CITY VIEW GREEN HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of City View Green Holdings Inc. ("City View" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2020 and 2019. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2020 and 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the years ended December 31, 2020 and 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 30, 2021 unless otherwise indicated.

The 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 International Financial Reporting Interpretations Committee ("IFRIC").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of City View's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Forward-looking statements	Assumptions	Risk factors
For twelve-month period ending December 31, 2021, the Company will be able to continue its business activities.	The Company has anticipated all material costs; the operating activities of the Company for the twelve-month period ending December 31, 2021, and the costs associated therewith, will be consistent with City View's current expectations.	Unforeseen costs to the Company will arise; any particular operating costs increase or decrease from the date of the estimation; changes in economic conditions.
Management's outlook regarding future trends.	Financing will be available for City View's operating activities.	Changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond City View's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause City View's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

The Company was incorporated pursuant to the Canada Business Corporations Act on February 5, 2008. The Company continued into British Columbia from the jurisdiction of Canada, under the BCBCA, on February 18, 2011. On February 27, 2019, the Company completed a reverse take-over business combination with 2590672 Ontario Inc. wherein the Company acquired 100% of the issued and outstanding common shares of 2590672 Ontario Inc. and began trading on the Canadian Securities Exchange ("Exchange") under the symbol "CVGR".

On April 30, 2021, the Company received the cannabis processing license from Health Canada. The processing license allows the Company to produce cannabis edibles and related products and will allow the Company to conduct development activities, including the formulation of proprietary cannabis infused edibles.

City View is a leading cannabis-infused food company focused on the development of food brands, extraction and distribution. City View will incorporate cannabis-infused food production and extraction at its Brantford, Ontario facility. Once operational, it is our expectation that City View will produce high quality cannabis-infused food, oils, distillates, and water-soluble products for the food and beverage markets. In addition, City View owns a stake in Budd Hutt Inc. ("Budd Hutt"), a retail-focused cannabis company with access to cannabis cultivation and production licences in Alberta and other retail opportunities across Canada. Through its relationship with Budd Hutt, the Company anticipates securing shelf space, product placement, and distribution opportunities for City View's products.

Operational Highlights

The Company has not conducted commercial operations. The Company entered into a commercial lease agreement with 1985588 Ontario Inc. for a 40,000 ft^2 facility in Brantford, Ontario, expiring on January 31, 2023. The lease was terminated on July 30, 2019 on the exercise of purchase option and the property transfer to 2705279 Ontario Inc. A new lease was entered between the new landlord for a term of 10 years expiring July 31, 2029 and who will finance all the required build-out and capital improvements required by the Company to maintain the Health Canada processing license and in turn become a fully operational Cannabis grow and extraction facility.

On April 30, 2020, the Company closed an asset purchase transaction (the "Asset Purchase Transaction") with Infusion Works Inc. ("Infusion Works"). See "Asset Acquisition" section.

During April - June 2020, the Company completed non-brokered private placement in 3 tranches, pursuant to which it issued an aggregate of 24,350,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $1,217,500. Each unit is composed of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.05 per warrant for a period of 3 years from the date of issuance, subject to an acceleration provision whereby, after one year from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company incurred share issuance cost of $7,500.

On June 17, 2020, the Company issued 6,970,849 common shares to certain creditors of the Company to settle an aggregate debt of $348,542. The common shares issued had a deemed price of $0.05 based on the fair value.

On July 7, 2020, the Company entered into a revolving line of credit agreement (the "LOC Agreement") with a third party lender ("Lender"), whereby the Company can obtain $1,500,000 of revolving line of credit financing facility to be used exclusively for the purchase of the Company's business related equipment, deposits for construction work and tenant's improvement on the Company's Brantford facility, or for security, rental payments, taxes and insurance related thereto. The funds advanced under the LOC will bear interest at a rate of 10% per annum, and the LOC Agreement will terminate on April 7, 2021.

In consideration for lending the funds advanced, the Company is to issue to the Lender one unit of the Company for each full $1 advanced. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant shall entitle the Lender to purchase one common share of the Company at the greater of $0.15 and a 25% premium to the market price of the Company's common shares at the time of issuance and expire in 2 years.

On September 14, 2020, the Company granted 14,320,000 stock options to its directors, employees and consultants of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years.

On October 7, 2020, the Company granted 200,000 stock options to a consultant of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years.

On November 3, 2020, the Company issued 550,000 warrants to a consultant of the Company. Each warrant is exercisable into one common share at a price of $0.10 per share and expires in 3 years.

On December 24, 2020, the Company completed the first tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 4,200,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $210,000. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.10 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

Asset Acquisition

On April 30, 2020, the Company closed an asset purchase transaction (the "Asset Purchase Transaction") with Infusion Works Inc. ("Infusion Works"). The Asset Purchase Transaction involved the acquisition of certain know-how, intellectual property and machinery related to food manufacturing, including baked goods, chocolates and other confectionary products containing various cannabinoids.

