Vext Science, Inc. (formerly, Vapen MJ Ventures Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED September 30, 2019

Dated as of November 25, 2019
(All amounts expressed in U.S. dollars, unless otherwise stated)

BACKGROUND

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of Vext Science, Inc. ("Vext") (formerly Vapen MJ Ventures Corporation). Vext, its wholly-owned subsidiary, New Gen Holdings Inc. ("New Gen") and New Gen's operating subsidiaries: Step 1 Consulting LLC; Hydroponic Solutions LLC; New Gen Real Estate Services LLC; New Gen Administration Services LLC; and New Gen Agricultural Services LLC, as well as its two non-operating subsidiaries, Vapen LLC and X-Tane LLC, **(collectively referred to as the "Company")** for the three months ended September 30, 2019. The unaudited consolidated financial statements comprise the financial statements of the Vext, New Gen and New Gen's subsidiaries. New Gen is a service company that provides services to Herbal Wellness Center Inc. ("HWC"), a licensed dispensary for medical marijuana products and extracts pursuant to licenses granted by the State of Arizona.

Vext, through its wholly-owned subsidiaries, currently operates in the U.S. as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin Cannabis THC and Hemp CBD products under the Vapen Brand. Vapen MJ expansion plans include partnering with cannabis license holders and hemp farms in multiple states within the US.

REPORTING CURRENCY

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are presented in United States (U.S.) dollars unless noted otherwise.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include, but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including, but not limited to, information concerning intentions, plans and future actions of the Company.

In connection with the forward-looking information contained in this Management Discussion and Analysis, the

Company has made assumptions about the Company's ability to expand operations; profitably license its brands and operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

MATERIAL EVENTS THAT OCCURRED DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2019

1. On July 12, 2019, the Company's shares opened for quotation on the OTCQX® Best Market, under the symbol "VAPNF". The Company's trading on the OTCQX Market comes as a result of an application and due diligence process including meeting certain financial metrics. On November 12, 2019, the Company changed its name to Vext Science, Inc. and similarly its trading symbols to VEXT on the CSE and VEXTF on the OTCQX® Best Market.

2. On August 7, 2019 the Company announced a new partnership as a member of the strategic joint venture with Legacy Ventures Hawaii, LLC to create a vertically integrated supply chain for Hawaiian hemp production and formulation with Archipelago™ Ventures,

3. On August 14, 2019, the Company announced a strategic partnership with CBD Emporium. CBD Emporium is a CBD retailer located in Arizona that will carry a full-line of Vapen THC-free, Pharmaceutical Grade, Broad Spectrum CBD products in all of its stores. Products carried will include CBD oils, tinctures, edibles, topicals, inhalers, and dog treats in all of CBD Emporium's nine store locations in Arizona and other markets including California, Nevada, New Mexico and Texas as they expand.

4. On August 27, 2019, the Company announced that it has been granted patent #10,231,948 for their metered dose inhaler from the United States Patent and Trademark office ("USPTO"). This utility patent has one claim, "an inhaler system consisting essentially of an actuator, a user interchangeable canister assembly, purified cannabinoid from cannabis, isolated terpene, ethanol, and a hydrofluorocarbon propellant. This patent is valid until 2038. Vext also has an unpublished patent pending for additional claims on the inhaler system. The patent covers the Company's THC and CBD inhaler device which uses a propellant to atomize the THC or CBD oil so it can be deposited in the lungs, without heat. The Vapen-branded inhaler administers a pressurized, metered 10 milligram (mg) dose of pharmaceutical grade pure THC or CBD isolate.

5. On September 3, 2019, the Company announced that its common shares, traded in the United States under the symbol "VAPNF", became eligible for electronic clearing and settlement through the Depository Trust Company in the United States. On November 12, 2019, the Company changed its name to Vext Science, Inc. and similarly its trading symbol to VEXTF on the OTCQX® Best Market.

MATERIAL EVENTS THAT OCCURRED SUBSEQUENT TO THE THREE MONTHS ENDED SEPTEMBER 30, 2019

1. On October 8, 2019, the Company issued 160,000 common shares in full satisfaction of $272,500 in debt.

2. On October 29, 2019, the Company announced a cannabis THC production, extraction and cultivation

partnership with the principals and founders of Texoma House of Cannabis to form Vapen Oklahoma, LLC in Oklahoma. Texoma House of Cannabis has a licensed retail dispensary, as well as Texoma Cultivation greenhouse and outdoor growing operations in Madill, OK.

