CORE ONE LABS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(EXPRESSED IN CANADIAN DOLLARS)

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 December 31, 2021 and should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended December 31, 2021. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

Information contained herein is presented as of June 29, 2022, unless otherwise indicated. 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.

This management's discussion and analysis were authorized for issue by the Audit Committee and approved and authorized for issue by the Board of Directors on June 29, 2022.

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. On July 15, 2021, the Company further consolidated its issued and outstanding shares on the basis of eight (8) 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.

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS (continued)

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 move forward with production.

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.

(Expressed in Canadian Dollars)

COMPANY OVERVIEW AND DESCRIPTION OF BUSINESS (continued)

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 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 2021	Interest 2020	Function
Akome Biotech Ltd.	British Columbia	100%	-	Research and development
Bluejay Mental Health Group Inc.	British Columbia	100%	-	Medical clinic
Canna Delivery Systems Inc.	Nevada	100%	100%	Holding company
Frontier Mycology Corp.	British Columbia	100%	-	News dissemination
Ketamine Infusion Centers of Texas, LLC	Texas	100%	-	Medical clinic
Lifestyle Capital Corporation	California	100%	100%	Financing
New Path Laboratories Inc.	British Columbia	100%	-	Natural health products
Omni Distribution Inc.	California	100%	100%	Holding company
Optimus Prime Design Corp.	British Columbia	100%	100%	Holding company
Rainy Daze Cannabis Corp.	British Columbia	100%	100%	Micro cultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	100%	Medical clinic
Vocan Biotechnologies Inc.	British Columbia	100%	100%	Research and development

SIGNIFICANT TRANSACTIONS

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.

On March 11, 2021, the Company completed the acquisition of all issued and outstanding share capital of BlueJay. The acquisition was completed pursuant to the share purchase agreement dated March 11, 2021. In consideration for all of the shares of BlueJay, the Company issued 1,143,750 common shares and 750,000 warrants. 206,250 of the consideration shares are subject to a voluntary pooling arrangement. The Company also issued 25,000 common shares with a value of $210,000 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

At the date of acquisition, the Company determined that BlueJay constituted a business as defined under IFRS 3, *Business Combinations*, and the BlueJay Acquisition was accounted for as a business combination. The consideration paid was recognized at the fair value of the common shares of the Company at a price of $8.40 per share. As a result of the transaction, the Company issued 750,000 warrants with a fair value of $6,064,641. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.25%; Volatility of 148%; Stock Price of $8.40; Exercise price of $0.40; Dividend yield of NIL% and expected life of 2 years.

Prior to the acquisition of BlueJay by the Company, BlueJay acquired all the issued and outstanding common shares of Green Leaf Medical Clinic ("Green Leaf"). As a result of the acquisition of Green Leaf, intangible assets and goodwill were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets and goodwill received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense. The value of the intangible assets and goodwill further to the acquisition of Green Leaf are consistent for the acquisition of BlueJay. Goodwill is recognized as a result of expected synergies between the treatments being developed by the Company's research and development activities and the expertise of the health clinic in administering treatments to patients.

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS (continued)

Bluejay Mental Health Group Inc. (continued)

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 1,143,750 common shares at $8.40 per share	$	9,607,500
Less: Restricted stock discount		(233,888)
Fair value of 750,000 warrants		6,064,641
	$	15,438,253
Net assets acquired (liabilities)		
Cash	$	100,527
Net working capital		39,421
Security deposits		7,000
Property, plant and equipment		79,568
Income taxes payable		(3,578)
CEBA loan		(30,000)
Intangible assets – Patient List		58,200
Intangible assets – Trade name		34,550
Goodwill		1,165,909
Total net assets		1,451,596
Fair value of 25,000 common shares at $8.40 per share issued as administrative fees		210,000
Transaction expense	$	14,196,657

Ketamine Infusion Centers of Texas LLC

On March 29, 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.

