Pac Roots Cannabis Corp. (formerly Mountain Lake Minerals Inc.)

Management's Discussion and Analysis

For the twelve months ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

Introduction

This management's discussion and analysis of the financial condition as of October 29, 2020 provides an analysis of the Company's financial results and progress for the twelve months ended August 31, 2020. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements for the period ended August 31, 2020 which were prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts are expressed in Canadian dollars.

Certain statements and information related to Pac Roots Cannabis Corp.'s business contained in this Management's Discussion and Analysis are of a forward-looking nature. They are based on opinions, assumptions or estimates made by the Company's management or on opinions, assumptions or estimates made available to or provided to and accepted by the Company's management. Such statements and information are reflecting management's current views and expectations of future events or results and are subject to a variety of risks and uncertainties that are beyond management control. Readers are cautioned that these risks and uncertainties could cause actual events or results to significantly differ from those expressed, expected or implied and should therefore not rely on any forward-looking statements.

This MD&A is prepared as at October 29, 2020. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Overview

Pac Roots Cannabis Corp. (formerly Mountain Lake Minerals Inc.), (the "Company") was incorporated on May 16, 2012 in British Columbia under the Business Corporations Act. The address of the Company's corporate office and its principal place of business is 1055 Hastings Street, Unit 300, Vancouver, British Columbia, Canada.

The Company is in the process of applying for a license to produce cannabis. Operations have not commenced as of the date of these condensed interim consolidated financial statements

On June 6, 2018, Mountain Lake Minerals Inc. ("MLK"), a publicly listed entity on TSX-V, executed a definitive share exchange agreement with 1157630 B.C. Ltd. ("1157630"), a private company, and its shareholders for the acquisition of all of the issued and outstanding shares of 1157630 and its subsidiary Go Green (the "Go Green Transaction") and completed a reverse take-over ("RTO").

On April 28, 2020, the RTO was completed whereby MLK acquired 100% of the issued and outstanding common shares of 1157630 in exchange for 40,000,000 common shares. Immediately prior to the completion of the RTO, MLK had 12,249,629 common shares and 7,141,976 share purchase warrants with a strike price between $0.50 and $1.50 expiring on April 28, 2021. Upon completion of the RTO, MLK changed its name to Pac Roots Cannabis Corp. Common shares and share purchase warrants were exchanged for equivalent securities of 1157630 on a one to one basis.

On September 18, 2020, the Company closed the share purchase agreement with 1088070 BC. LTD., a company existing under the laws of the Canada ("1088") and Dave Jonkman and Norm Tapp (together, the "1088 Shareholders" and each, a "1088 Shareholder") pursuant to which the Company would acquire all of the issued and outstanding shares of 1088. 1088 owns and controls nine parcels of land comprised of 250 acres of land suitable for cultivation in the Fraser Valley Region of British Columbia.

The Company will pay an aggregate of $1.5 million in cash and issue an aggregate of 3 million common shares to the 1088 Shareholders, pro rata in accordance with their holdings as follows (the "Consideration"):

a) 375,000 shares to be issued on or before the date which is 30 days from the date of Closing (the "Closing Date") (Issued on October 5, 2020);
b) $200,000 within three months of the Closing Date;
c) $300,000 in cash and 562,500 common shares within 12 months of the Closing Date;
d) $400,000 in cash and 937,500 common shares within 18 months of the Closing Date; and
e) $600,000 and 1,125,000 common shares within 24 months after the Closing Date. Pending the payment of the Consideration in full, 1088 will grant a mortgage over its land package in favor of the 1088 Shareholders.

Overview (Continued)

On August 31, 2020, the Company announced that it will be conducting a non-brokered private placement of units (the "Units") at a price of $0.25 per Unit for gross proceeds of up to $2,000,000 (the "Offering"), subject to the over-allotment option described below. The Placement is an offering of up to 8,000,000 units (the "Units") at CDN$0.25 per Unit.

Each Unit consists of one Share and one Warrant exercisable at CDN$0.40 per share for 24 months from issue of the Units. The Units to be issued under the financing will be subject to a four month hold period. The Company may close the Offering in one or more tranches. A finder's fee is payable on subscriptions by certain of the subscribers of 7% of the cash proceeds paid by such subscribers and warrants to purchase 7% of the number shares issuable to such subscribers in respect of their subscriptions for Units.