3. On November 12, 2019, the Company changed its name from Vapen MJ Ventures Corporation to Vext Science, Inc. In addition to the new corporate name, Vext changed its ticker symbols on the U.S. OTCQX to VEXTF and on the Canadian Securities Exchange (CSE) to VEXT.

COMPANY OVERVIEW

Vext, through its wholly-owned subsidiaries, currently operates in the U.S. as an agricultural technology, services and property management company utilizing a full vertical integration business model to oversee and execute all aspects of cultivation, extraction, manufacturing (THC and CBD cartridges, concentrates, edibles), retail dispensary, and wholesale distribution of high margin Cannabis THC and Hemp CBD products under the Vapen Brand. Vext expansion plans include partnering with cannabis license holders and hemp farms in multiple states within the US. The Company has entered into partnerships in Kentucky, Nevada, Hawaii, and Oklahoma.

The Company is a Multi-State Operator (MSO) in the United States and through its growing geographic footprint, provides investors with diversified interests in the regulated, medical and recreational cannabis industry. The Company has developed proven standard operating procedures (SOPs) for the production of a full line of Vapen connoisseur branded flower, THC and CBD concentrates, extracts and edibles.

The Company has built, owns and operates a cannabis cultivation and processing facility located in the State of Arizona and offers its products in that state, through Herbal Wellness Center (HWC) a licensed not-for-profit dispensary located in Phoenix, Arizona.

The Company's multi-state operations through joint venture partnerships will encompass a full spectrum of medical and adult-use cannabis and CBD product and services, including cultivation, processing, product development, wholesale distribution and retail. The Company's cannabis products include flower and trim, products containing cannabis flower and trim (such as pre-rolls), cannabis infused products, inhalers, and products containing cannabis extracts (such as cartridges, concentrates, wax products, oils, tinctures, topical creams, and edibles). The Company's CBD products include tinctures, lotions, balms, cartridges, and inhaler delivery systems.

The Company was incorporated on December 11, 2015. Pursuant to a long form prospectus filed with and receipted by the British Columbia Securities Commission on May 3, 2019, the Company became a reporting issuer in Canada. On May 13, 2019, the Company was listed for trading on the CSE. On June 14, 2019, the Company's common shares were listed on the Frankfurt Stock Exchange (FSE) trading under the ticker symbol "VV5". On July 12, 2019, the Company's shares opened for quotation on the OTCQX® Best Market, under the symbol "VAPNF". On November 12, 2019, the Company changed its name to Vext Science, Inc. The Company's trading symbols concurrently changed to VEXT on the CSE and VEXTF on the OTCQX.

Prior to filing a long form prospectus and on December 31, 2018, the Company concluded a share exchange agreement where it agreed to acquire all of the issued and outstanding shares of New Gen Holdings Inc. (New Gen) in exchange for certain shares of the Company. New Gen was incorporated in the State of Nevada on July 8, 2014. New Gen has seven wholly-owned subsidiaries, of which five are currently operational, for the purpose of providing exclusive operating services to Herbal Wellness Centers Inc. (HWC), a non-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona, thereby facilitating its business plan. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

On June 5, 2019, Vext announced expansion of its extraction expertise to a Kentucky partnership for CBD extraction. First harvest and initial extraction production is anticipated in fall of 2019. Vext and Emerald Pointe Hemp will form a new entity, Vapen-Kentucky LLC ("Vapen-Kentucky"). Emerald Pointe Hemp is an eighth-generation family-owned, farming business, that has a proven record of growing hemp for many years. Emerald Pointe Hemp has initially dedicated 100 acres of their 6,000-acre farm to the cultivation of hemp specifically dedicated to Vapen-Kentucky, for its extraction and wholesale distribution operations. Vapen-Kentucky will process hemp for refined, high purity CBD oil, utilizing the industrial hemp grown by Emerald Pointe. Vext and Emerald Pointe Hemp will share equally in the net profits generated from the CBD extraction and wholesale distribution business of Vapen-Kentucky. All products produced through Vapen-Kentucky will bear the "Vapen" brand.

