CORE ONE LABS INC.

(FORMERLY LIFESTYLE DELIVERY SYSTEMS INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 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 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 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 30, 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 Nine (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. Rejuva is in the process of developing client guidance in the therapeutic use of psychedelics upon regulatory approval.

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 nine-month period ended September 30, 2020, and the audited consolidated financial statements for the year ended December 31, 2019.

	Nine Months Ended September 30, 2020	Year Ended December 31, 2019
Total Revenue	$ 2,250,480	$ 5,041,651
Net Loss	$ 26,438,503	$ 21,652,443
Loss per Share	$ (0.79)	$ (1.91)
Working Capital Deficit	$ (3,151,923)	$ (4,934,210)
Total Assets	$ 24,079,810	$ 17,803,135
Property, Plant, and Equipment	$ 12,762,777	$ 14,048,482
Total Liabilities	$ 13,067,014	$ 12,184,594
Share Capital and Reserves	$ 90,463,253	$ 58,820,940
Non-controlling interests	$ (1,852,633)	$ (1,611,558)
Deficit	$ 78,132,607	$ 51,889,363

The statements of financial position as of September 30, 2020 and December 31, 2019, indicated a cash position of $1,112,732 and $116,850, respectively, and total current assets of $6,383,699 and $3,754,653, respectively. The change in total current assets was mainly associated with a $933,346 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 $64,123 increase in biological assets and an $228,050 increase in inventory. These increases were supplemented by increases of $261,059 and $94,952 in amounts receivable, and in prepaids and other current assets, respectively.

The long-term assets of the Company totaled $17,696,111 (2019 - $14,048,482). Property, plant and equipment of $12,762,777 included $1,671,914 (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 $4,365,844 (2019 - $5,033,275); $4,971,059 (2019 - $5,446,598) recorded as cost of leasehold improvements at the Adelanto Facility, and $1,753,960 (2019 - $1,940,690) associated with capitalized lease obligations for the Adelanto Facility. The acquisition of 25% of the non-voting participating share capital of Shahcor resulted in $4,933,334 in investment, classified as long term.

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 September 30, 2020, current liabilities totaled $9,535,622 (2019 - $8,688,863) and were comprised of the following:

- $7,172,476 in accounts payable and accrued liabilities (2019 - $5,623,597). Included in accounts payable and accrued liabilities was $1,027,047 (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;

- $1,229,885 in amounts due to related parties (2019 - $1,015,964);

- $193,077 in advances payable (2019 - $317,180);

- $32,814 (2019 - $671,495) in unearned revenue, which was associated with $32,814 (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 September 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 September 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;

- $194,207 (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

- $713,163 (2019 - $665,853) representing a current obligation under long-term leases for the Adelanto Facility.

The Company's long-term liabilities included $3,082,730 (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 $448,662 liability under the CGOC convertible debenture, which becomes payable on December 31, 2022.

At September 30, 2020, the Company had a working capital deficit of $3,151,923, 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 $81,875,526 (2019 - $51,372,447), reserves of $8,587,727 (2019 - $7,448,493), accumulated other comprehensive income of $534,783 (2019 - $298,522) and accumulated deficit of $78,132,607 (2019 - $51,889,363). The total parent shareholders' equity at September 30, 2020, was $12,865,429 (2019 – $7,230,099). In addition, the Company recorded $1,852,663 (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 nine-month period ended September 30, 2020, was 33,110,664 (2019 – 10,846,518) resulting in a net loss per common share of $0.79 (2019 – net loss per share of $0.75).

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the three-month period ended September 30, 2020, the Company reported a net loss of $24,427,473 and total comprehensive loss of $23,639,082, of which a loss of $55,982 and $162,778, respectively, was attributable to Minority Shareholders. During the comparative three-month period ended September 30, 2019, the Company reported a net loss of $5,786,993 and a total comprehensive loss of $5,590,065, of which income of $223,844 and $201,468, respectively, were attributed to the Minority Shareholders. The net loss attributable to each common share of the Company was determined to be $0.36 for the three-month period ended September 30,

2020 and $0.52 net loss for the three-month period ended September 30, 2019.

During the nine-month period ended September 30, 2020, the Company reported a net loss of $26,438,503 and a total comprehensive loss of $26,248,058, of which loss of $195,259 and $241,075, respectively, was attributable to Minority Shareholders. During the comparative nine-month period ended September 30, 2019, the Company reported a net loss of $8,009,597 and a total comprehensive loss of $8,410,615, of which income of $79,418 and $118,022, respectively, were attributed to the Minority Shareholders. The net loss attributable to each common share of the Company was determined to be $0.79 for the nine-month period ended September 30, 2020 and $0.75 for the nine-month period ended September 30, 2019.

Revenue

During the three-month period ended September 30, 2020, the Company generated $997,198 in revenue (2019 - $605,427) which was associated with revenue from sales generated by CSPA and Agrotech LLC. The cost of sales was determined to be $84,123 (2019 - $966,399). The revenue and cost of sales for the three-month period ended September 30, 2020, resulted in a gross margin of $913,075 (2019 – negative gross margin of $360,972) before taking into account fair value adjustments for biological assets transferred to inventory.

