamation as if they had occurred on June 30, 2020 in respect of the pro forma consolidated statements of financial position as at June 30, 2020, and on January 1, 2019 and January 1, 2020 with respect to the pro forma consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 and six months ended June 30, 2020 respectively. The six month period and year end for Rejuva included in the Unaudited Pro Forma Consolidated Statement of Loss and Comprehensive Loss for the Six Month Period ended June 30, 2020 and Year ended June 30, 2020 was extrapolated using Rejuva's period ended June 30, 2020 to provide a six month and annual period.

a. Private placement financing

In July 2020, the Company completed a non-brokered private placement of 21,052,621 units (each, a "Unit") at a price of $0.19 per Unit for gross proceeds of $4,000,000. Each Unit consists of one common share of the Company, and one-half-of-one common share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022. The warrants were ascribed a value of $nil under the residual value method.

As at June 30, 2020, the Company received $880,601 of proceeds from this financing.

b. Financing costs

In connection with completion of the private placement, the Company paid finders' fees of $31,947 and issued 434,891 Warrants to certain arms-length parties who assisted in introducing subscribers to the Company.

c. 2:1 share consolidation

On July 9, 2020, the Company consolidated its issued and outstanding common share capital on the basis of two (2) pre-Consolidation shares for every one (1) post-Consolidation share. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

d. Stock option grant

On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option will vest immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025.

The fair value of the options granted as at grant date was approximately $1,069,172 or $0.51 per option and was recorded as a reserve from share-based compensation. The fair value was based on an application of the Black-Scholes option pricing model using the following assumptions: Share price on grant date - $0.80; expected life 5 years; risk free interest rate – 0.32%; volatility – 75%; dividend yield – 0% and forfeiture – 0%.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (CONTINUED)

e. Rejuva acquisition

On July 10, 2020, the Company completed an acquisition (the "Rejuva Acquisition") of all of the outstanding share capital of Rejuva.

In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva.

In connection with completion of the Acquisition, Core One issued 2,300,000 common shares as a finders' fee, and 460,000 common shares as an administrative fee to unrelated parties that assisted in the acquisition.

As at the date of the report, the Company determined that Rejuva did not constitute a business as defined under IFRS 3, Business Combinations, and the Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration		**Amount**
23,000,000 shares at a value of $0.80 per share	$	18,400,000
2,300,000 shares issued as Finder fee		1,840,000
460,000 shares issued as Administration fee		368,000
	$	20,608,000
Net liabilities of Rejuva		
Amounts payable and accrued liabilities	$	(29,354)
Net liabilities acquired	$	(29,354)
Loss on acquisition of assets	$	20,637,354

f. Shahcor acquisition

On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor.

The Company paid cash of $400,000 and issued 5,555,556 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares. As at the date of this report, there is no assurance that the bonus payment was triggered, so no accrual was made for this.

In connection with completion of the Shahcor Acquisition, the Company issued 111,111 common shares, and paid $8,000 as an administrative fee to unrelated parties that assisted in the acquisition.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (CONTINUED)

f. Shahcor acquisition (Continued)

The investment has been accounted for using the cost method. The Company did not gain significant influence or control over Shahcor, and the shares purchases are non-voting shares.

The following table summarizes the recognition of investment asset at the date of acquisition.

Consideration		**Amount**
5,555,556 shares at a value of $0.80 per share	$	4,444,445
Cash		400,000
Cash paid as Administration fee		8,000
111,111 shares issued as Administration fee		88,889
Investment in Shahcor	$	4,941,334

g. Proposed Vocan acquisition

On October 7, 2020, the Company entered into a Letter of Intent (the “Vocan LOI”) dated effective October 1, 2020 to acquire all of the outstanding share capital of Vocan.

Under the terms of the Vocan LOI, in consideration for all of the outstanding share capital of Vocan, the Company is expected to issue 23,500,000 common shares (the “Consideration Shares”), and 4,000,000 common share purchase warrants (the “Consideration Warrants”), to the existing shareholders of Vocan. Each Consideration Warrant will be exercisable to acquire an additional common share of the Company at a price of $0.30 for a period of twenty-four months.

In addition to the Consideration Shares, and the Consideration Warrants, the existing shareholders of Vocan will also be eligible to receive bonus payments of up to 5,000,000 common shares (the “Bonus Shares”). The Bonus Shares will be issuable in two tranches, of which 2,500,000 will be issuable upon the successful synthesis of psilocybin, and a further 2,500,000 will be issuable upon the filing of a patent application for such synthesis method in at least one jurisdiction.

Completion of the acquisition of Vocan remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation.

No finders fees or commissions are payable in connection with the acquisition of Vocan. An administrative fee of 470,000 common shares is owing to a third-party consultant who will be assisting with completion of the acquisition.