On June 24, 2019, Vext has signed a Letter of Intent (LOI) with Pegasus, to establish a partnership for Cannabis THC production and extraction in Las Vegas, Nevada. The partnership, which is expected to begin operation in the fall of 2019 [late 2019] and calls for products to be sold at wholesale under the Vapen Brand to Nevada dispensaries. Expected products include: Vapen THC Cartridges Vapen Extracts (Connoisseur Concentrates) Vapen Kitchens Edibles – Snacks, candies, gummies, chocolate bars. The proposed partnership is a new and significant geographic market for the Vapen Brand. Cannabis, in Nevada, became legal for recreational use, effective January 1, 2017, following a successful ballot initiative in 2016. Pegasus operates a successful cultivation center, distributing its "Virtue" Brand, a complimentary, high-quality, connoisseur brand, like the Vapen Brand, to dispensaries in Las Vegas. The addition of the "Vapen" Brand to existing Virtue products, will be a natural fit for Virtue's established distribution channel and provide a full cannabis line of products to the existing customer base. Vext will provide management services and standard operating procedures for production and extraction, including the hiring and training of critical employees. Vext will also be responsible for the bulk tolling (extraction) for other brands. Pegasus and their partners are supplying funding for the equipment, working capital and biomass to the partnership.

On August 7, 2019 the Company announced a new partnership to create a vertically integrated supply chain for Hawaiian hemp production and formulation with Archipelago™ Ventures, a strategic joint venture with Legacy Ventures and Arcadia Biosciences (NASDAQ: RKDA). Legacy brings its equity partner, Vapen CBD, a wholly owned subsidiary of Vext. As proven leader in extraction, product formulation and sales of cannabis oils and distillate products, Vapen CBD will be responsible for the construction and operation of Archipelago's Hawaiian hemp extraction facilities. These facilities will give farmers an opportunity to convert their operations into high-grade CBD hemp production, creating new sources of jobs and revenue on the islands. First sales of superior hemp extract are expected in late 2019, in line with regulatory guidelines. Archipelago creates one vertically integrated supply chain, from seed to sale, to deliver superior hemp-derived CBD products. The joint venture combines Arcadia's extensive genetic expertise and resources with Legacy's proven experience in extraction and distribution. This partnership leverages Hawaii's unique geographic and climate advantages for growing hemp year-round and provides access to key international markets.

On October 29, 2019 the Company announced a cannabis THC production, extraction and cultivation partnership with the principals and founders of Texoma House of Cannabis to form Vapen Oklahoma, LLC in Oklahoma. Texoma House of Cannabis has a licensed retail dispensary, as well as Texoma Cultivation greenhouse and outdoor growing operations in Madill, OK.

Growth Strategy Deployed for Q4 2019 and 2020:

Cannabis multi-state revenue and profit share joint venture partnerships. The Company provides THC licensed partners with core expertise in SOPs, equipment, extraction and manufacturing of our THC product line, as well as a diverse product offering under the Vapen brand as it has done successfully in Arizona. The five additional states include: NV, CA, OK, MA, OH.

Hemp farm and seed multi-state revenue and joint venture partnerships. The Company provides biomass partners with core expertise in SOPs, equipment, and extraction techniques for CBD, CBG, and other hemp derived cannabinoid in 3 states: KY, AR, and HI, as well as Jamaica.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

Overview

The Company began operations in the State of Arizona, through its recently acquired operating subsidiary, New Gen Holdings Inc. and its five operating subsidiaries. The Company was incorporated on December 11, 2015. Pursuant to a long form prospectus filed with and receipted by the British Columbia Securities Commission on May 3, 2019, Vext became a reporting issuer in Canada. On May 13, 2019, Vext was listed for trading on the CSE. On June 14, 2019, the Company's shares were listed for trading on the Frankfurt Exchange under the trading symbol VV5. On July 12, 2019, the Company was approved for quotation on the OTCQX in the United States. On November 12, 2019, the Company changed its name to Vext Science, Inc. along with its trading symbols; VEXT on the CSE in Canada and VESTF on the OTCQX in the United States.

Arizona Operations:

New Gen was incorporated in the State of Nevada on July 8, 2014. New Gen has seven wholly-owned subsidiaries, of which five are currently operational, for the purpose of providing exclusive operating services to Herbal Wellness Center (HWC), a non-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona.

HWC is the holder of dispensary, cultivation and extraction, Arizona-State-approved licenses, to cultivate, extract, and sell medical marijuana and related products to holders of medical marijuana cards.

