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

Management's Discussion and Analysis

For the fifteen months ended November 30, 2020 and twelve months ended August 31 2019

(Expressed in Canadian Dollars)

Introduction

This management's discussion and analysis of the financial condition as of March 29, 2021 provides an analysis of Pac Roots Cannabis Corp. (the "Company")'s financial results and progress for the fifteen months ended November 30, 2020. This MD&A should be read in conjunction with the Company's consolidated financial statements for the period ended November 30, 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 the Company'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 March 29, 2021. All dollar figures stated herein are expressed in Canadian dollars unless otherwise indicated.

Overview

Pac Roots Cannabis Corp. (formerly Mountain Lake Minerals Inc., "MLK"), (the "Company" or "Pac Roots") 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 the consolidated financial statements

On June 8, 2018, the Company 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.

In April 2020, the Company returned 11,322 common shares previously issued to Sunset Lake Resources pursuant to terms of a prior arrangement by MLK. During the period, the terms expired without issuance of these shares.

On April 28, 2020, the Company issued 5,500,004 units for gross proceeds of $1,650,000. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.50 for two years. The Company paid $63,907 in share issuance costs and issued 213,022 finder warrants with a fair value of $35,013. Each finder's warrant is also exercisable at $0.50 for two years.

On April 28, 2020, the Company issued 40,000,000 common shares and recorded $60,000 as transaction cost for 200,000 common shares issued as finder's fees pursuant to the RTO.

On April 28, 2020, the Company issued 3,383,333 common shares valued at $1,015,000 issued to Go Green, pursuant to terms of the Agreement.

On April 28, 2020, October 6, 2020 and October 28, 2020, the Company issued an aggregate of 7,500,000 common shares valued at $2,034,666 for the Phenome License pursuant to the terms of the Phenome Agreement.

On September 2, 2020, the Company closed a non-brokered private placement for gross proceeds of $470,750 through the issuance of 1,883,000 of Units. Each Unit comprises of one common share and one share purchase warrant. Each whole warrant is exercisable at $0.40 for two years. The Company paid $23,100 in share issuance costs and issued 92,400 finder warrants with a fair value of $16,332. Each finder's warrant is exercisable at $0.25 for two years.

On September 4, 2020, the Company closed a share purchase agreement with 1088070 BC. Ltd. ("1088), a company existing under the laws of the Canada and 0909077 BC Ltd. 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 in the Fraser Valley Region of British Columbia.

On October 5, 2020, the Company issued 375,000 common shares valued at $106,177 issued to 1088 shareholders, pursuant to the terms of the 1088 Agreement.

On January 12, 2021, the Company granted 3,450,000 stock options to directors, management and consultants at an exercise price of $0.15 per share. The options are exercisable for a period of three years, ending on January 12, 2024.

On January 28, 2021, the Company issued 2,500,000 common shares pursuant to the Phenome Agreement.

On February 22, 2021, the Company closed a share purchase agreement with the shareholders of Lords of Grasstown Holdings Ltd. ("Grasstown") pursuant to which the Company will acquire all the issued and outstanding shares of Grasstown. The total purchase price is comprised of a cash payment of $50,000 paid within 30 days of the closing date (paid on March 22, 2021), and issuance of an aggregate of 6,000,000 common shares within five business days of the closing date (Issued on February 22, 2021).

On February 23, 2021, the Company granted 400,000 stock options to consultants at an exercise price of $0.235 per share. The options are exercisable for a period of three years, ending on February 23, 2024.

On February 24, 2021, the Company closed a non-brokered private placement of 7,448,255 units at a $0.18 per unit for gross proceeds of $1,340,686. Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.30 per share until February 23, 2024. Aggregate finder's fees of $75,295 in cash and 408,303 finders warrants were paid to finders. Each finders warrants is exercisable into one common share at a price of $0.18 per share until February 23, 2024.

On March 1, 2021, the Company repaid the $40,000 loan to Phenome One Corp.