On March 29, 2021, the Company completed the acquisition of all of the outstanding membership interest in KICT. The acquisition was completed pursuant to the Limited Liability Company interest purchase agreement dated February 18, 2021. In consideration for all of the membership interest of KICT, the Company issued 26,250 common shares of the Company to interest holders of KICT. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 2,624 common shares with a value of $22,042 as finders' fees and issued 526 common shares with a value of $4,418 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS (continued)

Ketamine Infusion Centers of Texas LLC (continued)

At the date of acquisition, The Company determined that KICT did not constitute a business as defined under IFRS 3, *Business Combinations*, and the KICT acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $8.40 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 26,250 common shares at $8.40 per share	$	220,500
Less: Restricted stock discount		(44,100)
	$	176,400
Net assets acquired (liabilities)		
Cash	$	4,936
Due from related party		5,509
Inventory		1,394
Amounts payable and accrued liabilities		(11,838)
Due to related party		(2,361)
Total net (liabilities)		(2,360)
Fair value of 2,624 common shares at $8.40 per share issued as finders' fees		22,042
Fair value of 526 common shares at $8.40 per share issued as administrative fees		4,418
Transaction expense	$	205,220

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."

On May 5, 2021, the Company completed the acquisition of all issued and outstanding share capital of Akome Biotech Ltd. ("Akome"). The acquisition was completed pursuant to the share purchase agreement dated April 23, 2021. In consideration for all of the shares of Akome, the Company issued 437,500 common shares. The consideration shares are subject to a voluntary pooling arrangement. The Company also issued 37,500 common shares with a value of $252,000 as finders' fees and issued 8,750 common shares with a value of $58,800 as an administration fee.

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS (continued)

Akome Biotech Ltd. (continued)

At the date of acquisition, the Company determined that Akome did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Akome acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $6.72 per share.

As a result of the acquisition, intangible assets were identified that met the recognition criteria under IFRS; therefore, the Company recognized the fair value of the intangible assets received and the remaining excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 437,500 common shares at $6.72 per share	$	2,940,000
Less: Restricted stock discount		(661,500)
	$	2,278,500
Net assets acquired (liabilities)		
Cash	$	12,387
Intangible assets – Patents		1,520,000
Accounts payable and accrued liabilities		(3,000)
Loan payable		(100,000)
Total net assets		1,429,387
Fair value of 37,500 common shares at $6.72 per share issued as finders' fees		252,000
Fair value of 8,750 common shares at $6.72 per share issued as administrative fees		58,800
Transaction expense	$	1,159,913

Frontier Mycology Corp.

On August 17, 2021, the Company completed the acquisition of all issued and outstanding share capital of Frontier Mycology Corp. ("Frontier"). The acquisition was completed pursuant to the share purchase agreement dated August 16, 2021. In consideration for all of the shares of Frontier, the Company issued 666,667 common shares and 634,920 warrants. The Company also issued 17,963 common shares with a value of $80,119 as an administration fee.s

At the date of acquisition, the Company determined that Frontier did not constitute a business as defined under IFRS 3, *Business Combinations*, and the Frontier Acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, Share-based payments, and recognized at the fair value of the common shares of the Company at a price of $4.46 per share. As a result of the transaction, the Company replaced 634,920 replacement warrants with a fair value of $1,824,173. The warrants were valued using the Black-Scholes Option Pricing model using the following assumptions: Risk free rate of 0.44%; Volatility of 147.12%; Stock Price of $4.46; Exercise price of $4.46; Dividend yield of NIL% and expected life of 2 years.

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS (continued)

Frontier Mycology Corp. (continued)

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Fair value of 666,667 common shares at $4.46 per share	$	2,973,335
Fair value of 634,920 replacement warrants		1,824,173
	$	4,797,508
Net assets acquired (liabilities)		
Cash	$	681,310
Due from related party		312,763
Accounts payable and accrued liabilities		(22,476)
Total net assets		971,597
Fair value of 17,963 common shares at $4.46 per share issued as administrative fees		80,119
Transaction expense	$	3,906,030

New Path Laboratories Inc.

On December 23, 2021, the Company completed the acquisition of all issued and outstanding share capital of New Path Laboratories Inc. ("New Path"). The acquisition was completed pursuant to the share purchase agreement dated December 22, 2021. In consideration for all of the shares of New Path, the Company issued 5,700,000 common shares. The Company also issued 114,000 common shares with a value of $68,400 as an administration fee.

