CORE ONE LABS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED

MARCH 31, 2021

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 Lab Inc. (the "Company" or "Core One"), has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of June 28, 2021 and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at www.core1labs.com.

All financial information in this MD&A has been prepared in accordance with IFRS. All dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the foregoing MD&A constitute forward-looking statements. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS

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

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".

Core One was a technology company that licensed its technology to a state-of-the-art production and packaging facility located in Southern California. The Company's technology produced infused strips that allow for bioavailability of cannabis constituents. Through its wholly-owned subsidiaries, Core Isogenics Inc. and CSPA Group Inc. ("CSPA"), the Company operated a licensed vertically integrated cannabis cultivation, manufacturing, and distribution facility in the City of Adelanto, California.

The Company operated 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.

During the month of July 2020, the Company completed 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 product offerings through research and development in these clinics, including the integration of intellectual property related to psychedelic treatments and novel drug therapies. The Company will aim to prove increased efficacy and bioavailability of existing and novel drugs, including psilocybin, with its proprietary delivery methods currently utilized by its CannaStrip technology. Bioavailability of cannabis constituents in the Company's CannaStrips infused strip allow for more efficient absorption of the active ingredients, which is an optimum delivery system for microdosing. Medical patients who want to receive alternative health treatments can use this less invasive way of treatment to help alleviate their symptoms and complications. Core One and Rejuva plan to advance psychedelic-derived treatments and establish a portfolio of intellectual property, through eventual human clinical trials, to build a robust drug development platform in the psychedelic medicine space.

During the month of December 2020, the Company completed the acquisition of all of the outstanding share capital of Vocan Biotechnologies Inc. ("Vocan")

Vocan is a Canadian-based genetic engineering and biosynthesis research firm developing a proprietary low-cost production method to biosynthesize GMP (good manufacturing practices) API-grade (active pharmaceutical ingredient) psilocybin. Utilizing a Health Canada-certified controlled drugs and substances dealer licence, Vocan's fully operational research laboratory in Victoria, B.C., is seeking to begin stage 1 production in early 2021.

Vocan's mission is to use science and proprietary technology to advance the knowledge of natural-based medicines for the treatment of mental health illnesses and addictions. Vocan's team of scientists, specializing in protein expression and biosynthetic fermentation, have discovered a patentable method of producing psilocybin, the active ingredient in psychotropic mushrooms. This technology will enable the production of GMP (good manufacturing practices) API-grade psilocybin, which can be used by pharmaceutical companies, API manufacturers and medical research organizations conducting clinical trials. Vocan's management expects that the unique optimized DNA (deoxyribonucleic acid) construct and producer strain will allow for efficient, cost-effective commercial-scale production. Psilocybin production methods developed by Vocan's innovative technology will allow access to affordable GMP API-grade psilocybin.

Vocan's team of high-calibre scientists includes Dr. Robert E.W. Hancock, OC, OBC, FRSC, a Canada research chair holder in health and genomics, a director of the Centre for Microbial Diseases and Immunity Research, and a holder of the Order of Canada for his contributions in these and other fields.

On December 31, 2020, the Company also completed the disposition of its non-core assets in order to reposition the Company in the psychedelic space and the continued development of its CannaStrip technology.

The Company sold the following assets:

- All of the issued and outstanding share capital of Reveur Holdings Inc., a California corporation, including its principal assets, which are all of the issued and outstanding share capital of Core Isogenics Inc., a California corporation, and CSPA, a California corporation;
- All of the issued and outstanding share capital of LDS Agrotech (AgroCo), a Nevada corporation, held by Core One, which represents 75 per cent of the outstanding share capital of AgroCo;

- All of the issued and outstanding share capital of LDS Scientific (SciCo), a Nevada corporation, held by Core One, which represents 75 per cent of the outstanding share capital of SciCo;
- The membership interest in Agrotech (AgroLLC), a California limited liability company, held by Core One, which represents a 50-per-cent membership interest in AgroLLC;
- All of the issued and outstanding share capital of LDS Development (DevCo), a California corporation, except for all tangible and intangible assets of DevCo related to the manufacturing and distribution of CannaStrips (the excluded assets), including all associated intellectual property and manufacturing equipment;
- All tangible and intangible assets currently being held by and utilized by Reveur, Core, CSPA and DevCo, including, without limitation, all existing contracts, leases, client files, client billing records, vendor records, furniture, fixtures, equipment, employee files, employee time records, and other information customary for the cultivation, manufacturing and distribution of cannabis and cannabis-related products, but excluding the excluded assets.