As at the date of the report, the Company determined that Vocan did not constitute a business as defined under IFRS 3, Business Combinations, and the Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (CONTINUED)

g. Proposed Vocan acquisition (Continued)

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration		**Amount**
23,500,000 shares at a value of $0.73 per share	$	17,155,000
4,000,000 warrants at a value of $0.48 per warrant		1,928,904
470,000 shares issued as Administration fee		343,100
	$	19,427,004
Net assets of Vocan		
Cash	$	120,258
Amounts receivable		4,418
Inventory		55,204
PP&E		46,043
Amounts payable and accrued liabilities	$	(106,300)
Net assets acquired	$	119,623
Loss on acquisition of assets	$	19,307,381

h. Sale of Adelanto Assets

On October 15, 2020, the Company entered into a Letter of Intent (the "High Tower LOI") with High Tower Capital Inc. ("High Tower") to sell certain assets and subsidiaries to High Tower for CAD$3,000,000 and the assumption of $5,285,070 in related liabilities. High Tower will also assume all ongoing obligations related to the Assets (as defined below).

In consideration for the acquisition of the Assets, High Tower will complete a series of cash payments to the Company totaling CAD$3,000,000 (collectively, the "Consideration Payments") and will assume responsibility for all outstanding liabilities and obligations of Rêveur, Core, CSPA, AgroCo, SciCo, AgroLLC and DevCo, (all as defined below) including all ongoing employment obligations and certain additional liabilities of the Company associated with the Assets.

The Assets are comprised of the following:

a) all of the issued and outstanding share capital of Rêveur Holdings Inc. ("Rêveur"), a California corporation, including its principal assets which are all of the issued and outstanding share capital of Core Isogenics Inc. ("Core"), a California corporation, and CSPA Group, Inc. ("CSPA"), a California corporation;

b) all of the issued and outstanding share capital of LDS Agrotech Inc. ("AgroCo"), a Nevada corporation, held by the Company which represents seventy-five percent (75%) of the outstanding share capital of AgroCo;

c) all of the issued and outstanding share capital of LDS Scientific Inc. ("SciCo"), a Nevada corporation, held by the Company which represents seventy-five percent (75%) of the outstanding share capital of SciCo;

d) the membership interest in Agrotech LLC ("AgroLLC"), a California limited liability company, held by the Company which represents a fifty percent (50%) membership interest in AgroLLC;

3. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (CONTINUED)

h. Sale of Adelanto Assets (Continued)

e) all of the issued and outstanding share capital of LDS Development Corporation ("DevCo"), a California corporation, except for all tangible and intangible assets of DevCo related to the manufacturing and distribution of "CannaStrips" including all associated intellectual property and manufacturing equipment (the "Excluded Assets"); and

f) all tangible and intangible assets currently being held by and utilized by Rêveur, Core, CSPA and DevCo, including, without limitation, all existing contracts, leases, client files, client billing records, vendor records, furniture, fixtures, equipment, employee files, employee time records, and other information customary for the cultivation, manufacturing and distribution of cannabis and cannabis related products, but excluding the Excluded Assets

(collectively, the "Assets")

Completion of the sale of the Assets remains subject to a number of conditions, including the satisfactory completion of due diligence, receipt of any required regulatory approvals and the negotiation of definitive documentation. The sale of the Assets cannot be completed until these conditions have been satisfied. The Company is at arms-length from High Tower, and each of its shareholders.

A success fee of CAD$30,000, payable in common shares of the Company, is expected to be paid to third-party consultant who will be assisting with the Asset sale.

The sale of the Assets resulted in a loss on sale of $2,872,678 in the statements of loss and comprehensive loss.

4. PRO FORMA SHARE CAPITAL

	Note 3	Shares		Share capital
Share capital, COOL as at June 30, 2020		18,488,239	$	52,905,180
Private placement financing	*a*	21,052,632		4,000,000
Financing costs	*b*	-		(170,988)
Adjustment for 2:1 share consolidation	*c*	(31)		-
Shares issued for acquisition of Rejuva - Consideration	*e*	23,000,000		18,400,000
Shares issued for acquisition of Rejuva - Finders' shares	*e*	2,300,000		1,840,000
Shares issued for acquisition of Rejuva - Admin shares	*e*	460,000		368,000
Shares issued for acquisition of Shahcor - Consideration	*f*	5,555,556		4,444,445
Shares issued for acquisition of Shahcor - Admin shares	*f*	111,111		88,889
Shares issued for acquisition of Vocan - Consideration	*g*	23,500,000		18,400,000
Shares issued for acquisition of Vocan - Admin shares	*g*	470,000		343,100
Shares issued for acquisition of Vocan - Warrants	*g*	-		1,928,904
Shares issued as success fee	*h*	41,096		30,000
Pro forma share capital		94,978,603	$	102,577,530

4. PRO FORMA SHARE CAPITAL (CONTINUED)

Pro forma Warrants		Weighted average exercise price	Expiry date
750,000		1.20	December 31, 2022
10,526,324		0.70	July 3, 2020
434,891		0.70	July 3, 2020
4,000,000		0.30	24 months from date of issue
15,711,215	$	0.62	

Pro forma Options		Weighted average exercise price	Expiry date
1,500,000		0.33	May 28, 2020
2,100,000		0.67	July 8, 2020
3,600,000	$	0.53	