At the date of acquisition, the Company determined that New Path did not constitute a business as defined under IFRS 3, *Business Combinations*, and the New Path acquisition was accounted for as an asset acquisition. The consideration paid was determined as an equity share-based payment under IFRS 2, *Share-based payments*, and recognized at the fair value of the common shares of the Company at a price of $0.60 per share.

As a result of the acquisition, there were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the assets and liabilities assumed was expensed as transaction expense.

The following table shows the finalized allocation of the purchase price to the fair value of the assets acquired and liabilities assumed, based on the estimated fair value, including a summary of the identifiable classes of considered transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

(Expressed in Canadian Dollars)

SIGNIFICANT TRANSACTIONS (continued)

New Path Laboratories Inc. (continued)

Consideration paid:		
Fair value of 5,700,000 common shares at $0.60 per share	$	3,420,000
	$	3,420,000
Net assets acquired (liabilities)		
Cash	$	502,005
Property, plant and equipment		57,664
Total net assets		559,669
Fair value of 114,000 common shares at $0.60 per share issued as administrative fees		68,400
Transaction expense	$	2,928,731

Financing

During the year ended December 31, 2021, the Company completed the following share transactions to raise funds for the Company's operations:

- During the year ended December 31, 2021 the Company issued 56,938 common shares pursuant to the exercise of stock options for proceeds of $273,188.
- During the year ended December 31, 2021, the Company issued 1,203,885 common shares pursuant to the exercise of warrants for proceeds of $3,282,504.
- During the year ended December 31, 2021, the Company issued 20,430 common shares pursuant to the exercise of agent warrants for proceeds of $114,406.

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, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue – continuing	$ 431,616	$ -	$ -
Revenue – discontinued	$ -	$ 3,520,107	$ 5,041,651
Net loss – continuing	$ 37,054,907	$ 46,904,109	$ 10,714,356
Net loss – discontinued	$ -	$ 7,895,166	$ 10,938,087
Net loss - total	$ 37,054,907	$ 54,799,275	$ 21,652,443
Loss per Share – continuing	$ 2.57	$ 1.10	$ 0.95
Loss per Share – discontinued	$ -	$ 0.18	$ 0.96
Loss per Share – total	$ 2.57	$ 1.28	$ 1.91
Total Assets	$ 7,610,298	$ 9,523,707	$ 17,803,135
Total Liabilities	$ 3,301,545	$ 4,131,073	$ 12,184,594
Non-controlling interests	$ -	$ -	$ (1,611,558)

During the year ended December 31, 2021, the Company reported a total net loss of $37,054,907 ($2.57 basic and diluted loss per share) compared to a net loss of $54,799,275 ($1.28 basic and diluted loss per share) during the year ended December 31, 2020. The decrease in the net loss is mainly attributed to the loss on acquisitions made during the year. 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) during the year ended December 31, 2019. The increase in the net loss is mainly attributed to the loss on acquisitions made during the year.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

The following tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue				
Continuing	$ 431,616	$ -	$ -	$ -
Discontinued	$ -	$ -	$ -	$ -
Total Revenue	$ 431,616	$ -	$ -	$ -
Net Income (loss)				
Continuing	$ (1,368,953)	$ (5,532,986)	$ (5,895,526)	$(24,257,443)
Discontinued	$ -	$ -	$ -	$ -
Total Net income (loss)	$ (1,368,953)	$ (5,532,986)	$ (5,895,526)	$(24,257,443)
Income (loss) per share				
Continuing	$ (0.08)	$ (0.37)	$ (0.42)	$ (1.96)
Discontinued	$ -	$ -	$ -	$ -
Income (loss) per share	$ (0.08)	$ (0.37)	$ (0.42)	$ (1.96)

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue				
Continuing	$ -	$ -	$ -	$ -
Discontinued	$ 1,233,627	$ 997,198	$ -	$ 395,463
Total Revenue	$ 1,233,627	$ 997,198	$ -	$ 359,463
Net income				
Continuing	$(23,583,854)	$(23,043,191)	$ 747,112	$ (1,024,176)
Discontinued	$ (4,776,918)	$ (1,384,282)	$ (307,301)	$ (1,426,665)
Total Net income (loss)	$(28,360,772)	$(24,427,473)	$ 439,811	$ (2,450,841)
Income (loss) per share				
Continuing	$ (2.64)	$ (2.73)	$ 0.34	$ (0.59)
Discontinued	$ (0.56)	$ (0.16)	$ (0.16)	$ (0.83)
Income (Loss) per Share	$ (3.20)	$ (2.90)	$ 0.20	$ (1.42)