The Company's goal is to use its proprietary technologies to advance natural-based medicines for the treatment of mental health illnesses and addiction. Core One's team of leading scientists, specializing in protein expression and biosynthetic fermentation, has developed a patentable method of producing psilocybin that will afford the company the ability to manufacture consistent high-quality GMP API (good manufacturing practice active pharmaceutical ingredient) psilocybin at scale, and provide pharmaceutical companies, API manufacturers and medical research organizations conducting clinical trials access to product at a significantly lower cost than other psilocybin-producing companies.

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
Lifestyle Capital Corporation	California	100%	Financing
Omni Distribution Inc.	California	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	Holding company
Rainy Daze Cannabis Corp.	British Columbia	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	Medical Clinic
Vocan Biotechnologies Inc.	British Columbia	100%	Research
Ketamine Infusion Centers of Texas, LLC	Texas	100%	Medical Clinic
Bluejay Mental Health Group Inc.	British Columbia	100%	Medical Clinic
Akome Biotech Ltd.	British Columbia	100%	Research

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.

Rejuva Alternative Medicine Research Centre Inc. and Shahcor

On July 10, 2020, the Company completed an acquisition Rejuva Alternative Medicine Research Center Inc. ("Rejuva") and one-quarter of the non-voting participating share capital of Shahcor Health Sciences Inc. ("Shahcor").

Rejuva and Shahcor were 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 product offerings through research and development in these clinics,

including the integration of intellectual property related to psychedelic treatments and novel drug therapies. The Company will aim to prove increased efficacy and bioavailability of existing and novel drugs, including psilocybin, with its proprietary delivery methods currently utilized by its CannaStrip technology. Bioavailability of cannabis constituents in the Company's CannaStrips infused strip allow for more efficient absorption of the active ingredients, which is an optimum delivery system for microdosing. Medical patients who want to receive alternative health treatments can use this less invasive way of treatment to help alleviate their symptoms and complications. Core One plan to advance psychedelic-derived treatments and establish a portfolio of intellectual property, through eventual human clinical trials, to build a robust drug development platform in the psychedelic medicine space.

Vocan Biotechnologies Inc.

On December 31, 2020, the Company completed its acquisition of Vocan Biotechnologies Inc. ("Vocan"). Vocan is a Canadian-based genetic engineering and biosynthesis research firm developing a proprietary low-cost production method to biosynthesize GMP (good manufacturing practices) API-grade (active pharmaceutical ingredient) psilocybin. Utilizing a Health Canada-certified controlled drugs and substances dealer licence, Vocan's fully operational research laboratory in Victoria, B.C., is seeking to begin stage 1 production in early 2021.

Bluejay Mental Health Group Inc.

On March 11, 2021, the Company completed the acquisition of Bluejay Mental Health Group Inc. ("Bluejay"). Bluejay is a specialty medical clinic located in Langley, B.C., which has an integrated telehealth platform enabling medical providers to deliver quality care, diagnosis and treatments to patients remotely using a secure telecommunications platform.

The acquisition of Bluejay Mental Health will allow the Company to broaden its patient network, incorporate a proven telehealth model that uses measured and meaningful data to integrate clinical data with real-world evidence, and allow product development and a full-service digital mental health platform capable of launching and commercializing psychedelic-assisted therapies and medicines at scale to patients.

Ketamine Infusion Centers of Texas LLC

On March 26, 2021, the Company completed the acquisition of Ketamine Infusion Centers of Texas LLC, a limited liability company organized and existing under the laws of the State of Texas. ("KICT"). KICT is a health and wellness clinic located in Woodlands, Tex., that was established to address treatment-resistant depression and other mental health disorders, through the delivery of ketamine infusion treatments. KICT aims to be known as a centre of excellence in the management of treatment-resistant depression and strives to achieve this by providing unparalleled and individualized care based on the uniqueness of each client. Using research-based data, KICT has created proven, effective treatment protocols that have helped patients suffering from treatment-resistant depression, as well as other mental health disorders. These include major depressive disorder, bipolar disorder, postpartum depression, posttraumatic stress disorder and obsessive compulsive disorder.

Akome Biotech Ltd.