During the three-month period ended September 30, 2020, the Company recognized $11,726 (2019 - $(118,407)) in non-cash expense relating to the changes in fair value of inventory sold.

During the nine-month period ended September 30, 2020, the Company generated $2,250,480 in revenue (2019 - $4,378,545) which was associated with revenue from sales generated by CSPA and Agrotech LLC. The cost of sales was determined to be $1,190,472 (2019 - $5,757,373). The revenue and cost of sales for the nine-month period ended September 30, 2020, resulted in a gross margin of $1,060,008 (2019 – negative gross margin of $1,378,828) before taking into account fair value adjustments for biological assets transferred to inventory.

During the nine-month period ended September 30, 2020, the Company recognized $172,770 (2019 - $(1,162,218) in non-cash expense relating to the changes in fair value of inventory sold.

During the nine-month period ended September 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 September 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 September 30, 2020 and 2019

During the three-month period ended September 30, 2020, the Company's operating expenses were $25,328,822 (2019 - $5,544,428). The increase in operating expenses of $19,784,394 during the three-month period ended September 30, 2020 was mainly due to:

- Loss on acquisition of $20,549,005 (2019 - $Nil)

  At the date of acquisition of Rejuva in July 2020, 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. This resulted in a loss of $20,549,005 in the statement of comprehensive loss.

- Loss on investment of $15,041 (2019 - loss of $2,986,255)

  At September 30, 2020, the revaluation of the equity investment in CGOC shares resulted in an unrealized loss on investment of $15,748, due to the decrease in CGOC's share price from $0.395 at June 30, 2020 to $0.390 per share at September 30, 2020.

- $734,700 increase in marketing, sales, and distribution expenses, due to increased marketing entered into by new management in the period.

- $177,962 decrease in share-based payments. During the current period, the Company granted 2,100,000 share options with an exercise price of $0.67 per share with a grant date fair value of $829,640.

- Change in write down of inventory of $1,118,223 due to inventory impairment related to indoor cultivation.

Nine months ended September 30, 2020 and 2019

During the nine-month period ended September 30, 2020, the Company's operating expenses were $27,325,741 (2019 - $7,792,987). The increase in operating expenses of $19,532,574 during the nine-month period ended September 30, 2020 was mainly due to:

- Loss on acquisition of $20,549,005 (2019 - $Nil)

  At the date of acquisition of Rejuva in July 2020, 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. This resulted in a loss of $20,549,005 in the statement of comprehensive loss.

- $1,218,285 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.

- $334,532 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.

- $1,457,328 decrease in share-based payments. During the current period, the Company granted 2,100,000 share options with an exercise price of $0.67 per share with a grant date fair value of $829,640. In addition, the Company granted 1,500,000 share options with an exercise price of $0.33 per share, vesting quarterly, for which the Company recognized $88,177 of share-based compensation for the vesting of these options in the current period.

- Change in write down of inventory of $1,922,948 due to inventory impairment related to indoor cultivation.

During the nine-month period ended September 30, 2020, the Company incurred $2,363,285 (2019 - $3,581,570) in general and administrative expenses, which consisted of the following:

	September 30, 2020	September 30, 2019
Accounting fees	$ 174,086	$ 109,678
Accretion and finance fees for debenture	22,145	-
IT infrastructure	136,946	238,894
Legal fees	513,285	329,855
Loss on sale of assets	-	(5,069)
Meals and travel expenses	62,802	336,031
Office and general	417,937	769,002
Regulatory fees	173,279	312,015
Salaries and wages expense	717,077	1,491,164
Unallocated manufacturing costs	145,278	-
Total general and administrative expenses	**$ 2,363,285**	**$ 3,581,570**

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 nine-month period ended September 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.

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Total Revenue	$ 997,198	$ 893,819	$ 359,463	$ 663,106
Net Income (Loss)	$ (24,427,473)	$ 439,811	$ (2,450,841)	$ (13,642,846)
Income (Loss) per Share	$ (0.36)	$ 0.02	$ (0.17)	$ (1.07)
Total Assets	$ 24,079,810	$ 20,067,073	$ 19,638,494	$ 17,803,135
Working Capital	$ (3,151,923)	$ (3,277,151)	$ (5,584,651)	$ (4,934,210)

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Total Revenue	$ 605,427	$ 1,058,317	$ 2,714,801	$ 3,164,407
Net Income (Loss)	$ (5,786,993)	$ (3,375,514)	$ 1,152,910	$ 4,404,795
Income (Loss) per Share	$ (0.52)	$ (0.33)	$ 0.12	$ (0.48)
Total Assets	$ 22,543,285	$ 26,327,866	$ 23,597,960	$ 21,064,193
Working Capital	$ 646,100	$ 4,954,161	$ 2,044,001	$ (916,432)

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 September 30, 2020 was impacted by the loss on acquisition of Rejuva of $20,549,005, which significantly increased net loss for the period. Cost of sales decreased as the Company's main source of raw material during the period ended September 30, 2020, was either biomass received for tolling and white-label production, and/or harvested flower from Core Isogenics, which greatly reduced input costs. An increase of write-down of inventory of $1,118,223 during the period, relate to the costs for the operations of the Company's indoor cultivation. Consulting fees and marketing expenses increased during the period, as new management is working towards new opportunities including psilocybin, together with delivery methods utilizing the Company's CannaStrips™ technology.