On September 3, 2020, the Company closed the first tranche of its non-brokered private placement as previously announced on August 31, 2020. In the first tranche aggregate gross proceeds of $470,750 CAD were raised through the issuance of 1,883,000 of units (the "Units"). Each Unit consists of one Share and one Warrant exercisable at CDN$0.40 per share for 24 months from issue of the Units. The Units issued under the financing will be subject to a four month hold period. The Company paid finder's fees totaling $23,100 CAD and issued 92,400 finder's warrants (the "Finders Warrants") to arm's-length parties. Each Finders Warrant is exercisable into one common share for a period of up to two (2) years at a price of $0.25.

On September 28, 2020 the Company entered into a consulting agreement with Mr. Grant Galloway and Mr. Christopher Biggin (dba cannacapfund.com) whom provide investor relations services. Together, they will focus on broadening the Company's exposures to institutions, brokers and private investors in Canada, the United States and abroad. The Agreement has an initial term of three months, which can be extended by the mutual agreement of both parties. The monthly fee is $15,000 CAD and does not include any incentive stock options. Mr. Galloway and Mr, Biggin are independent, arm's length investor relations and financial professionals. Neither party has no direct or indirect interest in the securities of the Company as of the date hereof but may purchase its securities from time to time for investment purposes.

Overall Performance

During the period ended August 31, 2020, the Company had minimal activity as it prepared to complete the RTO transaction. Concurrent with the RTO transaction, the Company completed a private placement issued common shares pursuant to the Phenome License agreement. Further, the Company completed its Spin-Off arrangement where the Company's exploration and evaluation properties were transferred to 1167343 B.C. Ltd., and the Company entered into an agreement with Rock Creek Farms Ltd. to form the Rock Creek Farms joint venture.

Asset Acquisition

1065703 B.C. Ltd.

On April 20, 2018 the Company entered into a share purchase agreement (the "Agreement") with 1065703 B.C. Ltd. ("1065703") to acquire 100% of all the issued and outstanding shares of Go Green B.C. Medicinal Marijuana Ltd. ("Go Green") from 1065703 in exchange for $2,000,000 paid in cash and the issuance of common shares. The consideration is detailed as follows:

- $275,000 in cash (paid);
- $225,000 in cash three months following the closing date (paid);
- $500,000 in cash on or before the earlier of November 15, 2018 or the issuance of a cultivation license by Health Canada (paid); and
- $1,000,000 in common shares on the earlier of December 15, 2018 or such time as that the Company completes a going public transaction (the "Delivery Date"). The number of common shares issued will be based on the Company's stock price at the Delivery Date.

(Expressed in Canadian Dollars)

Asset Acquisition (Continued)

1065703 B.C. Ltd. (Continued)

The details of the purchase have been accounted for as follows:

Cash paid	$	500,000
Cash paid net of accreted interest to November 15, 2018		420,000
Fair Value of common shares issued		1,000,000
Total consideration	$	1,920,000
Intangible asset acquired	$	1,920,000

The Company has accounted for the purchase as an asset acquisition as it did not meet the criteria under IFRS 3 "Business Combinations" to be classified as a business acquisition. Of the consideration exchanged, $500,000 was paid during the period ended August 31, 2018 and the remaining balance of $1,500,000 was set up as a current liability. The Company discounted the liability at a rate of approximately 20% in order to provide for its current present value. The liability will be accreted based on the payment terms noted above. During the year ended August 31, 2019, the Company recorded an accretion expense of $80,000 and made cash payment of $500,000.

The intangible asset consisted of in-process licensing application relating to the Go Green's license application to produce cannabis in Canada ("Intangible Asset"). In accordance with the Company's accounting policy, the Intangible Asset is subject to an annual impairment test and as a result the full value of the intangible asset purchased of $1,920,000 was impaired and charged to the consolidated statement of comprehensive loss for the period ended August 31, 2018. As of the date of approval of these condensed interim consolidated financial statements, the approval of the processing and cultivation license has not been granted.

During the year ended August 31, 2019, the Company and 1065703 amended the terms of the Agreement, whereby the Company agreed to increase the share consideration to $1,015,000, payable on the earlier of November 30, 2019 or such time as the Company completes a going public transaction (unissued). Pursuant to the amended Agreement, the market value of the common shares was determined to be $0.30 per common share. The additional $15,000 was impaired and charged to the consolidated statement of comprehensive loss for the year ended August 31, 2019. Currently the Company is in default as it has not delivered the share consideration to 1065703 by November 30, 2019. 1065703 has not taken any legal action as of the date of these condensed interim consolidated financial statements. Both parties continue to negotiate and 1065703 has not executed upon its security as a result of the default. 1065703 has security in the form of all the outstanding shares of Go Green.