Pursuant to the Asset Purchase Transaction, the Company acquired equipment for the production of cannabis-infused food products including certain intellectual property related to the production thereof. In addition, Infusion shall pay a deposit of $439,238 (the "Deposit") to the Company to be used towards the purchase of certain new food manufacturing equipment and shall assign to City View the economic benefit of all existing contracts and future contracts or the contracts themselves at the time the Company receives the Licence (as defined hereinbelow).

In consideration, the Company will issue to Infusion an aggregate of 46,462,114 common shares in the capital of the Company ("Consideration Shares") issuable in three tranches, subject to an adjustment (the "Adjustment"). The first tranche was issued on April 30, 2020 and consisted of 9,292,422 shares. The second tranche shall be issued upon receipt by the Company of the Deposit and shall consist of 13,938,634 shares. The third and final tranche (the "Third Tranche") shall be issued upon the receipt by the Company of a Health Canada licence under the Cannabis Act (the "Licence") and shall consist of 23,231,057 shares. Pursuant to the Adjustment, at the time of Third Tranche, the Company will issue to Infusion such number of shares equal to 19.99% of the amount by which the issued and outstanding number of shares on the date of issuance of the third tranche shares exceeds 257,276,785. Moreover, the Company and Infusion have entered into a profit sharing agreement pursuant to which the Company shall pay to Infusion 10% of its EBIT for a period of 3 years commencing on the date of receipt of the Licence, payable in shares at a price equal to the 15-day volume weighted average price of the shares on the CSE prior to the applicable period.

In connection with the Transaction, the Company and Infusion have each paid a finder a finder fee of 500,000 shares, for a total of 1,000,000 shares issuable in two equal tranches. The first tranche of the finders' shares was paid on April 30, 2020 and the second tranche of finder shares shall be paid at the time of the Third Tranche.

Trends

Due to the worldwide COVID-19 outbreak, material uncertainties may come into existence that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- The severity and the length of potential measures taken by governments to manage the
- spread of the virus, and their effect on labour availability and supply lines;
- Availability of essential supplies, such as water and electricity;
- Purchasing power of the Canadian dollar; or
- Ability to obtain funding

The Canadian government has not introduced measures which impede the activities of the Company. Management believes the business will continue and accordingly, the current situation bears no impact on management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Apart from these and the risk factors noted under the heading "Risks and Uncertainties", the Company is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Selected Annual Financial Information

	Year ended December 31, 2020 ($)	**Year ended December 31, 2019 ($)**	**Year ended December 31, 2018 ($)**
Net loss and comprehensive loss for the period	(5,612,287)	(24,557,856)	(4,085,312)
Basic and diluted loss per share	(0.03)	(0.14)	(0.33)
Total assets	7,687,301	5,588,940	541,695

Selected Quarterly Financial Information

As City View has no revenue, the Company's ability to fund its operations is dependent upon its ability to secure financing through equity issuances or the sale of assets. See "Trends" above and "Risk Factors" below.

A summary of selected information for the most recent quarter is as follows:

Three Months Ended	Total Revenue ($)	Income (Loss) Total ($)	Income (Loss) Per Share ($)	Total Assets ($)
December 31, 2020	-	(2,276,637)	(0.01)	7,687,301
September 30, 2020	-	(2,075,811)	(0.01)	7,965,719
June 30, 2020	-	(422,297)	(0.00)	5,839,363
March 31, 2020	-	(837,542)	(0.00)	5,062,677
December 31, 2019	-	(7,117,662)	(0.03)	5,588,940
September 30, 2019	-	(956,578)	(0.01)	10,258,977
June 30, 2019	-	(1,861,343)	(0.01)	8,694,888
March 31, 2019	-	(14,622,273)	(0.09)	8,974,443

Discussion of Operations

The Company's net loss totaled $5,612,287 for the year ended December 31, 2020 with basic and diluted loss per share of $0.03, compared to net loss of $24,557,856 for the year ended December 31, 2019, with basic and diluted loss per share of $0.14. The Company had no revenue during the period. The decrease in net loss was mainly due to the following:

- Rent decreased to $237,744 for the year ended December 31, 2020 compared to $533,609 for the year ended December 31, 2019. Gain on lease modification also increased to $223,720 for the year ended December 31, 2020 from $126,933 for the year ended December 31, 2019. During the year ended December 31, 2020, the Company negotiated with its landlord to have the monthly rent payable reduced at the Brantford facility.

- Share-based compensation increased to $3,481,735 for the year ended December 31, 2020 compared to $1,996,256 for the year ended December 31, 2019. Share-based compensation varies based on the vesting of the stock options and warrants issued.