On May 5, 2021, the Company completed the acquisition Akome Biotech Ltd. ("Akome"). Akome is a developer of psychedelic-based pharmaceuticals for rare diseases and mental disorders, targeting treatments for cluster headaches, Alzheimer's disease and depression. Akome holds provisional matter of composition patents based on a formulation of non-psychedelic (2) bromo-lysergic acid diethylamide (LSD) also called BOL148 -- "app. No. 63068963" -- and a psilocybin-based formulation -- "app. No. 63123838" -- and a ketamine-based formulation -- "app. No. 63128302."

OTHER SIGNIFICANT BUSINESS EVENTS

Debt Facility with Cannabis Growth Opportunity Corporation

On March 16, 2020, the Company entered into definitive agreements with Plant-Based Investment Corp. (formerly 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.

On April 14, 2021, the Company and CGOC reached an agreement to rescind the share exchange transaction and have returned the 2,666,667 common shares to the Company's treasury. CGOC also converted the convertible debenture into common shares of the Company.

Grant of Stock Options

On January 15, 2021, the Company granted 6,720,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $1.05 per share until January 15, 2024. The options vested at the date of grant. The Company recorded a stock-based payment of $5,499,263. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions: Stock price at date of grant - $1.05; Expected life of the option – 3 years; Risk Free interest rate of 0.35%; Expected Dividend Yield of Nil and annualized volatility of 141%

SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information derived from the Company's audited financial statements for the three most recently completed financial years, prepared in accordance with IFRS.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Revenue – continued	$ -	$ -	$ -
Revenue – discontinued	$ 3,520,107	$ 5,041,651	$ 4,080,747
Net loss – continued	$ 46,904,109	$ 10,714,356	$ 7,815,136
Net loss – discontinued	$ 7,895,166	$ 10,938,087	$ 5,338,250

Net loss - total	$ 54,799,275	$ 21,652,443	$ 13,153,386
Loss per Share – continued	$ 1.10	$ 0.95	$ 0.84
Loss per Share – discontinued	$ 0.18	$ 0.96	$ 0.48
Loss per Share – total	$ 1.28	$ 1.91	$ 1.32
Total Assets	$ 9,523,707	$ 17,803,135	$ 21,064,193
Total Liabilities	$ 3,703,317	$ 12,184,594	$ 4,782,270
Non-controlling interests	$ -	$ (1,611,558)	$ (1,495,623)

During the year ended December 31, 2020, the Company reported a total net loss of $54,799,275 ($1.28 basic and diluted loss per share) compared to a net loss of $21,652,443 ($1.91 basic and diluted loss per share). The increase in the net loss is mainly attributed to the loss on acquisitions made during the year. During the year ended December 31, 2019, the Company reported a total net loss of $21,652,443 ($1.91 basic and diluted loss per share) compared to a total net loss of $13,153,386 ($1.32 basic and diluted loss per share) during the year ended December 31, 2018. The increase in the total net loss for 2019 can be attributed to the amortization and impairment of PP&E and ROU assets. Also, there was a write-down of inventory.

OVERALL PERFORMANCE

During the three months ended March 31, 2021:

The statements of financial position as of December 31, 2020, indicated a cash position of $1,245,903 (December 31, 2020 - $528,364), and total current assets of $10,07,675 (December 31, 2020 - $4,987,287). The change in current assets can be attributed to an increase in cash due to the exercise of share purchase warrants.

The long-term assets of the Company totaled $4,534,358 (December 31, 2020 - $4,536,420) and consist of the canna strip equipment which was retained by the Company and a nominal amount equipment that was acquired thorough the acquisition of Vocan and the intangible asset of IPR&D that was also acquired through Vocan. The intangible asset represents a patentable method of producing psilocybin, the active ingredient in psychotropic mushrooms.

The Company's total liabilities amounted to $3,715,748 (December 31, 2020 - $4,131,073) that mainly consisted of $2,875,767 in accounts payable and accrued liabilities, $284,548 in amounts due to related parties, $108,412 in advances payable and $447,021 in convertible debentures to CGOC.

At March 31, 2021, the Company had a working capital of $2,272,590 (December 31, 2020 – $1,283,970). The improvement in its working capital is mainly due to cash received from the exercise of share purchase warrants.