RESULTS OF OPERATIONS

For the year ended December 31, 2021 and December 31, 2020:

During the year ended December 31, 2021, the Company recorded a net loss of $37,054,907 as compared to a net loss of $54,799,275 for the year ended December 31, 2020. The net loss for the year ended December 31, 2021 includes non-cash expenditures of $5,980,860 related to share-based payments and $22,396,551 of transaction costs incurred in accordance with the Company's asset acquisitions and business combinations.

Total expenses for the year amounted to $12,737,347 as compared to $6,653,453 for the comparable year ended December 31, 2020, an increase of $6,083,894, which includes non-cash expenditures of $38,769 for amortization and $5,980,860 in share-based compensation. The increase in overall expenditures can be attributed to the following:

- Advertising and promotion expenses have increased to $3,711,357 from $1,031,248 as the Company has engaged consultants to develop and refine investor relations and digital marketing services.

- Consulting fees have decreased to $958,846 from $2,177,199 as the Company has engaged new consultants for provision of executive management services, research and advisory services, communications, and corporate development.

- Professional fees have decreased to $450,091 from $711,023, which can be attributed to the fees paid to third party consultants for professional services, audit fees, and legal fees.

- Share-based payments have increased to $5,980,860 from $2,167,543 based on the fair value of stock options and equity instruments granted.

- Wages and salaries have increased to $654,351 from $Nil due to the payment of employees associated with the asset acquisitions during the year ended December 31, 2021.

Total other items for the year ended December 31, 2021 amounted to expenses of $24,749,176 compared to $40,250,656 for the comparable year ended December 31, 2020, a decrease of $15,501,480, which is attributed to the following:

- (Gain) loss on shares issued to settle debt have decreased to a loss of $170,848 compared to a gain of ($322,253) based on shares issued to settle outstanding balances owed to vendors.

- (Gain) loss on investments have increase to a gain of ($566,911) compared to a loss of $4,259,289 due to the disposal of marketable securities held by the Company.

- Impairment on amounts receivable have increased to $1,876,719 from $Nil as the Company has recognized an impairment charge based on the expected credit losses related to receivables.

- Impairment on equipment have increased to $400,000 from $269,025 as the Company impaired assets related to the canna strip machinery.

- Impairment on goodwill have increased to $574,322 from $Nil as the Company impaired goodwill related to the acquisition of BlueJay.

- Transaction and listing expenses have decreased to $22,396,551 from $36,562,975 pursuant to the asset acquisition and business combination transactions.

RESULTS OF OPERATIONS (continued)

For the three months ended December 31, 2021 and December 31, 2020:

During the three months ended December 31, 2021, the Company recorded a net loss of $1,368,953 as compared to a net loss of $28,360,772 for the three months ended December 31, 2020. For the purposes of the analysis below, the comparative will be in consideration of the $23,320,255 loss attributed to continued operations.

Total expenses for the three months amounted to $1,016,573 as compared to $2,833,253 for the comparable three months ended December 31, 2020, a decrease of $1,816,680, which includes non-cash expenditures of $28,756 for amortization. The increase in overall expenditures can be attributed to the following:

- Advertising and promotion expenses have increased to $1,018,589 from $63,000 as the Company has engaged consultants to develop and refine investor relations and digital marketing services.

- Consulting fees have decreased to a recovery of $693,667 from expenses of $1,263,294 as the Company has engaged new consultants for provision of executive management services, research and advisory services, communications, and corporate development. The recovery for the three months ended December 31, 2021 is attributed to a reallocation of expenses to advertising and promotions.

- Professional fees have decreased to $49,825 from $204,018, which can be attributed to the fees paid to third party consultants for professional services, audit fees, and legal fees.

- Share-based payments have decreased to $Nil from $1,249,726 based on the fair value of stock options and equity instruments granted.

- Wages and salaries have increased to $488,742 from $Nil due to the payment of employees associated with the asset acquisitions during the three months ended December 31, 2021.