New Gen's business plan involves five key components: (i) new product creation and licensing; (ii) research and development of connoisseur strains; (iii) engineering and design of extraction equipment; (iv) branding in target markets; and (v) partnership agreements in the US and internationally. New Gen's stated mission is to build a global and scalable business model that supports cannabis production on a worldwide basis.

New Gen's services are provided individually by each of the five operating subsidiaries pursuant to ten-year renewable management contracts, providing among other things, employee leasing services, physical plant for cultivation and extraction of cannabis and derivative products, agricultural technology and research services, and related management and administrative services. The Company provides real property and equipment for lease and enhanced ancillary services to the cannabis industry in the State of Arizona and other potential geographical areas.

New Gen leases a 28,000-square-foot space located in an industrial building at 4215 N. 40th Avenue, Phoenix, Arizona, 85019 for a term beginning on September 1, 2018 and terminating on April 30, 2024, and owns a 2,000-square-foot retail building located at 4126 W. Indian School Road and a 636-square-foot building at the rear parking lot at 4140 W. Indian School Road (collectively, the "New Gen Facilities"). These buildings are used for cultivation, product drying, product processing, product packaging, and infusion into edible products for HWC. The New Gen Facilities provide for the use of hydroponic technologies and growing equipment along with methods in bio-monitored grow rooms monitored by an information technology system to optimize growing conditions and increase plant yields. The benefits of the technology used in the New Gen Facilities include:

a. Precision agriculture techniques (sensors, data collection, and networked monitoring);
b. Hydroponics (clone, veg, and flower rooms with nutrient regimen);
c. Nutrient feeding automation (nutrients programmed doses during flower stage);
d. Water (purification and temperature control affect quality);
e. Electrical (cost efficient and alarmed for indoor grow lighting);
f. Automation (monitoring the environment for optimal growing conditions and inventory control); and
g. Bio controls (maintain facility through proprietary methods).

The portion of the New Gen Facilities that is owned by New Gen (specifically, the 2,000-square-foot retail building at 4126 W. Indian School Road and the 636-square-foot building at 4140 W. Indian School Road) is leased to HWC for use as a dispensary at 4126 W. Indian School Road, occupying the maximum allowable space of 2,000 square feet in Phoenix, while the adjacent building totaling about 636 square feet is used for manager and outreach offices.

HWC retails marijuana flower and extraction products, its VAPEN™ Clear Distillate, Shatter, wax and infused edibles. HWC sells its products to over 3,000 patients with medical marijuana cards per week. HWC also distributes VAPEN Clear products at wholesale prices to the majority of other key dispensaries located in Arizona.

New Gen invoices HWC on a monthly basis for the services provided to HWC related to cultivation, employee manpower, supplies, building and equipment leases, and technical and agricultural expertise. HWC utilizes growing and extraction techniques available in the industry. The indoor flower growing facility deploys equipment with proven techniques developed and refined since 2013. HWC harvests production on a weekly basis. The majority of all THC extraction techniques have been developed internally with New Gen-designed and fabricated equipment. HWC extracts shatter from its private reserve trim and crude THC from mostly purchased trim, producing VAPEN Clear distillate from the crude.

Diversified product lines include quality flower, high quality shatter and wax, VAPEN Clear cartridges for pen, palm and pod style atomizers, VAPEN Clear applicator syringes, VAPEN Clear inhalers, THC VAPEN Kitchens edibles, and other VAPEN-branded merchandise.

New Gen also produces, retails, and wholesales a wide range of VAPEN-branded CBD products including VAPEN CBD cartridges for pen and palm atomizers, VAPEN CBD Crystalline, VAPEN CBD Inhalers, and CBD lotions and balms.

New Gen intends to license its VAPEN brand to cannabis producers worldwide and to utilize it in marketing efforts with industry-orientated affiliates.

Production operations are both scalable and replicable. All operating procedures are standardized on a department by department basis. Indoor growing operations have been designed for efficiency of use through prior years' experience. New Gen has vetted and assessed both domestic and foreign vendors for supplies required in growing and packaging.

The Company's mission is to generate multiple revenues streams from enabling licensed cannabis operators to take advantage of their licenses. Cultivation of cannabis crops to enhance both crop quality and yields is accomplished through internally developed expertise and the use of clean technology and tools. Extraction techniques with technologies and packaging and manufacturing for retail and wholesale distribution will continue to comprise the services offered by New Gen. Also, New Gen may license brands that it develops to various license holders worldwide.