Total shareholders' equity was comprised of share capital of $110,935,188 (December 31, 2020 - $97,183,706), reserves of $25,267,431 (December 31, 2020 - $13,795,711), commitment to issue shares of $996,766 (December 31, 2020 – $1,000,000), accumulated other comprehensive income (loss) of ($73,670) (December 31, 2020 – ($78,438)) and accumulated deficit of $130,765,788 (December 31, 2020 - $106,508,345).

RESULTS OF OPERATIONS

During the three months ended March 31, 2021, the Company recorded a total net loss of $24,257,443 as compared to $2,450,841 for the comparable period ended March 31, 2020 an increase of approximately $22,000,000. The increase can be attributed to the recording of $16,123,752 in loss on acquisitions and $5,530,292 in share-based payments. Included in the prior year loss was $1,024,176 in closes from continuing operations and $1,426,665 from discontinued operations.

Consistent with the prior year, the Company acquired BlueJay and KICT as the Company continues to expand its access to more patients. The acquisition of Bluejay Mental Health will allow the company to broaden its patient network, incorporate a proven telehealth model that uses measured and meaningful data to integrate clinical data with real-world evidence, and allow product development and a full-service digital mental health platform capable of launching and commercializing psychedelic-assisted therapies and medicines at scale to patients. The specialty clinic was founded in 2011 and is a pioneer in the medical cannabis industry. To date, Bluejay has assessed over 77,000 patients in Canada for the appropriateness of alternative medical treatments

for symptoms such as chronic pain, anxiety and posttraumatic stress disorder (PTSD). With a network of over a thousand referring physicians from across Canada, Bluejay will help the company improve efficiencies and optimize patient access to up-and-coming psychedelic treatments. Bluejay's clinic was one of the first medical clinics to assist patients in receiving alternative health treatments in the form of cannabis prescriptions, and has the knowledgeable personnel to navigate the complex legislation surrounding psychedelic treatments.

The acquisition of KICT allows the company to establish a roster of patients in Texas for psychedelic-assisted psychotherapy utilizing its novel delivery system and API-grade psilocybin, upon legalization. was established to address the growing problem of depression and other mental health issues that plague society. KICT's goal is to be known as a centre of excellence in the management of treatment-resistant depression. KICT strives to achieve this by providing unparalleled and individualized care based on the uniqueness of each of its patients. KICT offers ketamine treatments to individuals suffering from depression, bipolar disorder, posttraumatic stress disorder and obsessive-compulsive disorder. KICT combines its medical expertise with its passion to help patients reach optimal levels of health and vitality through intravenous therapy services and wellness programs.

The Company recorded a share-based payment of $5,530,292 which consisted of stock options that vested during the quarter and the granting of 6,720,000 stock options to certain directors, officers and consultants of the Company. Share-based payment is a non-cash transaction.

FOURTH QUARTER

N/A

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.

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Revenue				
Continued	$ -	$ -	$ -	$ -
Discontinued	$ -	$ 1,233,627	$ 997,198	$ 893,819
Total Revenue	$ -	$ 1,233,627	$ 997,198	$ 893,819
Net Income (loss)				
Continued	$(24,257,443)	$(23,583,854)	$(23,043,191)	$ 747,112
Discontinued	$ -	$ (4,776,918)	$ (1,384,282)	$ (307,301)
Total Net income (loss)	$(24,257,443)	$(28,360,772)	$(24,427,473)	$ 439,811
Income (loss) per share				
Continued	$ (0.24)	$ (0.33)	$ (0.34)	$ 0.04
Discontinued	$ -	$ (0.07)	$ (0.02)	$ (0.02)
Income (loss) per share	$ (0.24)	$ (0.40)	$ (0.36)	$ 0.02

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue				
Continued	$ -	$ -	$ -	$
Discontinued	$ 395,463	$ 663,106	$ 605,427	$ 1,058,317
Total Revenue	$ 359,463	$ 663,106	$ 605,427	$ 1,058,317
Net income				
Continued	$ (1,024,176)	$ (5,827,573)	$ (4,713,061)	$ (2,828,765)

Discontinued	$ (1,426,665)	$ (7,815,273)	$ (1,073,931)	$ (546,749)
Total Net income (loss)	$ (2,450,841)	$(13,642,846)	$ (5,786,993)	$ (3,375,514)
Income (loss) per share				
Continued	$ (0.07)	$ (0.46)	$ (0.42)	$ (0.28)
Discontinued	$ (0.10)	$ (0.61)	$ (0.10)	$ (0.05)
Income (Loss) per Share	$ (0.17)	$ (1.07)	$ (0.52)	$ (0.33)

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 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 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 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.