Corporate Updates

On December 17, 2020, the Company announced its first successful 100-acre Pilot outdoor Hemp CBD harvest. The Company's joint venture operations team is expecting a 200% to 300% increase in yield for 2021.

On January 6, 2021, the Company announced it has obtained eligibility with the Depository Trust Company "DTC" for its common shares listed on the OTCQB. The DTC is a stock depository that facilitates and simplifies electronic trading of securities in the United States. The Company's common shares, listed on the OTCQB under the symbol PACRF, are no eligible for electronic clearing and settlement through DTC's automated processes. This electronic method speeds up the process for certain investors and provides additional liquidity for existing investors.

On March 19, 2021, the Company has commenced trading in Europe on the Frankfurt Stock Exchange under the symbol "4XM".

(Expressed in Canadian Dollars)

Overall Performance

During the period ended November 30, 2020, the Company completed the RTO transaction. Concurrent with the RTO transaction, the Company completed a private placement and 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 Mountain Lake Minerals Inc. (formerly 1167343 B.C. Ltd.), and the Company entered into an agreement with Rock Creek Farms Ltd. to form the Rock Creek Farms Joint Venture (completed subsequent to the period end) and acquired land through the share purchase agreement with 1088070 BC. Ltd.

Asset Acquisition

1065703 B.C. Ltd.

On April 20, 2018 1157630 BC Ltd. 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 on the Delivery Date.

The details of the purchase have been accounted for as follows during the period ended August 31, 2018:

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 loss for the period ended August 31, 2018. As of the date of approval of these consolidated financial statements, the approval of the processing and cultivation license has not been granted.

During the year ended August 31, 2019, 1157630 and 1065703 amended the terms of the Agreement, whereby 1157630 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 (issued 3,383,333 shares). 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 loss for the year ended August 31, 2019. 1065703 has security over all the outstanding shares of Go Green.

Asset Acquisition (Continued)

The balance payable as at November 30, 2020 is $Nil (August 31, 2019 - $1,015,000).

Phenome One Corp.

On April 8, 2019, MLK entered into a license agreement with Phenome One Corp. ("Phenome") in order to obtain a license (the "Phenome License") from Phenome in respect of a genetic cannabis library of certain cultivars, and technical and materials owned by Phenome in order to allow the Company to propagate, cultivate, harvest, process, breed and develop, manufacture, produce and use such licensed property (the "Phenome Agreement") subject to the following terms:

- 2,500,000 common shares on the date on which the Issuer receives the approval of the CSE for the Fundamental Change Transactions (the "approval date") (Issued);
- 2,500,000 common shares on the date on which is three months following the approval date (Issued);
- 2,500,000 common shares on the date on which is six months following the approval date (Issued);
- 2,500,000 common shares on the date on which is nine months following the approval date (issued subsequent to the period end);
- $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.

Phenome is a company related to Pac Roots by a common officer.

In addition, Pac Roots 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 Pac Roots 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. Pac Roots 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 at arm's length to acquire such licensed material, it must first offer the licensed material to Pac Roots on terms no less favorable than those offered to it. Pac Roots 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, Pac Roots 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 $2,781,899 representing the discounted fair value of the common share at $0.30 per share and the cash payable to reflect the time value of money. During the period ended November 30, 2020, the Company issued 7,500,000 common shares with a value of $2,034,666 as a result of the Phenome Agreement and has a remaining consideration payable of 2,500,000 common shares to pay to Phenome valued at $576,360. 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 share issuances using the average strike put-option model which resulted in a present value of $2,781,899 on acquisition date. During the period ended November 30, 2020, the Company recognized accretion expense of $19,176. As at November 30, 2020, the Company has a cash consideration payable to Phenome of $190,049.

During the period ended November 30, 2020, the Company recorded impairment on the intangible assets of $2,781,899 as the recoverable amount cannot be determined reliably. As at November 30, 2020, the balance of intangible assets is $Nil.