- Share of gain in associate increased to $132,872 for the year ended December 31, 2020 from a loss of $469,940 for the year ended December 31, 2019. This based on the Company's share of income or loss from its associate, Budd Hutt Inc.

- Impairment loss from investment in associate decreased to $nil for the year ended December 31, 2020 from $4,149,140 for the year ended December 31, 2019. This relates to the write down of the Company's investment in Budd Hutt Inc.

- Listing expense decreased to $nil for the year ended December 31, 2020 from $14,905,141 for the year ended December 31, 2019. The listing expense relates to the Company's reverse take-over transaction in February 2019.

As at December 31, 2020, total assets are $7,687,301 (December 31, 2019 - $5,588,940) which include cash and cash equivalents of $152,577 (December 31, 2019 - $6,026), amounts receivable of $275,629 (December 31, 2019 - $243,529), prepaid rent and deposit of $186,711 (December 31, 2019 - $123,176), promissory notes receivable of $497,901 (December 31, 2019 - $372,272), plant and equipment of $629,167 (December 31, 2019 - $248,579), right-of-use assets of $2,825,626 (December 31, 2019 - $3,495,358), intangible assets and goodwill of $1,886,818 (December 31, 2019 - $nil), and investments of $1,232,872 (December 31, 2019 - $1,100,000).

Liquidity and Financial Position

The activities of the Company have been financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that equity capital will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all.

Cash Flows

At December 31, 2020, the Company had cash and cash equivalents of $152,577. The increase in cash and cash equivalents of $146,551 from the December 31, 2019 cash and cash equivalents balance of $6,026 was as a result of cash inflow from financing activities of $1,503,417, partially offset by cash outflow in operating activities of $897,470 and cash outflow in investing activities of $459,396.

Operating activities were affected by adjustments of depreciation of $433,249, share-based compensation of $3,481,735, accrued interest of $38,776, interest expense on lease liabilities of $421,339, debt issue cost of $158,202, gain on lease modification of $223,720, share of gain in associate of $132,872 and net change in non-cash working capital balances of $538,108 due to changes in amounts receivable and prepaid rent and deposit, and accounts payable and accrued liabilities.

Investing activities included purchase of plant and equipment for $438,688, repayment of lease payments of $445,636 and asset purchase transaction costs of $14,310, partially offset by $439,238 received as a part of asset purchase transaction.

Financing activities included proceeds from issuance of common shares, net of share issue costs of $1,420,000, proceeds from stock options and/or warrants exercised of $122,500, proceeds from loans payable of $451,688 and shares to be issued of $210,000. This was partially offset by repayment of promissory notes of $606,771 and promissory notes advanced of $94,000.

Liquidity and Financial Position

As at December 31, 2020, the Company had a working capital deficiency of $513,533 (December 31, 2019 – working capital deficiency of $724,845) which included promissory notes receivable of $497,901 (December 31, 2019 - $372,272). The Company also incurred a net loss of $5,612,287 during the year ended December 31, 2020 and has yet to achieve profitable operations thereby accumulating a deficit of $34,615,469 (December 31, 2019 - $29,003,182). These continuing losses cast significant doubt about the Company's ability to continue as a going concern. Accordingly, the Company will need to raise additional capital through equity issuance and other available means in order to continue funding its operations. The outcome of these matters cannot be predicted at this time.

Related Party Transactions

Related parties include key management being the Company's executive officers, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The following related party transactions were conducted in the normal course of operations and were made on an arm's length basis:

	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Consulting	245,940	445,442
Professional fees	50,545	Nil
Share-based compensation	1,297,061	528,984
	1,593,546	**974,426**

As at December 31, 2020, $79,237 (December 31, 2019 - $75,208) included in accounts payable and accrued liabilities was payable to key management personnel.

Outstanding Share Capital

As at December 31, 2020, the Company's share capital was as follows:

Authorized: Unlimited common shares without par value

Securities	Number
Common shares issued and outstanding	247,461,530
Share purchase options	29,789,732
Warrants	39,888,021
Fully diluted share capital	**317,139,283**

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

Other than the transactions described in "Subsequent Events" section, there are no proposed transactions of a material nature being considered by the Company. The Company continues to evaluate properties and corporate entities that it may acquire in the future.

Contingencies

The Company's former CEO filed a claim with the Ontario Ministry of Labour for unpaid salaries. The claim totals $120,000. The Company has recognized a provision for this amount, which was paid subsequent to December 31, 2020.

Subsequent Events

In January 2021, the Company completed the second and final tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 11,400,000 units for aggregate gross proceeds of $570,000. No commissions or finder's fees were paid in connection with the second tranche. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.10 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

In February 2021, the Company granted 600,000 stock options to consultants of the Company exercisable at $0.12 per common share. The options vested immediately and expire in 3 years.