Pursuant to the completion of the RTO, shares were issued to 1065703 valued at $1,015,000. The balance payable as at August 31, 2020 is $Nil (August 31, 2019 - $1,015,000).

Asset Acquisition (Continued)

Phenome License

On April 8, 2019, the Company entered into a license agreement (the "Phenome License") with Phenome One Corp. ("Phenome"). The Company will have access to Phenome's assets, including a genetic cannabis library of certain cultivars, technical and materials.

As consideration, the Company will pay cash of $250,000 and issue 10,000,000 common shares as follows:

- 2,500,000 common shares on the date in which the Company receives approval from the CSE for the Fundamental Change Transactions (the "approval date") (Issued,);
- 2,500,000 Pac Roots Shares on the date on which is three months following the approval date;
- 2,500,000 Pac Roots Shares on the date on which is six months following the approval date; and
- 2,500,000 Pac Roots Shares on the date on which is nine months following the approval date;
- $50,000 in cash on the date which is 18 months following the approval date;
- $100,000 in cash on the date which is 24 months following the approval date; and
- $100,000 in cash on the date which is 30 months following the approval date.

In addition, the Company will make non-refundable, non-creditable royalty payments to Phenome equal to 5% of gross sales of products, which royalty shall be payable within 60 days of each calendar quarter. The Phenome License Agreement will continue for as long as the Company has payment obligations, including the royalty payments, to Phenome, unless earlier terminated as a result of breach of the agreement or other circumstances, including where gross sales of products in any two consecutive calendar quarters, after 2019, are less than $1,000,000. The Cinoaby has been granted a right of first refusal in respect of any of the licensed cultivars, technology or materials (the "licensed material"), subject to certain exceptions as set forth in the Phenome License Agreement, such that should Phenome receive a bona fide offer from an independent third party dealing with it arm's length to acquire such licensed material, it must first offer the licensed material to the Company on terms no less favorable than those offered to it. The Company will have a period of 30 days to accept such offer, failing which Phenome will be entitled to sell the licensed material on the terms specified for a period of 60 days.

Under the Phenome License Agreement, the Company will have the sole responsibility and decision-making authority in relation to development and commercialization activities in respect of the licensed materials, at its own cost, but shall provide progress reports to Phenome of its activities within 60 days of each calendar quarter.

Pursuant to terms of the Phenome License, the Company recorded intangible assets of $3,168,981 representing the common share and discounted the cash payable to reflect the time value of money. During the period ended August 31, 2020, the Company issued 2,500,000 common shares with a fair value of $750,000 and recorded consideration payable of $2,250,000. The Company discounted the cash consideration using a discount rate of 20% to reflect the time value of money related to future cash outlays and resulted in a present value of $168,981.

Reverse Takeover Transaction

1157630 B.C. Ltd.

On June 6, 2018, MLK, a publicly listed entity on TSX-V, executed a definitive share exchange agreement with 1157630, a private company, and its shareholders for the acquisition of all of the issued and outstanding shares of 1157630 and its subsidiary Go Green (the "Go Green Transaction") and completed a RTO.

On April 28, 2020, the Go Green Transaction was completed whereby MLK acquired 100% of the issued and outstanding common shares of 1157630 and Go Green in exchange for 40,000,000 common shares issued to 1157630. Immediately prior to the completion of the RTO, MLK had 12,249,629 common shares and 6,914,333 share purchase warrants with a strike price between $0.50 and $1.50 expiring between March 29, 2020 to October 30, 2020. Upon completion of the RTO, MLK changed its name to Pac Roots Cannabis Corp. Common shares and share purchase warrants were exchanged for equivalent securities of 1157630 on the basis of one Pac Roots Cannabis Corp. share for every 1 share of 1157630.

Concurrent with the Go Green Transaction, the Company spun off its interest in mineral properties interest to its subsidiary 1167343 B.C. Ltd. ("Spinco").

(Expressed in Canadian Dollars)

Reverse Takeover Transaction (continued)

In addition, the Company issued 2,500,000 common shares with a fair value of $1,015,000 and acquired the Phenome License.