(Expressed in Canadian Dollars)

Asset Acquisition (Continued)

1088070 BC. Ltd.

On September 18, 2020, the Company closed the share purchase agreement (the "1088 Agreement") with 1088070 BC Ltd. ("1088"), to acquire the nine parcels of land comprised of 250 acres of land suitable for cultivation in the Fraser Valley Region of British Columbia owned and controlled by 1088.

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 "1088 Closing Date") (Issued on October 5, 2020);
b) $200,000 within three months of the Closing Date (paid subsequent to the period end);
c) $300,000 in cash and 562,500 common shares within 12 months of the 1088 Closing Date;
d) $400,000 in cash and 937,500 common shares within 18 months of the 1088 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, the Company will grant a mortgage over its land package in favor of the 1088 Shareholders.

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

Cash to be paid, discounted	$ 1,162,045
Fair Value of common shares to be issued	585,925
Total consideration	**$ 1,747,970**
Land acquired	**$ 1,747,970**

During the period ended November 30, 2020, the Company issued 375,000 shares with a value of $106,177 pursuant to terms of the 1088 Agreement and has a remaining consideration payable of 2,625,000 common shares to pay to 1088 Shareholders valued at $479,748. 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 share issuances, resulting in a present value of $1,747,970 and discounted future share issuances using the average strike put-option model at acquisition date. During the period ended November 30, 2020, the company recognized accretion expense of $54,193. As at November 30, 2020, the Company has a cash consideration payable to 1088 of $1,216,238. The Company made the first cash payment subsequent to year end.

Reverse Takeover Transaction

On April 28, 2020, the RTO 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 of $0.50 which had their expiry dates extended to April 28, 2021, these warrants previously had expiry dates between March 29, 2020 to August 16, 2020. Upon completion of the RTO, MLK changed its name to Pac Roots Cannabis Corp. Common shares of 1157630 were exchanged for equivalent securities of the Company on the basis of one Pac Roots Cannabis Corp. share for every 1 share of 1157630.

Prior to the completion of the RTO, MLK paid on behalf of 1157630 certain expenses and made cash advances to fund on-going operations. Concurrent with the RTO, the Company spun off its interest in mineral properties interest to its subsidiary 1167343 B.C. Ltd. ("Newco") (the "Spin-Off").

(Expressed in Canadian Dollars)

Reverse Takeover Transaction (Continued)

The RTO has been accounted for as an asset acquisition 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 paid was the fair value of the equity of the Company retained by the shareholders of MLK. This amount was calculated as follows:

Fair value of 12,249,629 notional common shares at $0.30 per share	$	3,674,889
Fair value of 6,914,333 warrants assumed		730,000
Total consideration		4,404,889
Cash		161,516
Amount receivable		41,944
Advances to 1157630		1,844,909
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		1,308,017
		3,096,872
Transaction cost, 200,000 shares issued to a finder at $0.30 per share		60,000
Listing expense	$	3,156,872

Plan of arrangement

On May 22, 2020, the Company completed the plan of arrangement ("Arrangement") with its subsidiary 1167343 B.C. Ltd. ("Spinco"). The Company transferred all of its interest in mineral properties, $550,000 for working capital purposes and certain liabilities (the " Mineral Property Assets"). As consideration for the Mineral Property Assets, all shareholders' of the Company as of April 28, 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.

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:

Mineral Property Assets transferred:		
Cash payable to Spinco	$	550,000
Exploration and evaluation properties		211,516
Notes payable		(66,000)
Accounts payable related to exploration and evaluation properties		(52,989)
Total	$	642,527

After the completion of the Arrangement, the Company does not have any exploration and evaluation properties recorded as at November 30, 2020.

On September 8, 2020, the Company made the cash payment to Spinco of $550,000.

(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 and as amended on March 10, 2021, the Company entered into an agreement (the "Investment Agreement") with Rock Creek Farms Ltd. ("Rock Creek") for the formation of 1293953 BC Ltd. (the "Rock Creek Farms Joint Venture"), which will be owned 49% by Pac Roots and 51% by Rock Creek Farms Ltd. The Company's contribution to the joint venture will be an aggregate of $300,000 in capital. Rock Creek will contribute two commercial leases, 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.