New Gen is corporately structured to provide a comprehensive range of flexible options to licensed cannabis cultivators, and processors for the cultivating, processing, packaging, and distribution of cannabis and cannabis products. The Company, through its wholly owned subsidiaries, also provides long-term cannabis advisory and management services and trained staff to manage the facilities.

In Arizona the New Gen Facilities provide the technology and the infrastructure to comply with Arizona State and municipal cannabis laws in Phoenix, Arizona. New Gen also provides supply services for HWC, a producer and production license holder, and derives income streams from HWC for the cultivation, growing, processing, packaging, and distribution of cannabis within Arizona. New Gen intends to provide similar services to other producer and production license holders in other states where it has entered into partnerships in accordance with the licenses held by its partners those states.

New Gen commenced business by supplying cultivation and extraction services to HWC and subsequently developing and managing HWC's sales and marketing activities. At the date of this MD&A, New Gen continues to provide these services to HWC on an exclusive basis in Arizona. Since incorporation, New Gen has re-invested capital into the business to support its growth. New Gen does not cultivate or extract cannabis in Arizona, but rather provides services to HWC who holds the state licenses to do so.

In Arizona, New Gen generates revenue from five (5) exclusive management services agreements with HWC, providing land and buildings (including leasehold improvements on leased premises), cultivation space, extraction services, and space for kitchen equipment, a laboratory, and testing equipment and facilities.

Operations in Arizona are delivered by New Gen's five operating subsidiaries and their respective business undertakings are as follows:

a) Step 1 Consulting LLC provides ongoing management services to HWC related to the operation of a dispensary. Step 1 Consulting LLC is a Delaware company and ensures that HWC maintains compliance with HWC's Arizona State licenses to dispense and sell cannabis products.

b) Hydroponic Solutions LLC provides equipment leasing, supply purchasing, and logistic services to HWC.

c) New Gen Real Estate Services LLC owns and leases buildings and land that it in turn leases to HWC for use as a physical plant enabling HWC's cultivation, extraction, and dispensary retail business.

d) New Gen Admin Services LLC provides general administration services to HWC, including but not limited to, employee leasing services to HWC.

e) New Gen Agricultural Services LLC provides cultivation management services to HWC to optimize growing conditions and facility management using internally developed expertise and methodologies.

All five companies have separate management services agreements with HWC to engage in the services provided by each subsidiary.

Arizona Dispensary - Herbal Wellness Center, Inc. (HWC) - The Dispensary

HWC operates its dispensary from New Gen-leased premises located at 4126 W Indian School Road, Phoenix, Arizona. The retail operations consist of a 2,000-square-foot dispensary and one adjacent building totaling about 636 square feet which is used for marketing and managers' offices. HWC sells its products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other dispensaries located throughout the State of Arizona.

HWC's mission is to deliver the finest marijuana products including premium strains of flower, wax, shatter, edibles, and oil. HWC contracts with New Gen Agricultural Services LLC to provide advice related to techniques to produce the highest quality product. HWC also contracts with New Gen Admin Services LLC to staff the cultivation, extraction, and dispensary operations with its employees. The dispensary employees are trained to have extensive product knowledge, allowing the dispensary to provide individualized recommendations that most appropriately fit a patient's needs.

HWC is independent from New Gen and operates pursuant to Arizona law as a non-profit corporation. Each of New Gen's five operating subsidiaries provides services to HWC in the course of enabling HWC to conduct its business.

HWC has established brand recognition throughout the Arizona market and its wholesale business is sold under the brand name Vapen Clear. New Gen continues to support this growth with the creation of packaging and distribution services.

HWC Licenses:

HWC is the holder of the following licenses issued by the State of Arizona:

a) Medical Marijuana Dispensary Registration Certificate Number 00000086DCKR00375578, which became effective August 8, 2019 and expires on August 7, 2020. There is no reason to presume that the license will not be reissued on its expiration. The Certificate has been issued pursuant to Title 36, Chapter 28.1 Arizona Revised Statutes and pursuant to Title 9, Chapter 17, Article 3, Department of Health Services rules and regulations. The certificate is not an approval to operate.

b) Approval to Operate: Pursuant to the Approval to Operate, HWC is approved to cultivate medical marijuana at an offsite location in Arizona in strict compliance with the requirements of the State Medical Marijuana Act, which governs the acquisition, possession, manufacturing, delivery, transfer, transportation, supplying, selling, distributing or dispensing of medical marijuana. The dispensary site license was issued on August 8, 2019 and expires on August 7, 2020. The cultivation site license was approved on the same date and expires on the same date. There is no reason to believe that these licenses will not be renewed for further one-year terms. The State of Arizona issues these licenses for one-year terms only.

c) Medical Marijuana Dispensary – Food Establishment License and Approval to Prepare, Sell, or Dispense

Marijuana Infused Edible Food Products. The food products produced by HWC must be prepared, sold, and dispensed in accordance with 9 A.A.C.8 Article 1. The license number is 14-060.