The RTO has been accounted for as a share-based payment transaction on the basis that MLK did not meet the definition of a business as it had no ongoing business operations. As 1157630 is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. MLK's results of operations have been included from April 28, 2020, the date of the RTO. For purposes of this transaction, the consideration received was the fair value of the net assets of MLK which on April 28, 2020, was $1,489,414. This amount was calculated as follows:

Fair value of 12,249,629 of common share consideration	$	3,674,889
Cash		(164)
Advances		2,138,619
Receivables		67,944
Prepaid expenses		23,094
Exploration and evaluation assets		211,516
Equipment		3,470
Accounts payable and accrued liabilities		(589,338)
Notes payable		(66,000)
Loans		(300,000)
Net identifiable assets acquired	$	1,489,141
Listing expense	$	2,185,748

Plan of arrangement

On May 22, 2020, the Company completed the plan of arrangement ("Arrangement") with Spinco. The Company transferred all of its interest in mineral properties and $1,000,000 for working capital purposes (the "Mineral Property Assets"). As consideration for the Mineral Property Assets, all shareholders' of the Company as of May 22, 2020 received common shares of the Spinco on a one-for-one basis.

The distribution date for the Spinco shares was May 27, 2020 (the "Distribution Date"). The shares of Spinco will not be listed on any exchange on the Distribution Date. The cash payable to Spinco consists of the remaining balance of $1,000,000 in working capital plus deposits owed of $10,000 less previously made advances of $450,000 and expenses paid by the Company of $79,503 related to the RTO.

As the Arrangement occurred between companies under common control and the transfer was reflected at carrying values and was recorded as a capital transaction through equity. The carrying values of the net assets and liabilities transferred and acquired pursuant to the Arrangement consisted of the following:

Exploration and evaluation assets transferred:		
Cash payable to Spinco	$	480,495
Exploration and evaluation properties		211,516
Accounts payable related to exploration and evaluation properties		(52,989)
Total	$	639,022

After the completion of the Arrangement, the Company does not have any exploration and evaluation properties recorded as at August 31, 2020.

(Expressed in Canadian Dollars)

Rock Creek Farms Joint Venture

The PacRoots and Rock Creek Farms 100-acre premium hemp joint venture commenced in late May after receiving the hemp cultivation license from Health Canada on May 22nd, 2020. The operations team spent several weeks working the fields, installing irrigation systems, before planting began in mid June. There are approximately 130,000 premium hemp CBD plants in the ground across two 50-acre parcels. Seedlings were planted systematically in rows in the field after spending the first month in greenhouses, ensuring optimal growth while minimizing environmental influences in the early stage.

On June 30, 2020, the Company entered into an agreement (the "Investment Agreement") with Rock Creek Farms Ltd. ("Rock Creek") for the formation of the Rock Creek Farms joint venture, which will be owned 60% by Pac Roots and 40% by BC Co. The Company's contribution to the joint venture will be an aggregate of $450,000 in capital, of which $100,000 was funded upon the execution of the letter of intent on May 29, 2020. Rock Creek will contribute two commercial leases for over 100 acres of growing space, consulting services, cultivation equipment, agricultural infrastructure and intellectual property relating to commercial scale hemp operations and proprietary biomass storage techniques (the "Rock Creek Capital Contribution"). Profits generated from the joint venture will be distributed first to the Company until its capital contributions have been repaid and thereafter in accordance with the interests in the joint venture held by the parties.

On July 7, 2020 (the "Closing Date"), the Company announced the execution of the Investment Agreement. On the Closing Date, an aggregate of 750,000 shares ("JV Shares") for an aggregate purchase price equal to $750,000, each JV Share will be purchased at a price of $1 per JV Share. 450,000 JV Shares will be purchased by the Company and 300,000 JV Shares will be purchased by Rock Creek through the contribution of the Rock Creek Capital Contribution, which shall have a deemed value of $300,000.

As at August 31, 2020 the Company made total capital contributions to the investment of $300,000 for the Rock Creek Farms joint venture which are recorded as long-term prepaid deposits.

Pac Roots and Rock Creek Farms deploy traditional and customized hemp farming techniques, while utilizing the rich native soil. We optimize cultivation through these unique methods:

- Our nutrients are custom formulated from raw salts for specific cultivars.
- Systematic planting of cultivars that are stress-tested, planted young and hardy, measuring up to 18 inches, providing maximum opportunity for growth and resilience.
- Row compaction and mowing for weed control, enabling a selected harvest
- Complex irrigation systems with direct nutrient and spring water delivery to each plant site.

The hemp plantation is located in one of the best outdoor growing climates in Canada; the 'Golden Mile' in the South Okanagan Valley: also dubbed the Napa Valley of the North. Harvesting is expected to begin October 15th, 2020 and the projected yield will be 500,000 - 700,000 pounds of biomass. 100% of the product from the plantation is under sales contract with a processor at fair market value.