As at November 30, 2020 the Company made total capital contributions 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.

Summary of Quarterly Results

Quarter end	3 months ending November 30 2020 $	3 months ending August 31, 2020 $	3 months ending May 31, 2020 $	3 months ending February 29, 2020 $
Assets	1,861,540	4,740,581	4,926,174	962,184
Expenses	(262,167)	(827,290)	(180,638)	(83,825)
Net and comprehensive loss	(5,337,543)	(826,911)	(2,493,256)	(83,825)
Loss per share – basic and diluted	(0.08)	(0.01)	(0.06)	(0.00)

Quarter end	3 months ending November 30, 2019 $	3 months ending August 31, 2019 $	3 months ending May 31, 2019 $	3 months ending February 28, 2019 $
Assets	1,008,200	782,136	647,109	286,235
Expenses	(115,122)	(283,300)	(100,749)	(76,770)
Net and comprehensive loss	(115,122)	(298,300)	(100,749)	(76,770)
Loss per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)

(Expressed in Canadian Dollars)

Summary of Quarterly Results (Continued)

	Fifteen months ended, November 30,2020	Twelve months ended, August 31,2019
EXPENSES		
Accretion and interest	$ 113,759	$ 81,237
Advertising and promotion	139,642	10,636
Amortization of right-of-use asset	121,729	-
Consulting fees	248,879	106,570
Foreign exchange loss	189	-
Insurance	1,437	8,948
License fees	5,150	-
Management fees	40,000	93,000
Office and miscellaneous	66,333	9,628
Professional fees	101,793	63,166
Rent	13,924	148,537
Repairs and maintenance	7,569	11,924
Regulatory and filing fees	32,789	-
Share-based payments	554,461	-
Travel	14,371	15,253
Utilities	7,017	12,976
Total Expenses	(1,469,042)	(561,875)
Other Expenses		
Impairment of intangible assets	(2,781,899)	(15,000)
Interest earned	1,156	-
Write-down of land	(1,450,000)	-
Listing expense	(3,156,872)	-
Total Other Expenses	(7,387,615)	(15,000)
Loss and comprehensive loss for the period	$ (8,856,657)	$ (576,875)

During the period ended November 30, 2020, the Company completed the reverse takeover and incurred a listing expense of $3,156,872.

Results of Operations

The Company's loss for the period ended November 30, 2020 was $8,856,657 compared to a loss of $576,875 for the twelve months ended August 31, 2019. In general, for the current period ended November 30, 2020, the Company had more activity as a result of the completion of the Company's RTO.

The Company changed its fiscal year end from August to November. Information below reflects the fiscal period consisting of the fifteen months ending November 30, 2020, as compared to the twelve months ending August 31, 2019, and as a result, are not entirely comparable.

- Accretion and interest increased to $113,759 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 and recorded accretion related to consideration payable for the asset acquisitions during the period. 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 $139,642 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 $121,729 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.

Results of Operations (Continued)

- Consulting fees increased to $248,879 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.
- License fees increased to $5,150 from $Nil as a result of the Company being in the process of obtaining licensing from the government of Canada.
- 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 November 30, 2020.
- Insurance fees decreased to $1,437 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 $66,333 from $9,628 as a result of the RTO and private placement which increased the size of the Company.
- Professional fees increased to $101,793 from $63,166. During the period ended August 31, 2019, the Company recorded $21,000 in professional fees which should be recorded in consulting. During the period ended November 30, 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 $13,924 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 November 30, 2020, the rent expenditures relate to the property taxes portion of the lease.
- Repairs and maintenance decreased to $7,569 from $11,924 as a result of the Company having assets that are not yet available for use during the current period.
- Travel expenses decreased to $14,371 from $15,253 due to the travel restrictions imposed by COVID-19 in the year 2020.
- Listing expense increased to $3,156,872 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 $32,789 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 $554,461 as a result of the Company's granting of stock options to directors, officers and consultants of the Company.
- Impairment of intangible assets increased to $2,781,899 from $15,000 as a result of the Company's reassessment of its intangibles during the current period.
- Write-down of land increased to $1,450,000 from $Nil as a result of the Company's reassessment of its land during the current period.