Total other items for the three months ended December 31, 2021 amounted to expenses of $783,996 compared to $20,750,601 for the comparable three months ended December 31, 2020, a decrease of $19,966,605, which is attributed to the following:

- (Gain) loss on shares issued to settle debt have decreased to a loss of $32,689 compared to a gain of ($97,187) based on shares issued to settle outstanding balances owed to vendors.

- (Gain) loss on investments have increase to a gain of ($706,753) compared to a loss of $4,259,289 due to the disposal of marketable securities held by the Company.

- Impairment on amounts receivable have increased to $1,876,719 from $Nil as the Company has recognized an impairment charge based on the expected credit losses related to receivables.

- Impairment on equipment have increased to $400,000 from $269,025 as the Company impaired assets related to the canna strip machinery.

- Impairment on goodwill have increased to $574,322 from $Nil as the Company impaired goodwill related to the acquisition of BlueJay.

- Transaction and listing expenses have decreased to $1,295,775 from $16,013,970 pursuant to the asset acquisition transactions completed.

LIQUIDITY AND CAPITAL RESOURCES

The statements of financial position as of December 31, 2021, indicated a cash position of $763,345 (December 31, 2020 - $528,364), and total current assets of $1,162,397 (December 31, 2020 - $4,987,287). The change in current assets can be attributed to a decrease in cash due to operating expenditures and the return of CGOC shares pursuant to the rescinding agreement executed on April 14, 2021.

The total assets of the Company totaled $7,610,298 (December 31, 2020 - $4,536,420) and primarily consists of intangible assets acquired from the acquisition of Akome and intangible assets and goodwill recognized from the acquisition of Green Leaf. The intangible assets of Akome relate to several patentable methods of producing psilocybin and use in pre-clinical trials. The intangible assets and goodwill of Green Leaf relate to its patient list and trade name for expected synergies with the Company's current functions. During the year ended December 31, 2021, the canna strip equipment retained by the Company from the sale of Adelanto assets was impaired and an impairment loss of $400,000 was recognized in profit and loss.

The Company's total liabilities amounted to $3,301,545 (December 31, 2020 - $4,131,073) that mainly consisted of $2,953,940 in accounts payable and accrued liabilities, $209,077 in amounts due to related parties and $108,528 in advances payable.

At December 31, 2021, the Company had a working capital deficit of $2,139,148 (December 31, 2020 – working capital of $1,283,970). The decrease in its working capital is mainly due to cash used in operations and the return of CGOC shares pursuant to the rescinding agreement executed on April 14, 2021.

Total shareholders' equity was comprised of share capital of $127,543,987 (December 31, 2020 - $97,183,706), reserves of $21,724,485 (December 31, 2020 - $13,795,711), commitment to issue shares of $Nil (December 31, 2020 – $1,000,000), accumulated other comprehensive income (loss) of ($294,103) (December 31, 2020 – ($78,438)) and accumulated deficit of $144,665,616 (December 31, 2020 - $106,508,345).

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.

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.

This MD&A has been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at December 31, 2021, the Company has accumulated losses of $144,665,616 since inception and expects to incur further losses in the development of its business, all of which are material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations.

CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's management of capital during the period ended December 31, 2021.

The Company is not subject to any externally imposed capital requirements.

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, an effect on the results of operations or financial condition of the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are disclosed in Note 4 of the consolidated financial statements.

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.

On January 26, 2022, the Company executed an agreement to settle the amounts owing for aggregate payments of $443,730 (US $350,000). Of the payments, US $50,000 is to be paid upon execution of the agreement and four instalments of US $75,000 are to be paid every two months thereafter beginning April 1, 2022. Accordingly, the Company recognized a gain on the provision for loss on the legal settlement in the amount of $93,270 in the statements of comprehensive loss. Up to the date of these consolidated financial statements, the Company has rendered payment of US $200,000 upon execution of the contract and two out of four instalment payments**.**

(Expressed in Canadian Dollars)

RELATED PARTY TRANSACTIONS

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

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

	December 31,	
	2021	**2020**
Management consulting services	$ 185,000	$ 433,340
Consulting services for research and development	$ 103,250	$ 53,872
Management salaries	$ 120,000	$ 426,597
Share-based compensation	$ 1,772,196	$ 904,322
	$ 2,180,446	$ 1,818,131

Included in the accounts payable and accrued liabilities is $209,077 (December 31, 2020 – $228,246) related to the above compensation incurred with the Company's Chief Executive Officer, Chief Science Officer, and directors of the Company.