In April 2021, the Company announced that it is undertaking a non-brokered private placement of up to 25,000,000 units at $0.08 per unit for proceeds of up to $2,000,000. On April 9, 2021, the Company closed the first tranche of the private placement and issued 3,892,500 for total gross proceeds of $311,400. Each unit consists of one common share of the Company and one half warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of $0.15 per share for a period of 2 years from the closing date, subject to acceleration from and after the date that is fourth months and one day after the closing date, if the closing price of the Company's common shares on the CSE is equal to or exceeds $0.20 for 10 consecutive trading days, at which time the Company may accelerate the expiry date of the warrants to the date that is 30 following the date on which the Company issues notice to all the warrant holders of the new expiry date.

On April 30, 2021, the Company received the cannabis processing license from Health Canada. The processing license allows the Company to produce cannabis edibles and related products and will allow the Company to conduct development activities, including the formulation of proprietary cannabis infused edibles.

Environmental Contingency

The Company's operating activities are subject to various government laws and regulations relating to the protection of the environment and all phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These environmental regulations are continually changing and generally becoming more restrictive. The Company maintains, and anticipates continuing to maintain, a policy of operating its business in compliance with all environmental regulations. As of December 31, 2020, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

Critical Accounting Estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Impairment of plant and right-of-use assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.

Share-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Warrants – management is required to make a number of estimates when measuring the value of warrants including the forfeiture rate and expected life of the instruments.

Plant and right-of-use assets - management is required to estimate the useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

Intangible assets – The Company applies judgment to assess whether there are any indications that its intangible assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period.

Recoverability of promissory notes receivable – Management's assessment of whether indicator of write off the receivable are present requires judgment based on facts and circumstances at reporting period ends.

Critical judgments in applying accounting policies

Income taxes – measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Going concern – the assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

Impairment assessment of investment in associate – Management's assessment as to whether there is any objective evidence that its net investment in the associate is impaired. Management must determine whether there has been a loss event that has an impact of the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital structure to consist of share capital, shares to be issued, contributed surplus, and deficit, which at December 31, 2020 totaled $3,107,439 (December 31, 2019 - $638,331). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution.

Financial Risk Management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company has a working capital deficiency of $513,533 (December 31, 2019 - working capital deficiency of $724,845). The Company had a cash balance of $152,577 (December 31, 2019 - $6,026) to settle current financial liabilities of $1,626,351 (December 31, 2019 - $1,469,848). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short term loans.

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 equity prices.

Interest rate risk

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's interest-bearing debts and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign currency risk with respect to the expenditures incurred by its US subsidiaries.

Fair Value

The carrying amount of each accounts payable and accrued liabilities and short-term loans approximates their fair value because of the short-term maturities of these items.

Risks and Uncertainties

Commercial medical cannabis production is a new industry in Canada and relies on obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk. There is a significant risk that the expenditures made by the Company in developing its medical cannabis business will not result in profitable operations.

The Company's financial condition, results of operation and business are subject to certain risks, certain of which are described below (and elsewhere in this MD&A):

Regulatory Risks

The Company operates in a new industry which is highly regulated and is a market which is very competitive and evolving rapidly. 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.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs 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.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Operating History

The Company has a very limited history of operations, is in the early stage of obtaining the ACMPR license and must be considered a start-up Company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. 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 its early stage of operations.

Reliance on Single Facility

To date, the Company's activities and resources have been primarily focused on its Brampton, Ontario facility. The Company expects to continue the focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility could have a material and adverse effect on the Company's ability to continue producing medical cannabis, its business, financial condition and prospects.

Commodity Price Risks

Cannabis is a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because medical cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for medical cannabis and has arranged its proposed business accordingly, however, there can be no assurance that price volatility will be favorable to the Company. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate, the number of patients who gain physician approval to purchase medical cannabis. An adverse change in the cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Reliance of Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Risks Inherent in an Agriculture Business

The Company's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks.

Competition

While the cannabis industry is new, there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and market experience that the Company. As a result of the increased competition, the Company's future revenues, operations and financial condition could be materially adversely affected.

Additional Capital

Entering the ACMPR regulated medical cannabis marketplace requires substantial outlay of capital. The Company currently generates no operating revenues; therefore, for the foreseeable future, it will be dependent raising capital through a combination of debt and/or equity offerings. There can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Dilution to Common Shares

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional options and warrants or additional common shares from time to time in the future. If it does so, the ownership interest and voting power of the Company's then current shareholders could also be diluted.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares. The Company has previously issued common shares and accordingly, a significant number of shareholders of the Company have an investment profit in the Common Shares that they may seek to liquidate.