Liquidity and Capital Resources

As at November 30, 2020, the Company has a working capital deficiency of $1,136,344 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 November 30, 2020.

<u>Operating Activities</u>

For the fifteen-month period ended November 30, 2020, the Company used cash of $895,651 from operating activities (twelve-month period ended August 31, 2019 - $206,342), due to the completion of the RTO transaction and the Company's normal operating expenses.

Liquidity and Capital Resources (Continued)

Investing Activities

During the fifteen-month period ended November 30, 2020, the Company used cash of $484,749 (2019 - $682,106) in investing activities which included the purchase of property and equipment, loans paid to MLK prior to the RTO and made a deposit for the investment in the Rock Creek Joint Venture. The Company also acquired cash from the completion of the RTO. In the twelve-month ended August 31, 2019, the Company incurred significantly more cash expenditures for property and equipment of $659,007.

Financing Activities

Finally, the Company received cash of $1,398,975 (Twelve-month period ending August 31, 2019 - $800,400) from financing activities. The Company completed a private placement concurrent with the RTO, closed a private placement on September 2, 2020, received a loan from Phenome One Corp., and received advances from MLK prior to the RTO. The Company paid amounts to Spinco and made lease payments. In the twelve month period ending August 31, 2019, the Company only received subscription funds and advances from MLK.

The Company's principal assets are at a start-up 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 operations. 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 and Events Subsequent to November 30, 2020

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 87,027,899 issued and outstanding common shares, 22,459,317 share purchase warrants and 7,500,000 stock options.

On January 12, 2021, the Company granted 3,450,000 stock options to directors, management and consultants at an exercise price of $0.15 per share. The options are exercisable for a period of three years, ending on January 12, 2024.

On January 28, 2021, the Company issued 2,500,000 common shares pursuant to the Phenome Agreement.

On February 22, 2021, the Company closed a share purchase agreement with the shareholders of Lords of Grasstown Holdings Ltd. ("Grasstown") pursuant to which the Company will acquire all the issued and outstanding shares of Grasstown. The total purchase price is comprised of a cash payment of $50,000 paid within 30 days of the closing date (paid on March 22, 2021), and issuance of an aggregate of 6,000,000 common shares within five business days of the closing date (Issued on February 22, 2021).

On February 23, 2021, the Company granted 400,000 stock options to consultants at an exercise price of $0.235 per share. The options are exercisable for a period of three years, ending on February 23, 2024.

On February 23, 2021, the Company closed a non-brokered private placement of 7,448,255 units at a $0.18 per unit for gross proceeds of $1,340,686. Each Unit consists of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.30 per share until February 23, 2024. Aggregate finder's fees of $75,295 in cash and 408,303 finders warrants were paid to finders. Each finders warrants is exercisable into one common share at a price of $0.18 per share until February 23, 2024.

On March 11, 2021, the Company was issued 300,000 shares of 1293953 BC Ltd. Pursuant to the Investment Agreement signed with Rock Creek Farms Ltd., these shares effectively represents 49% of the Rock Creek Farms Joint Venture owned by the Company.

(Expressed in Canadian Dollars)

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, Current Director of Go Green
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 fifteen months ended November 30, 2020:

Fifteen months ended November 30, 2020	Consulting and Management Fees	Share-based Compensation
Management fees paid/accrued to the former President and director	$ 40,000	$ 15,191
Consulting fees paid/accrued to the CEO	96,000	113,930
Share-based payments to the CFO	-	30,381
Share-based payments to directors of the Company	-	75,954
Share-based payments to a former director of the Company	-	37,977
	$ 136,000	$ 273,433

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	$ -

During the period ended November 30, 2020, the Company recorded rent recovery of $13,294 from a company related by a common director and officer (August 31, 2019 – $Nil).