Summary of Quarterly Results

Quarter end	Q4 2020 $	Q3 2020 $	Q2 2020 $	Q1 2020 $
Assets	4,740,581	4,926,174	962,184	1,008,200
Expenses	(827,290)	(180,638)	(83,825)	(115,122)
Net and comprehensive loss	(826,911)	(2,493,256)	(83,825)	(115,122)
Loss per share – basic and diluted	(0.01)	(0.06)	(0.00)	(0.00)

Quarter end	Q4 2019 $	Q3 2019 $	Q2 2019 $	Q1 2019 $
Assets	782,136	647,109	286,235	255,977
Expenses	(283,300)	(100,749)	(76,770)	(92,285)
Net and comprehensive loss	(298,300)	(100,749)	(76,770)	(92,285)
Loss per share – basic and diluted	(0.01)	(0.00)	(0.00)	(0.00)

(Expressed in Canadian Dollars)

Summary of Quarterly Results (Continued)

	Three months ended, August 31,2020	Three months ended, August 31, 2019	Twelve months ended, August 31,2020	Twelve months ended, August 31,2019
EXPENSES				
Accretion and interest	$ 7,822	$ 80,242	$ 33,663	$ 81,237
Advertising and promotion	39,906	2,440	83,950	10,636
Amortization of right-of-use asset	23,505	-	94,020	-
Consulting fees	34,785	70,120	126,000	106,570
Insurance	883	4,244	996	8,948
License fees	2,150	-	2,150	-
Management fees	-	33,000	40,000	93,000
Office and miscellaneous	-	4,586	52,640	9,628
Professional fees	17,132	45,445	43,710	63,166
Rent	6,057	39,139	15,881	148,537
Repairs and maintenance	1,340	7,729	6,413	11,924
Regulatory and filing fees	24,689	-	24,689	-
Share-based payments	665,001	-	665,001	-
Travel	2,997	3,807	11,661	15,253
Utilities	1,023	1,319	6,101	12,976
Total Expenses	(827,290)	(292,071)	(1,206,875)	(561,875)
Other Expenses				
Interest earned	379	-	1,156	-
Write-down of intangible asset	-	(15,000)	-	(15,000)
Write-off of accounts receivable	-		(67,647)	
Transaction cost	-	-	(60,000)	-
Listing expense	-	-	(2,185,748)	-
Loss and comprehensive loss for the period	$ (826,911)	$ (307,071)	$ (3,519,114)	$ (576,875)

During Q3 2020, the Company completed a reverse takeover with a public shell Company and incurred a listing expense of $2,185,748.

Results of Operations

The Company's loss for the twelve months ended August 31, 2020 was $3,519,114 compared to a loss of $561,875 for the twelve months ended August 31, 2019. In general, for the current period ended August 31, 2020, the Company had more activity as a result of the completion of the Company's RTO, plan of arrangement and investment in Rock Creek. Explanation of the nature of costs incurred, along with explanations for those changes in costs are discussed below for the twelve months ended August 31, 2020.

- Accretion and interest decreased to $33,663 from $81,237 due to the Company's adoption of IFRS 16 – Leases, the Company recorded interest expenses regarding its lease liabilities resulting from its right-of-use asset relating to its commercial lease. In the comparative period in 2019, the Company recorded accretion on consideration payable of $80,000 related to the share purchase agreement with 1065703 B.C. Ltd. to acquire 100% of its shares of Go Green B.C. Medicinal Marijuana Ltd..
- Advertising and promotion increased to $73,314 from $10,636. Pursuant to the completion of the RTO which resulted in a change in the name and industry of the Company. Further, the industry that the Company operates in is still in the early stages, and the Company expects additional competition from new entrants, therefore advertising expenditures were incurred for the Company to remain competitive.
- Amortization of right-of-use asset increased to $94,020 from $Nil due to the Company's adoption of IFRS 16 – Leases, the Company recognized and amortized its right-of-use asset related to its commercial lease.
- Consulting fees increased to $126,000 from $106,570 as the Company hired consultants and various fees in connection with the RTO, private placement and plan of arrangement in 2020. The Company relies heavily on Consultants to achieve its goals on all facets of business and these industry consultants bring a wide range of expertise and connections to the Company. Consultants include Management and Directors of the Company, and other support roles. The Company continues to receive unrivalled support from its best in class joint-venture partners and industry consultants.

