

**CITY VIEW GREEN HOLDINGS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEARS ENDED DECEMBER 31 AND 2020**

## **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, 2021 and 2020. 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, 2021 and 2020, 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, 2021 and 2020 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April XX, 2022 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.

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<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
For twelve-month period ending December 31, 2022, 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, 2022, 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". The Company's registered office is located at 1173 Dundas Street East, Suite 132, Toronto, Ontario, M4M 3P1.

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 to conduct development activities, including the formulation of proprietary cannabis infused edibles.

On April 21, 2022, the Company also received its cannabis research licence under Health Canada. This licence permits the Company to conduct controlled human sensory (taste) trials of cannabis infused products. Activities granted include, 1) to possess cannabis for the purpose of research, and 2) to produce cannabis for the purpose of research. As an essential part of new product development, taste tests will lead the Company to bring to market high quality edibles that are reflective of market trends and consumer preference.

City View is a leading consumer packaged goods company focused on the development of cannabis-infused edibles. With the receipt of its Cannabis Act processing licence on April 30, 2021 through its wholly owned subsidiary, City View will incorporate cannabis-infused food production at its Brantford, Ontario high-capacity facility. In addition, City View owns a 27.5% 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 our white label partner products. For more information visit: [www.cityviewgreen.ca](http://www.cityviewgreen.ca) or [www.buddhutt.com](http://www.buddhutt.com).

### **Operational Highlights**

On January 8, 2021, the Company completed a non-brokered private placement, pursuant to which it issued an aggregate of 11,400,000 units for aggregate gross proceeds of \$570,000. 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 \$0.05 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.

On January 29, 2021, the Company issued 1,082,197 common shares to certain creditors of the Company to settle an aggregate debt of \$91,987. The common shares issued had a deemed price of \$0.11 based on the fair value. The common shares issued had a deemed price of \$0.11 based on the fair value and as a result, the Company recognized a loss on settlement of debt of \$27,055.

On February 18, 2021, the Company granted 600,000 stock options to consultants of the Company exercisable at \$0.12 per common share. The options vest immediately and expire in 3 years.

In April 2021, the Company completed a non-brokered private placement, pursuant to which it issued an aggregate of 5,205,000 units for aggregate gross proceeds of \$416,400. Each unit is composed of one common share of the Company and one half share purchase warrant. Each whole warrant entitles 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 issued 2,755,900 common shares to settle \$220,472 of the line of credit.

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.

In August 2021, the Company obtained a \$225,000 secured loan from Quinsam Capital Corporation ("Quinsam"). The loan is repayable by December 31, 2021, bears interest at 10% per annum, and is secured by the Company's assets. In connection therewith, the Company issued 750,000 warrants to Quinsam. Each warrant is exercisable for one common share of the Company at a price of \$0.15 per share for a period of 2 years.

On August 11, 2021, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 9,044,142 units for gross proceeds of \$633,090. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.15 per share for a period of 2 years.

On October 8, 2021, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 2,500,714 units for gross proceeds of \$175,050. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.15 per share for a period of 2 years.

On December 22, 2021, the Company issued 3,862,787 common shares to certain creditors of the Company to settle an aggregate debt of \$270,395.

On December 22, 2021, the Company granted 3,900,000 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 3 years.

## **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.

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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, 2021 (\$)	Year ended December 31, 2020 (\$)	Year ended December 31, 2019 (\$)
Net loss and comprehensive loss for the year	(4,623,325)	(5,612,287)	(24,557,856)
Basic and diluted loss per share	(0.02)	(0.03)	(0.14)
Total assets	5,096,376	7,687,301	5,588,940

### **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 Assets (\$)
		Total (\$)	Per Share (\$)	
December 31, 2021	-	(2,758,209)	(0.01)	5,096,376
September 30, 2021	-	(669,381)	(0.00)	7,750,324
June 30, 2021	-	(674,304)	(0.00)	7,696,190
March 31, 2021	-	(521,431)	(0.00)	7,810,192
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

### **Discussion of Operations**

#### **Three Months Ended December 31, 2021 Compared to Three Months Ended December 31, 2020**

The Company's net loss totaled \$2,758,209 for the three months ended December 31, 2021 with basic and diluted loss per share of \$0.01, compared to net loss of \$2,276,637 for the three months ended December 31, 2020, with basic and diluted loss per share of \$0.01. The Company had no revenue during the period. The increase in net loss was mainly due to the following:

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- Consulting increased to \$327,266 for the three months ended December 31, 2021 (2020 - \$190,268) as Company hired less external consultants during the current period.
- Share-based compensation decreased to \$163,800 for the three months ended December 31, 2021 (2020 - \$1,841,925). Share-based compensation varies depending on the values of stock options granted during the period.
- Share-based compensation decreased to 4163,800 (2020 - \$1,841,925). Share-based compensation varies depending on the values of stock options granted during the period.
- Impairment of intangible assets and goodwill increased to \$382,360 (2020 - \$nil) as the Company's asset purchase transaction was terminated subsequent to December 31, 2021.
- Impairment loss from investment in associate increased to \$1,093,130 (2020 - \$nil) as the Company assessed an impairment on its investment in Budd Hutt.

**Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

The Company's net loss totaled \$4,623,325 for the year ended December 31, 2021 with basic and diluted loss per share of \$0.02, compared to net loss of \$5,612,287 for the year ended December 31, 2020, with basic and diluted loss per share of \$0.03. The Company had no revenue during the period. The decrease in net loss was mainly due to the following:

- Consulting fees decreased to \$637,113 for the year ended December 31, 2021 (2020 - \$761,412) as the Company hired less external consultants.
- Share-based compensation decreased to \$231,800 for the year ended December 31, 2021 (2020 - \$3,481,735). Share-based compensation varies depending on the values of stock options granted during the period.
- Depreciation increased to \$989,342 for the year ended December 31, 2021 (2020 - \$433,249) as the Company acquired more equipment during the current period.
- Impairment of intangible assets and goodwill increased to \$382,360 (2020 - \$nil) as the Company's asset purchase transaction was terminated subsequent to December 31, 2021.
- Impairment loss from investment in associate increased to \$1,093,130 (2020 - \$nil) as the Company assessed an impairment on its investment in Budd Hutt.

**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.

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### **Cash Flows**

At December 31, 2021, the Company had cash and cash equivalents of \$42,655. The decrease in cash and cash equivalents of \$109,922 from the December 31, 2020 cash and cash equivalents balance of \$152,577 was as a result of cash outflow in operating activities of \$117,528 and cash outflow in investing activities of \$2,258,911, partially offset by cash inflow from financing activities of \$2,266,597.

Operating activities were affected by adjustments of depreciation and amortization of \$989,342, share-based compensation of \$231,800, accrued interest of \$14,127, interest expense on lease liabilities of \$394,405, debt issue cost of \$37,300, loss on debt settlement of \$23,815, share of loss in associate of \$139,742, impairment loss from investment in associate of \$1,093,130, impairment of intangible assets and goodwill of \$382,360 and net change in non-cash working capital balances of \$1,199,776 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 \$1,727,175, repayment of lease payments of \$531,816, and repayment of promissory note receivable of \$157,057.

Financing activities included proceeds from issuance of units, net of share issue costs of \$1,584,540, proceeds from warrants exercised of \$5,000, proceeds from promissory note payable of \$225,000, advances from related parties of \$20,000, and shares to be issued of \$275,000.

### **Liquidity and Financial Position**

As at December 31, 2021, the Company had a working capital deficiency of \$1,603,855 (December 31, 2020 – working capital deficiency of \$513,533). The Company also incurred a net loss of \$4,623,325 during the year ended December 31, 2021 and has yet to achieve profitable operations thereby accumulating a deficit of \$39,238,794 (December 31, 2020 - \$34,615,469). 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:

	<b>Year Ended December 31, 2021 \$</b>	<b>Year Ended December 31, 2020 \$</b>
Consulting	231,250	245,940
Professional fees	39,200	49,379
Share-based compensation	83,692	1,297,061
	<b>365,113</b>	<b>1,592,380</b>



As at December 31, 2021, \$269,469 (December 31, 2020 - \$79,237) included in accounts payable and accrued liabilities was payable to key management personnel.

During the year ended December 31, 2021, a director of the Company advanced \$20,000 to the Company. The advance is non-interest bearing and repayable on demand.

During the year ended December 31, 2021, the directors of the Company subscribed for an aggregate of 5,069,643 units for gross proceeds of \$346,000 (year ended December 31, 2020 - an aggregate of 4,000,000 units for gross proceeds of \$200,000).

### **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.

### **Subsequent Events**

On March 10, 2022, the Company and Infusion Works Inc. ("Infusion") agreed to a settlement (the "Settlement") to terminate the asset purchase transaction (the "Asset Purchase Transaction"). In conjunction with the termination, Mr. Karl Wirtz resigned as a director of the Company.

Under the terms of the Settlement, the parties agreed:

- Infusion will continue to provide its expertise to the Company and its subsidiaries;
- Infusion will provide contract manufacturing services for Pawsperity and Therasnax pet snacks;
- Infusion will no longer have the right to appoint a nominee to the Company's board;
- The Company will not issue to Infusion the Third Tranche consideration shares previously required under the Asset Purchase Transaction;
- Of the consideration shares previously issued to Infusion under the Asset Purchase Transaction, 8,542,222 shares held in escrow will be released quarterly over the next 3 years based on the value of services Infusion contributes to the Company;
- Infusion will transfer certain intellectual property relating Pawsperity and Therasnax pet snacks;
- Any profits associated with Pawsperity and Therasnax pet snacks will be for the sole benefit of the Company; and
- Infusion will transfer the Panacea trademark and related intellectual properties to the Company.

On March 17, 2022, the Company closed a non-brokered private placement, pursuant to which it issued an aggregate of 9,600,000 units for aggregate gross proceeds of \$480,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to

purchase one common shares of the Company at a price of \$0.10 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 \$0.11 for 5 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. As at December 31, 2021, the Company received \$275,000 in relation to the private placement.

The Company also issued 1,261,784 common shares to certain creditors of the Company to settle an aggregate debt of \$88,325.

On March 17, 2022, the Company granted 500,000 stock options to a consultant of the Company exercisable at \$0.10 per common share. The options vest immediately and expire in 3 years.

On April 21, 2022, the Company received its cannabis research licence under Health Canada's Cannabis Act and Cannabis Regulations. The licence permits the Company to conduct controlled human sensory (taste) trials of cannabis infused products.

### **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, 2021 totaled \$77,565 (December 31, 2020 - \$3,062,963). 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, 2021, the Company has a working capital deficiency of \$1,603,855 (December 31, 2020 - working capital deficiency of \$513,533). The Company had a cash balance of \$42,655 (December 31, 2020 - \$152,577) to settle current financial liabilities of \$2,177,200 (December 31, 2020 - \$1,626,351). 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 than 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.