Pursuant to the terms of the consulting agreement, Mr. Shacker is entitled to receive certain milestone bonuses, which are to be accrued upon the occurrence of the milestones. The bonus payments are payable upon a change of control or the termination of his agreement. As at December 31, 2021, Mr. Shacker was entitled to Nil (December 31, 2020 – 1,500,000) common shares based on these milestones. Management has estimated the fair value of these shares at $Nil (December 31, 2020 – $760,000).

FINANCIAL INSTRUMENTS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and investments as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and convertible debenture approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2021 is the carrying amount of cash, investments, amounts and advances receivable.

FINANCIAL INSTRUMENTS (continued)

Credit risk (continued):

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA. Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

Market risk:
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i.Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

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 December 31, 2021, the Company held no (December 31, 2020 – 3,149,606) restricted common shares of CGOC valued at $Nil (December 31, 2020 – $1,259,842). As at December 31, 2021, the Company's equity investment represented 0% of its current assets, therefore management determined that equity price risk was not material to the Company's operations.

Liquidity risk:

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2021, the Company had cash of $763,345 to settle current financial liabilities of $3,301,545. 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 increased growth, 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, amounts due to related parties, advances payable and note payable. The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2021:

(Expressed in Canadian Dollars)

FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued):

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 2,953,940	$ -
Amounts due to related parties	209,077	-
Advances payable	108,528	-
Note payable	30,000	
Total	$ 3,301,545	$ -

SUBSEQUENT EVENTS

On January 5, 2022, the Company granted 2,144,000 restricted share units ("RSUs") to consultants, directors, officers, and employees of the Company that will become fully vested four months from the date of grant. On May 5, 2022, the Company issued 2,084,000 common shares pursuant to the vesting of the RSUs and 60,000 RSUs are to be issued at a later date.

On January 18, 2022, the Company cancelled 712,875 stock options issued to consultants and issued 1,564,750 stock options with an exercise price of $1.50 and an expiry date of January 18, 2025.

On February 10, 2022, the Company completed the acquisition of all issued and outstanding shares of Awakened Biosciences Inc. ("Awakened"), a research and development company. In consideration, the Company issued 7,030,000 common shares and 1,458,200 replacement warrants, with each warrant entitling holders to acquire a further 1,458,200 common shares of the Company for $1.15 per share for a period of 24 months from closing. 500,000 common shares are subject to a voluntary pooling arrangement. The Company also issued 140,600 common shares as an administration fee.

On February 16, 2022, the Company issued 220,000 stock options with an exercise price of $1.07 and an expiry date of February 16, 2025.

On April 29, 2022, the Company cancelled 1,203,750 stock options issued to consultants and issued 1,713,000 stock options with an exercise price of $0.81 and an expiry date of April 29, 2025.

Subsequent to the year ended December 31, 2021, the Company issued 160,000 common shares pursuant to the exercise of 160,000 warrants.

Subsequent to the year ended December 31, 2021, 43,750 stock options with an exercise price of $2.64 expired unexercised and 25,000 stock options with an exercise price ranging from $5.36 to $8.40 expired as the consultants are no longer retained by the Company.

(Expressed in Canadian Dollars)

OUTSTANDING SHARE DATA

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

	December 31, 2021	June 29, 2022
Common shares	21,447,037	30,861,637
Warrants	2,090,576	3,428,776
Agent Warrants	33,931	33,931
Stock options	1,364,312	2,876,687
Restricted share units	-	60,000
Fully diluted shares	24,935,856	37,261,031

BOARD APPROVAL

The Board of Directors of the Company approved this MD&A on June 29, 2022.

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.

During the year ended December 31, 2021, the Company disposed of all of its assets that were attributable to U.S. marijuana activities. As a result, the Company is no longer subject to the Staff Notice. For further information regarding the risks associated with historic operations of the Company involving U.S. marijuana activities, readers are encouraged to review managements' discussion & analysis for the year ended December 31, 2020.

RISK 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.

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 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 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.

ADDITIONAL INFORMATION

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