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.

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 December 31, 2020 was impacted by the loss on acquisition of Vocan of $16,013,970, the recognition of an impairment of $4,059,289 on Shahcor and a provision for loss of $537,000. The Company also recognized a loss on sale of its US subsidiaries of $4,240,546. This amount is included in discontinued operations.

The quarter ended March 31, 2021 was impacted by the loss on acquisition of BlueJay of $15,868,350 and Ketamine of $249,236. The Company also recorded share-based payment of $5,530,292 on stock options granted and vested during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, the Company had $1,245,903 (December 31, 2020 – $528,364) in cash and had a working capital of $2,272,590 (December 31, 2020 – $1,283,970). The Company's share capital was $110,935,188 (December 31, 2020 - $97,183,706) representing 109,749,285 (December 31, 2020 – 94,702,507) common shares, and reserves of $24,507,431 (December 31, 2020 - $13,795,711). As at March 31, 2021, the Company had accumulated $130,765,788 in deficit (December 31, 2020 – $106,508,345), accumulated other comprehensive income (loss) of $73,670 (December 31, 2020 - $78,438)

The Company believes that the current capital resources are not sufficient to pay overhead expenses for the next twelve months and is in the process of raising additional funding to fund its overhead expenses and its development of its products. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company may not be able to generate enough cash from its operations in the foreseeable future, the Company will have to rely on loans from external or related parties and the issuance of shares, to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

During the three months ended March 31, 2021, the Company issued 4,748,483 common shares pursuant to the exercise of share purchase warrants for total proceeds of $2,863,938. The Company transferred $57,919 from contributed surplus on agent's warrants exercised.

During the three months ended March 31, 2021, the Company issued 125,000 common shares pursuant to the exercise of stock options for total proceeds of $75,250. The Company transferred $60,653 from contributed surplus.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. There are no externally imposed capital requirements on the Company. Management considers the items included in shareholders' equity (deficit) and working capital as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations at March 31, 2021, is detailed in the table below.

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 2,875,767	$ -
Amounts due to related parties	284,548	-
Advances payable	108,412	-

Note payable	-	450,000
Total	$ 3,268,727	$ 450,000

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.

CONTINGENT LIABILITY

On February 4, 2021 Desert Sand Properties, LLC ("Desert Sand" or "Plaintiff") filed a claim in the Superior Court of California against its former wholly-owned subsidiaries LDS Development Corporation ("LDS") and CSPA Group, Inc. ("CSPA") and the Company collectively ("the Defendants"). The claim relates to landlord -tenant dispute, whereby the tenant LDS, failed to make certain rent and property tax payments under the terms of the lease agreement that was entered into on April 15, 2019. The Plaintiff further alleges that CSPA and the Company each of whom signed a guaranty of lease are responsible for LDS unpaid debts and obligations under the terms of the lease. The total amount of the claim is for approximately US$863,000. Due to its early infancy, the Company is currently reviewing this matter with the Company's legal counsel. The Company intends to respond to the Plaintiff to address the claims. The amount of the debt was recorded in accounts payable in LDS. As a result of the disposition of LDS and CSPA, at December 31, 2020, the Company being a guarantor of the lease agreement, along with CSPA may be liable for the full amount of the claim. Accordingly, the Company has determined that it is probable that it will have to make a payment to settle this obligation. The Company best estimate is $537,000 (US$422,000) which is included in accounts payable and accrued liabilities.

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:

		March 31,	
		2021	**2020**
Management consulting services	a)	$ 30,000	$ 156,280
Consulting services for research and development	b)	$ 47,127	$ 20,254
Management salaries	c)	$ -	$ 110,954
Share-based compensation	d)	$ 1,476,120	$ -
		$ 1,553,247	$ 287,488

a) Management consulting services consist of the following:

$Nil (March 31, 2020 – $102,123) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term. Mr. Eckenweiler

resigned as CEO and director on July 3, 2020, effectively terminating his agreement with the Company.

$NIL (March 31, 2020 - $29,686) 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 (March 31, 2020 - $24,471) 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.