Included in accounts payable and accrued liabilities as at November 30, 2020 is $382,206 (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 and a lease for office space in Vancouver, British Columbia commencing on October 1, 2020 and expiring on September 30, 2021. The Company also has obligations to make cash and share payments related to its asset acquisitions during the period ended November 30, 2020.

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 property, 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. More specifically, management concluded that the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions during the year were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

Share-based payments

The amounts recorded for share-based payments are based on estimates. The Black Scholes model used to determine the fair value of stock options and finder warrants 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. The average strike put-option model used to discount future share issuances is based on estimates of assumptions for expected volatility and dividend yield. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options and finders warrants, and the discounted amount of future share issuances.

Deferred tax assets

The estimation of income taxes includes evaluating the recoverability of deferred tax assets 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 will be realized. The ultimate realization of deferred tax assets 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, and deferred income tax provisions or recoveries could be affected.

(Expressed in Canadian Dollars)

Critical accounting estimates (Continued)

Discount rate used for consideration payable

The carrying value of the consideration payable is subject to management's estimates in determining an appropriate discount rate based on similar liabilities, the Company's borrowing rate, and other factors.

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. Further information regarding going concern is outlined in Note 1 of the consolidated financial statements.

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).

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, accounts payable and accrued liabilities, amounts payable to MLK, lease liabilities, consideration payable, and loan 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.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 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
November 30, 2020				
Assets				
Cash	$ 27,775	$ -	$ -	$ 27,775

(Expressed in Canadian Dollars)

Financial Instruments (Continued)

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.

The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash 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 November 30, 2020, the Company had current liabilities of $1,495,659 (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.

The following is a table of the Company's maturity of its liabilities as at November 30, 2020, excluding accounts payable and accrued liabilities.

	Phenome Agreement	1088 Agreement	Go Green Lake County Lease	Vancouver Lease	Total
	$	$	$	$	$
Due in 1 year	50,000	500,000	115,662	24,635	690,297
Due in 2 years	200,000	1,000,000	38,554	-	1,238,554
Due in 3 or more years	-	-	-	-	-
	250,000	**1,500,000**	**154,216**	**24,635**	**1,928,851**

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.

Financial Instruments (Continued)

Market risk (Continued)

(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 does not hold any equity securities and therefore does not have significant exposure to price risk.

Accounting standards adopted in the current period

IFRS 16 Leases

On September 1, 2019, the Company adopted IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, International Accounting Standard ("IAS") 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require restatement of prior period financial information. On the date of transition, the Company recorded a right-of-use asset and lease liability of $242,890, discounted using the Company's incremental borrowing rate of 15%.

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.

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.

Risks and Uncertainties (Continued)

Negative Cash Flow from Operations
During the fifteen months ended November 30, 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.

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.

Lack of Growing Facility and Construction Risk Factors
The Company's activities and resources have been primarily focused on the facility in Kelowna, British Columbia (the "Facility"). 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.

Risks and Uncertainties (Continued)

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.

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.

Risks and Uncertainties (Continued)

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 believes it 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.

In Canada, few applicants for a license from Health Canada ultimately receive a license to produce and sell cannabis. Major expenditures may be required in pursuit of a license and it is impossible to ensure that the expenditures will result in receipt of a license and a profitable operation. There can be no assurances that the Company will maintain a license to produce and sell cannabis and be brought into a state of commercial production. Should a license 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.

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.

Risks and Uncertainties (Continued)

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.

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.

Risks and Uncertainties (Continued)

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.

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, OTCQB and Frankfurt Stock Exchange 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.

Operational Risks
The Company may be affected by a number of operational risks and may not be adequately insured for certain risks, such as, 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.

Risks and Uncertainties (Continued)

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.

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.