HWC's products consist of a connoisseur-grade cannabis product line including quality flower; high quality shatter and wax; VAPEN Clear cartridges for pen, palm and pod style atomizers; VAPEN Clear applicator syringes; VAPEN Clear inhalers; THC VAPEN Kitchens edibles; and VAPEN-branded merchandise.

Each of these products is produced pursuant to the services contracts between HWC and New Gen's five operating subsidiaries.

Competitive Conditions:

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal on a Federal level. The changing regulatory environment at the state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that it can continue to expand its cannabis-related activities by providing tailored, state-law compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets

Competitor Comparison

Competitor	Description of Business	Operations Location
4Front Ventures	Operates dispensaries and delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	Arizona, Illinois, Maryland, Massachusetts, Michigan, Pennsylvania California; Washington, U.S.A.
iAnthus Capital Holdings, Inc.	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services (“value-added capital”) to licensed cultivators, product manufacturers and dispensaries.	Arizona; Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.
CannaRoyalty Corp.	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A. Canada
Liberty Health Sciences Inc.	Acquire and operate U.S.−based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to shareholders.	Florida, U.S.A.
1933 Industries	Owns and controls cannabis and hemp-based assets in Las Vegas, Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.
Golden Leaf Holdings Ltd.	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon.	Oregon, U.S.A.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2018 SELECTED ANNUAL INFORMATION

The financial information reported herein reflects the operations of the Company as at June 30, 2019. Although certain partnership agreements have been executed during the quarter, for activities in states other than Arizona, no revenues have yet been generated from these partnerships because the agreements have only been recently signed.

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from the Company's financial statements.

		December 31, 2018		December 31, 2017
Total Revenue	$	18,476,269	$	14,848,730
Cost of Sales and Operating Expenses	$	12,906,239	$	9,212,964
Net Income	$	3,748,562	$	4,107,232
Total assets	$	23,434,185	$	13,840,997
Total liabilities	$	6,433,610	$	5,066,284
Net Income per share (basic and diluted)	$	0.06	$	0.06
Total liabilities and shareholders' equity	$	23,434,185	$	13,840,997

SELECTED QUARTERLY INFORMATION

The following table summarizes the results of operations for the eight most recent quarters.

Comparing quarterly results is primarily explained by two factors, the beginning and ending of cultivation expansion and the growth trend that adds significant product supplies revenue depending on the order cycle to get volume discounts. At the beginning of cultivation expansion professional services and equipment leasing revenues will increase. Product sales revenues will increase significantly in the quarters in which we order carts and packaging materials for HWC. There are currently no seasonality issues that affect sales performance in the business.

Three months ended	**December 31, 2018**	**March 31, 2019**	**June 30, 2019**	**September 30, 2019**
Total Revenue	$4,702,065	$6,499,928	$6,696,775	$5,574,546
Expenses	$4,352,153	$4,838,511	$5,517,713	$4,789,616
Net Income	$349,912	$1,661,417	$1,179,062	$784,930
Net Income per share (Basic and diluted)	$0.01	$0.02	$0.02	$0.01

Three months ended	**December 31, 2017**	**March 31, 2018**	**June 30, 2018**	**September 30, 2018**
Total Revenue	$5,145,776	$4,399,269	$4,671,205	$4,703,730
Expenses	$3,282,337	$3,329,271	$3,695,375	$3,338,908
Net Income	$1,863,439	$1,069,998	$975,830	$1,364,822
Net Income per share (Basic and Diluted)	$0.03	$0.02	$0.02	$0.01

Note: For the quarter ended December 31, 2018, total expenses include expenses recorded in respect of the reverse takeover transaction totaling $702,036.

Financial Position as at September 30, 2019

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at September 30, 2019.

Current Assets

As at September 30, 2019, the Company's current assets were as follows: cash balance of $3,034,514, accounts receivable of $19,065,060, and prepaid deposits and other receivables of $832,873. As at September 30, 2019, the Company had total current assets of $22,932,447.