$30,000 (March 31, 2020 - $Nil) in consulting fees paid or accrued to Mr. Shacker, current CEO of the Company. The Company agreed to pay Mr. Shacker $10,000 per month for his services pursuant to a consulting agreement starting June 2020.

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

$47,127 (March 31, 2020 – $20,254) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

c) Management salaries consist of the following:

$30,000 (March 31, 2020 - $Nil) in management salaries paid to Mr. Robert Hancock, following his appointment as an officer of its subsidiary Vocan and a director of the Company.

$Nil (March 31, 2020 – $60,520) 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.

$Nil (March 31, 2020 – $46,399) 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.

$NIL (March 31, 2020 – $4,035) in management salaries paid to Ms. Christopherson, CEO of CSPA Group and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

On January 15, 2021, the Company granted 6,720,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $1.05 per share until January 15, 2024. The options vested at the date of grant. The Company recorded a stock-based payment of $5,499,263 of which $1,473,017 relates to certain directors and officers of the Company. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions: Stock price at date of grant - $1.05; Expected life of the option – 3 years; Risk Free interest rate of 0.35%; Expected Dividend Yield of Nil and annualized volatility of 141%.

On May 28, 2020, the Company granted 1,500,000 options to certain directors, officers and consultants of the Company of which 950,000 options were to directors and officers of the Company. The options are exercisable at $0.33 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $269,905. During the three months ended March 31, 2021, the Company had recognized $31,029 of share-based compensation for the vesting of these stock options of which $3,103 relates to certain directors and officers of the Company.

e) Other

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.

On May 1, 2020, the Company issued 1,310,303 common shares to settled outstanding debt of $432,400 with former director and former officer of the Company.

Related party payables at March 31, 2021 and December 31, 2020 consisted of the following amounts payable to current and former directors and officers of the Company:

	March 31, 2021	December 31, 2020
Continued operations		
Yanika Silina	42,817	$ 42,817
Dr. John Sanderson	133,855	89,124
Nanostrips Inc.	8,176	8,278
Pat Morris/Enermetal Ventures Inc.	25,200	25,200
Joel Shacker/1156724 BC Ltd.	74,500	62,827
	$ 284,548	$ 228,246

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, 2020.

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	Amortized cost

ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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 three months ended March 31, 2021.

Assets measured at fair value on a recurring basis were presented on the Company's condensed interim consolidated statement of financial position as at March 31, 2021 and December 31, 2020, 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, March 31, 2021	Balance, December 31, 2020
	$	$	$	$	$
Cash	1,245,903	-	-	528,364	528,364
Investments	1,259,842	-	110,000	1,369,842	1,369,842
Total Fair Value	2,505,745	-	110,000	1,898,206	1,898,206

The initial fair value of the liability component of the Company's convertible debenture, with a carrying amount of $427,756 at December 31, 2020 was measured using Level 2 inputs to be $375,875. The fair value of the liability component of the convertible debenture was estimated using the discounted cash flows technique. The valuation model considers the present value of expected payments, discounted using a discount rate that approximates the market rate for the Company's loans and borrowings. The estimated fair value would increase (decrease) if the market rate were lower (higher).

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 March 31, 2021 is the carrying amount of cash, investments, 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 March 31, 2021, the Company had cash of $1,245,903 to settle current financial liabilities of $3,268,727. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, advances payable and convertible debt.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at March 31, 2021:

	Within 12 months	**After 12 months**

Accounts payables and accrued liabilities	$ 2,875,767	$ -
Amounts due to related parties	284,548	-
Advances payable	108,412	-
Convertible debt	-	450,000
Total	$ 3,268,727	$ 450,000

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:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exposure to foreign currency risk on fluctuations are nominal. Therefore, the Company's exposure to currency risk is minimal.

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 March 31, 2021, the Company held 3,149,606 restricted common shares of CGOC valued at $1,228,346 (December 31, 2020 – $Nil). As at March 31, 2021, the Company's equity investment represented 24% 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.

SUBSEQUENT EVENTS

Subsequent to March 31, 2021:

On April 30, 2021, the Company issued 202,004 common shares to debt settle $196,000 in debts.

On May 5, 2021, the Company completed the acquisition of all of the outstanding share capital of Akome Biotech Ltd. ("Akome") for consideration of 3,500,000 common shares to the existing shareholders of Akome. The consideration shares are subject to a voluntary pooling arrangement. In connection with the deal, the Company issued 370,000 common shares as finders fees.