Results of Operations (Continued)

- Management fees decreased to $40,000 from $93,000 as a result of the change of management occurring pursuant to the completion of the RTO during the period ended August 31, 2020.
- Insurance fees decreased to $996 from $8,948 as a result of the Company incurring insurance expenditures in the period ended August 31, 2019 related to its Kelowna Plant of $8,948.
- Office and miscellaneous expenses increased to $52,640 from $9,628 as a result of the RTO, private placement and plan of arrangement which increased the size of the Company.
- Professional fees decreased to $43,710 from $63,166. During the period ended August 31, 2019, the Company recorded $21,000 in professional fees which should be recorded in consulting. The current period ended August 31, 2020 is comparable to the prior period. During the period ended August 31, 2020, the Company completed the RTO where a private placement and plan of arrangement also occurred. As a result, the Company incurred legal, accounting, and other professional fees related to these transactions.
- Rent decreased to $15,881 from $148,537 as a result of the Company's adoption of IFRS 16 – Leases, where the Company recorded a right-of-use asset and amortizes this asset on a periodic basis rather than recording rent expenditures. During the period ended August 31, 2020, the rent expenditures relate to the property taxes portion of the lease.
- Travel expenses increased to $11,661 from $15,253 due to the travel restrictions imposed by COVID-19 in the year 2020.
- Listing expense increased to $2,185,748 from $Nil which consisted of the Company's completion of the RTO which is the excess of MLK's common share consideration over the net assets acquired.
- Regulatory and filing fees increased to $24,689 from $Nil as a result of the completion of the RTO, requiring filings for the Company during the current period.
- Share-based payments increased to $665,001 as a result of the Company's granting of stock options to directors, officers and consultants of the Company.
- Write-off of accounts receivable increased to $67,647 from $Nil as a result of the completion of private placements pursuant to the RTO.
- Transaction cost increased to $60,000 from $Nil, and consists of finder common shares issued in connection with the RTO.

Three month period ended August 31, 2020 and August 31, 2019

The Company reported net loss for the three months ended August 31, 2020 of $826,911 compared to a net loss for the previous period ended August 31, 2019 of $307,071. Expenses in the three months ended August 31, 2020 were $827,290 compared to $292,071 for the previous period in 2019 with an increase in loss mainly due to the granting of stock options during the current period in 2020 of $665,001. In the comparative period in 2019, the Company did not grant stock options.

Liquidity and Capital Resources

As at August 31, 2020, the Company has a working capital deficiency of $2,870,000 compared to a working capital deficiency of $3,044,323 at August 31, 2019 as a result of the completion of the RTO during the period ended August 31, 2020.

<u>Operating Activities</u>

For the period ended August 31, 2020, the Company used cash of $758,423 from operating activities (year ended August 31, 2019 - used cash of $206,342), due to the completion of the RTO transaction and plan where the Company acquired assets and settled debts without paying cash.

<u>Investing Activities</u>

During the period ended August 31, 2020, the Company used cash of $347,245 (2019 - $682,106) in investing activities which included the purchase of property and equipment, and investment in Rock Creek. In the prior period ended August 31, 2019, the Company incurred significantly more cash expenditures for property and equipment of $659,007.

(Expressed in Canadian Dollars)

Liquidity and Capital Resources (Continued)

Financing Activities

Finally, the Company received cash of $1,270,432 (2019 - $800,400) from financing activities. The Company completed a private placement concurrent with the RTO and made lease payments.

The Company's principal assets are at an exploration stage and as a result the Company has no current source of operating cash flows. The Company relies on its ability obtain equity financing to fund administration expenses and future exploration programs. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the successful completion of a financing or by monetizing assets. There is no certainty that these and other strategies will be successful.

Share Capital

The Company's authorized capital consists of an unlimited number of common shares without nominal or par value. As of the date of this MD&A, the Company has 66,079,644 issued and outstanding common shares, 14,602,759 share purchase warrants and 3,650,000 stock options.

Related Party Transactions and Balances

The Directors and Executive Officers of the Company as of the date of this report are as follows:

Patrick Elliott	Director, President and CEO
James Henning	Chief Financial Officer and Corporate Secretary
William Fleming	Former Director, Corporate Secretary and CFO
Alex Field	Former President and Director
Paul K. Smith	Former President, CEO and Interim CFO
Chad Clelland	Director
Marc Geen	Former Director
Matthew McGill	Director

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the twelve months ended August 31, 2020:

Twelve months ended August 31, 2020	Consulting and Management Fees	Share-based Compensation
Management fees paid/accrued to the former President and director	40,000	18,219
Consulting fees paid/accrued to the CEO	73,500	136,644
Share-based payments to the CFO	-	36,438
Share-based payments to directors of the Company	-	91,096
Share-based payments to a former director of the Company	-	45,548
	$ 113,500	$ 327,945

(Expressed in Canadian Dollars)

Related Party Transactions and Balances (Continued)

Twelve months ended August 31, 2019	Consulting and Management Fees	Share-based Compensation
Management fees paid/accrued to the CEO	90,000	-
Management fees paid/accrued to the former President and director	60,000	-
	$ 150,000	$ -

Included in accounts payable and accrued liabilities at August 31, 2020 is $410,425 (August 31, 2019 - $11,956) owing to current and former directors, companies controlled by directors or companies with directors in common.