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 September 30, 2020, the Company had $1,112,732 (2019 – $116,850) in cash and had a working capital deficit of $3,151,923 (2019 – $4,934,210). The Company's share capital was $81,875,526 (2019 - $51,372,447) representing 70,967,507 (2019 – 13,372,102) common shares, and reserves of $8,587,727 (2019 - $7,448,493). As at September 30, 2020, the Company had accumulated $78,132,607 in deficit (2019 – $51,889,363), accumulated other comprehensive income of $534,783 (2019 - $298,522) and allocated a portion of its comprehensive loss and equity totaling $1,852,633 (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 nine-month period ended September 30, 2020, the Company generated $2,250,480 in revenue from its operations (2019 - $4,378,545), which was offset by the cost of sales totaling $1,190,472 (2019 - $5,757,373); 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 September 30, 2020, is detailed in the table below.

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 7,172,476	$ -
Amounts due to related parties	1,229,885	-
Advances payable	193,077	-
Note payable	-	-
Lease liability	713,163	3,082,730
Convertible debenture	-	448,662
Total	**$ 9,308,601**	**$ 3,531,392**

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:

		September 30, 2020	September 30, 2019
Management consulting fees	a)	$ 349,236	$ 390,590
Consulting services for research and development	b)	$ 53,872	$ 117,773
Management salaries	c)	$ 327,015	$ 495,131
Share-based compensation	d)	$ 111,933	$ 1,671,876

a) Management consulting services consist of the following:

$170,973 (2019 – $276,028) 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 - $79,909) 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.

- $73,915 (2019 - $22,153) 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.

- $24,000 (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.

- $40,000 (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 September 2020.

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

- $53,872 (2019 – $53,069) 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 September 30, 2020, with automatic renewals for successive one-year periods thereafter.

- $Nil (2019 - $66,275) 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 nine months ended September 30, 2019, which were associated with the manufacturing of CannaStripsTM and therefore included in cost of sales.

c) Management salaries consist of the following:

- $182,804 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

- $140,149 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.

- $4,062 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:

	September 30, 2020	September 30, 2019
Brad Eckenweiler	$ -	$ 294,632
Casey Fenwick	41,239	916,250
Dr. John Sanderson	11,782	146,219
Yanika Silina	-	146,219
Patrick Morris	5,891	-
Frank McEnulty	11,782	168,556
Matt Ferguson	41,239	-
Total share-based compensation	**$ 111,933**	**$ 1,671,876**

Related party payables at September 30, 2020 and December 31, 2019 consisted of the following:

Related party payables

	September 30, 2020	December 31, 2019
Brad Eckenweiler	$ 231,468	$ 337,532
Casey Fenwick	382,875	294,884
Dr. John Sanderson	93,373	38,964
Yanika Silina	98,014	88,476
Arni Johannson	49,875	49,875
Patrick Morris	26,782	-

Frank McEnulty	149,738	125,077
Jonathan Hunt	28,657	27,903
Nanostrips Inc.	8,673	8,445
Matt Ferguson	132,049	44,808
Joel Shacker	28,381	-
Total payable to related parties	**$1,229,885**	**$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 September 30, 2020, the Company had a total of $35,494 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 September 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 nine-month period ended September 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 September 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, September 30, 2020	Balance, December 31, 2019
	$	$	$	$	$
Cash	1,112,732	-	-	1,112,732	116,850
Marketable securities	1,228,346	-	-	1,228,346	295,000
Total Fair Value	2,341,078	-	-	2,341,078	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 September 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 September 30, 2020, the Company had cash of $1,112,732 to settle current financial liabilities of $9,535,622. 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 September 30, 2020:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$7,172,476	$ -
Amounts due to related parties	1,229,895	-
Advances payable	193,077	-
Lease liability	713,163	3,082,730
Convertible debenture	-	448,662
Total	**$ 9,308,601**	**$ 3,531,392**

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.

	September 30, 2020	December 31, 2019
Cash denominated in USD	$ 191,522	$ 116,470
Accounts receivable denominated in USD	561,152	391,132
Prepaids and other current assets denominated in USD	569,171	478,737
Accounts and wages payable and accrued liabilities denominated in USD	(5,953,353)	(4,569,278)
Notes and advances denominated in USD	(24,263)	(476,191)
Total	$ (4,655,771)	$ (4,059,130)
Effect of a 10% change in exchange rates	$ (465,577)	$ (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 September 30, 2020, the Company held 3,149,606 restricted common shares of CGOC valued at $1,228,346 (2019 – $Nil). As at September 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

[1]AB 243, AB 266, and SB 643.

established a regulatory program for adult-use cannabis businesses and had some conflicting provisions with MCRSA. So, in September 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.

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,

[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.

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 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 nine-month period ended September 30, 2020, and for the year ended December 31, 2019 were from U.S. marijuana related activities. At September 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.