On June, 1, 2021, a shareholder of the Company voluntarily returned 99,113 common shares to the Company in connection with the acquisition of Vocan.

OUTSTANDING SHARE DATA

As at the date of this report, the Company had the following securities issued and outstanding:

Type	Amount
Common shares[(1)]	114,722,611
Stock options	9,073,000
Stock warrants	14,311,702
	138,107,313

(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, 2020. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

ISSUERS WITH U.S. CANNABIS-RELATED ASSETS

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular State's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents, such as MD&A's, in order to fairly present all material facts, risks and uncertainties about issuers with U.S. cannabis-related activities.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) an explanation that cannabis is illegal under U.S. federal law and that the U.S. enforcement approach is subject to change; (iii) a statement about whether and how the reporting issuer's U.S. cannabis-related activities are conducted in a manner consistent with U.S. federal enforcement priorities; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

As a result of the Company's existing operations in the United States, Core One is subject to the Staff Notice and accordingly provides the following disclosure.

Legal Advice in Accordance with the Staff Notice

The Company has engaged California legal counsel to provide advice on, and to assist the Company in, complying with California State law requirements and to advise the Company on potential exposure and implications arising from U.S. federal law as a result of its cannabis operations in the United States. The Company is not aware of any non-compliance with any applicable regulatory framework or licensing requirements enacted by the State of California. In accordance with the Staff Notice, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulations. Any non-compliance, citation or notice of violation which may have an impact on the Company's license, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the United States Federally

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"). Pursuant to the CSA, cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, lacks safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse."

The United States Food and Drug Administration has not approved cannabis as a safe and effective drug for any use

Canada has federal legislation which uniformly governs the cultivation, processing, distribution, sale and possession of both medical and recreational cannabis under the *Cannabis Act*, as well as various provincial and territorial regulatory frameworks that further govern the distribution, sale and consumption of recreational cannabis within the applicable province or territory. In contrast, cannabis is only permissively regulated at the state level in the United States.

State laws in the United States regulating cannabis are in direct conflict with the CSA, which prohibits cannabis use and possession. Although certain states and territories of the U.S. authorize medical or recreational cannabis cultivation, manufacturing, production, distribution, and sales by licensed or registered entities, under U.S. federal law, the cultivation, manufacture, distribution, possession, use, and transfer of cannabis and any related drug paraphernalia, unless specifically exempt, is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable United States state law, strict compliance with state laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The risk of federal enforcement and other risks associated with the Company's business are described in *Risk Factors*.

California Regulatory Landscape

In 1996, California became the first state to permit the use of medical marijuana by qualified patients through Proposition 215, the Compassionate Use Act of 1996 ("CUA"). In 2003, Senate Bill 420 (the "Medical Marijuana Program Act") was enacted to clarify the scope and application of the CUA, which also created the "collective" commercial model for medical marijuana transactions. In September 2015, the California legislature took the next step and established the framework for a statewide medical marijuana program when it passed three bills collectively known as the Medical Marijuana Regulation and Safety Act ("MMRSA"),[1] which was further amended in 2016 and renamed the "Medical Cannabis Regulation and Safety Act" ("MCRSA"). MCRSA established a comprehensive licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for cultivation, processing, distribution, transportation, sales (including delivery only) and testing – including subcategories for the various activities, such as volatile and non-volatile licenses types for edible infused product manufacturers depending on the specific extraction methodology, and different licenses for cultivators depending on canopy size and cultivation medium. MRSCA set forth uniform operating standards and responsibilities for licensees. Under MCRSA, multiple agencies would oversee different aspects of the program alongside a newly established Bureau of Medical Cannabis Regulation within the California Department of Consumer Affairs that would control and govern how cannabis businesses would operate. All commercial cannabis businesses would require a state license and local approval to operate.

Subsequently, in November 2016, voters in California overwhelmingly passed Proposition 64, the "Adult Use of Marijuana Act" ("AUMA"), legalizing adult-use of cannabis by individuals 21 years of age or older. AUMA established a regulatory program for adult-use cannabis businesses and had some conflicting provisions with MCRSA. So, in 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

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

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

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, 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

[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.

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 December 31, 2020, and for the year ended December 31, 2019 were from U.S. marijuana related activities. At December 31, 2020, the Company disposed all of its assets that was 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

See contingency noted above.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.