Commitments

The Company has entered into an agreement to lease its warehouse and production facility in Kelowna, British Columbia commencing during 2018 and expiring on March 31, 2022.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Critical accounting estimates

Recoverability of asset carrying values

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Estimated useful lives and impairment considerations

Depreciation and amortization of equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combination vs asset acquisition

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Share-based payments

The amounts recorded for share-based payments are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, expected forfeitures and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options.

Critical accounting estimates (Continued)

Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, exploration costs will be reclassified to mineral properties under exploration and subject to different accounting treatment. As at August 31, 2020, the Company had no exploration and evaluation assets as a result of the Spin-Off transaction.

Decommissioning liabilities

Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that existed during the period.

Impairment of exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's exploration and evaluation assets are impaired. External sources of information management consider includes changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its mining interests. Internal sources of information management consider include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of economic performance of the assets. In determining the recoverable amounts of the Company's exploration properties, management makes estimates of the discounted future pre-tax cash flows expected to be derived from the Company's exploration properties, and the appropriate discount rate.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assess whether it is probably that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Discount rate used for consideration payable

The carrying value of the convertible debentures is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no conversion features.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements.

(Expressed in Canadian Dollars)

Financial Instruments

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, restricted cash, advances, accounts payable, notes payable and loans payable.

The fair value of cash and restricted cash are determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The fair value of advances is determined to be "Level 3" as the amount relates to advances made concerning a definitive share purchase agreement; therefore, the inputs are unobservable (Note 9).

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at August 31, 2020 and August 31, 2019 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Other Unobservable Inputs (Level 3) $	Total $
August 31, 2019				
Assets				
Cash	9,201	-	-	9,201
August 31, 2020				
Assets				
Cash	173,965	-	-	173,965
Amounts receivable	150,038	-	-	150,038
Prepaid expenses	40,859	-	-	40,859

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and other receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at August 31, 2020, the Company had current liabilities of $2,896,900 (August 31, 2019 - $3,118,326). Based on the current funds held, the Company does not have sufficient working capital for the short term, and thus will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company.

Financial Instruments (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

(ii) Foreign currency risk

The Company is not exposed to foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its investments, as they are carried at fair values based on quoted market prices, and investments, as they are carried at fair values based on quoted market prices.

Accounting standards adopted in the current period

IFRS 16 – Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard estimates the classification of leases as either operation or finance leases as it required by IAS 17 and instead introduces a single lessee accounting model. The adoption of IFRS 16 resulted in the recognition of a right-of-use asset and an offsetting lease liability of $242,890 on September 1, 2019.

Risks and Uncertainties

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities.

Warrants are Speculative in Nature and may not have any Value

The Warrants do not confer any rights of Common Share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Moreover, the market value of the Warrants, if any, is uncertain and there can be no assurance that the market value of the Warrants will equal or exceed their imputed offering price. There can be no assurance that the market price of the Common Shares will ever equal or exceed the exercise price of the Warrants, and consequently, whether it will ever be profitable for holders of the Warrants to exercise their Warrants.

Risks and Uncertainties (Continued)

Volatility of Stock Price and Market Conditions

The market price of the Common Shares may be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Company is successful in maintaining revenues, cash flows or earnings. The purchase of the Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Company should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company should not constitute a major portion of an investor's portfolio.

Risk Factors Associated with the Company's Business

The following are certain risk factors relating to the business carried on by the Company that prospective holders of Shares should carefully consider.

Negative Cash Flow from Operations

During the period ended August 31, 2020, the Company sustained net losses from operations. Although the Company anticipates it will have positive cash flow from operating activities in future periods, it is possible the Company may have negative cash flow in any future period as the Company continues to progress its expansion plans and its capacity of operations.

Environmental Regulations and Risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of cannabis, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Risks and Uncertainties (Continued)

Early Stage of Development

The Company, while incorporated in 2012, began carrying on business in 2020 and has yet to generate revenue from the sale of products to date. The Company 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. 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.

Reliance on Licences

The Company will be dependent on the Licences, or the ability to obtain a licence which is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain those licences could have a material adverse impact on the business, financial condition and operating results of the Corporation. There can be no guarantee that a licence will be issued, extended or renewed or, if issued, extended or renewed, that it will be issued, extended or renewed on terms that are favourable to the Company.

In Canada, few applicants for a licence from Health Canada ultimately receive a licence to produce and sell cannabis. Major expenditures may be required in pursuit of a licence and it is impossible to ensure that the expenditures will result in receipt of a licence and a profitable operation. There can be no assurances that the Company will maintain a licence to produce and sell cannabis and be brought into a state of commercial production. Should a licence not be extended or renewed or should it be issued or renewed on terms that are less favourable to the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Lack of Growing Facility and Construction Risk Factors

The Company's activities and resources have been primarily focused on the Facility in Christina Lake, British Columbia. The Company has yet to complete the construction of this Facility. Adverse changes or developments affecting the construction of this Facility could have a material and adverse effect on the Company's ability to produce cannabis, its business, financial condition and prospects.

Cultivation Risks

The Company's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Changes in Laws, Regulations and Guidelines

On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the Cannabis Act. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant 27 to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licences including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, when the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec and New Brunswick have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis.

Risks and Uncertainties (Continued)

Legislative or Regulatory Reform and Compliance

The commercial cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licensed Producers in action. The Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

Negative Customer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical or recreational purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have an adverse effect on any demand for the Company's products which could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Constraints on Marketing Products

In view of the restrictions on marketing, advertising and promotional activities set forth in the Cannabis Act and related regulations, the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. 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.

Reliance on Receiving a Research and Development License and subsequent Cultivation and Processors License

The Company's ability to set up its Facility for the purposes of research and development and to grow, store and sell cannabis in Canada is dependent on Health Canada's approval of the Company's RDL and subsequent cultivation and processor licenses (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of the Company. The Company is in the process of applying for the cultivation and processor license for cannabis in Canada. Although the Company believe they will meet the requirements for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew these Licenses or, if extended or renewed, that they will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should they renew the Licenses on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected

Risks and Uncertainties (Continued)

New product Development
The Company's ability to sell cannabis in Canada is dependent on the Company's ability to develop product that exceeds the standards set by Health Canada. Although the Company believes management has the expertise to develop such products, there is no assurance that the Company will successfully develop new products.

Competition
There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of certain aspects of the industry. In doing so, these larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While most laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk. Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support.

Additional Financing
The Company may require equity and/or debt financing to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. 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 and to pursue business opportunities, including potential acquisitions.

Market Development
Due to the early stage of the legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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.

Reliance on Management
The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and employees. While employment agreements or management 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. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Operation Permits and Authorizations
The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate the businesses. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on a Licensee's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Liability, Enforcement Complaints, etc.
The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, provincial, or local governmental authorities against it. Litigation, complaints, and enforcement actions involving the business could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Risks and Uncertainties (Continued)

Product Liability

Certain of the Company's proposed manufacture, process and/or distribute of cannabis products are designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Reliance on Key Inputs

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers.

If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Resale of Shares

There can be no assurance that the Company will successfully obtain a listing on the CSE. If the Company is successful in obtaining a listing for its shares, there can be no guarantee that an active and liquid market for the Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the stock of the Company will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the Company's shares would be diminished.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States 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 continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company's shares will be affected by such volatility. An active public market for the Company's shares might not develop or be sustained after the completion of the listing. If an active public market for the Company's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Dividends

The Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Risks and Uncertainties (Continued)

Intellectual Property

The success of the Company will depend, in part, on the ability to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company. The Company may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

Insurance Coverage

The Company will require insurance coverage for a number of risks. Although Management believes that the events and amounts of liability covered by such insurance policies should be reasonable, taking into account the risks relevant to the Company's business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects, could be adversely affected.

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.

Litigation

The Company may become 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 operating and the market price for Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources.

Operational Risks

The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's Property and Facility, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition on the Company. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Difficulty Implementing Business Strategy

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent in the areas of cannabis research and development, cultivation of cannabis and extraction is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

Risks and Uncertainties (Continued)

Conflicts of Interest

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests.

However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Ability to Maintain Bank Accounts

While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company may be required to seek alternative payment solutions. If the industry was to move towards alternative payment solutions the Company would have to adopt policies and protocols to manage these changes. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Additional Information

The financial statements and additional information regarding the Company are available on SEDAR at www.sedar.com.