Non-current Assets

As at September 30, 2019, the Company's non-current assets were $9,966,010.

Current Liabilities

As at September 30, 2019, the Company's current liabilities were $2,226,6296

As at September 30, 2019, the Company had accounts payable and accrued liabilities of $955,904, current portion of notes payable of $909,250, income taxes payable of $244,806, and current portion of lease liability of $116,666.

Non-current Liabilities

As at September 30, 2019, the Company had a deferred tax liability of $4,665,647, a long-term portion of lease liability of $631,291, and long-term portion of notes payable of $113,770.

Shareholders' Equity

As at September 30, 2019, the Company had shareholders' equity of $25,261,123.

Working Capital Position

As at September 30, 2019, the Company's working capital position was $20,705,821, compared to $14,522,974 for the year ended December 31, 2018, an increase of 43.6%.

Financial Results for the Three Months Ended September 30, 2019

The following discussion of the Company's results of operations is based on its condensed consolidated financial statements for the three months ended September 30, 2019.

Revenue

For the three months ended September 30, 2019, the Company's revenues from operations were $5,574,546 compared to $4,703,730 for the comparative reporting period, an increase of 18.5%. Professional services revenue for the three months ended September 30, 2019 compared to the three months ended September 30, 2018 increased from $1,412,350 to $1,621,127. The increase is attributable to increased staffing levels required to support the cultivation and dispensary operations of HWC. Product sales revenue during this same comparable period increased from $1,349,107 to $2,158,941, an increase of 60%. An increase in sales of extraction and cultivation supplies, kitchen raw materials, packaging material such as branded cartridges, syringes, envelopes, boxes, bottles, tins and bags to HWC attributed to the change between the comparative period. Equipment leasing revenues decreased from $582,273 for the three months period ended June 30, 2018, to $354,478 for the three months ended September 30, 2019, a decrease of 39.1%. This decrease is caused by fewer new leases of cultivation and extraction equipment deployed in the operation of the HWC business during the quarter. Management fees of $1,200,000 were the same for the three months ending September 30, 2019 and September 30, 2018. Property leasing revenues for the three months ended September 30, 2019 were $240,000 compared to $160,000 for the three months ended September 30, 2018. The increased property lease revenue was related to increased rent charged to HWC following the completion of the Phase III cultivation expansion.

Cost of Sales

Cost of sales increased from $2,073,108 for the three months ended September 30, 2018 compared to $3,024,946 for the three months ended September 30, 2019, an increase of 45.9%. The cost of sales increase year over year is due to the increase in personnel and other costs directly related to the increase in sales volumes. Cost of goods sold includes purchased extraction and cultivation supplies, kitchen raw materials, and packaging material such as branded cartridges, syringes, envelopes, boxes, bottles, tins and bags. Included in these costs are federally mandated tariffs on imported products which did not exist in the comparative period.

The gross profit decreased for the three months ended September 30, 2019 to $2,549,600 compared to $2,630,622 for the comparative period.

Operating Expenses

The Company's total operating expenses were $1,464,203 for the three months ended September 30, 2019 compared to $846,171 for the three months ended September 30, 2018. Accounting for these costs were the following items:

Advertising and Promotion: For the three months ended September 30, 2019, the Company's advertising and promotion costs totaled $201,004, a decrease of $49,871 or 19.9% over the comparative period. This cumulative net decrease is the result of becoming more selective in its marketing efforts across all brands.

Amortization Costs: For the three months ended September 30, 2019, the Company's amortization costs totaled $34,960 as compared to ($42,367) for the comparative period, an increase of $77,327. The increase is associated with the amortization of right-of-use assets and reclass of amortization to cost of sales during the comparative period.

Bank Charges and Interest: For the three months ended September 30, 2019, the Company's bank charges and interest totaled $21,243, as compared to $8,599, an increase of $12,644 or 147.0%. The increase is due to charges incurred due to additional banking fees and interest expense on right of use assets.

Insurance: For the three months ended September 30, 2019, the Company's insurance costs were $17,431 as compared to $12,572 for the preceding year, an increase of $4,859 or 38.6%. The increase is related to higher premium costs.

Office and General Expense: For the three months ended September 30, 2019, the Company's office costs were $238,728 as compared to $108,561 for the comparative quarter, an increase of $130,1674 or 119.9%. The increase is associated with increased personnel, computer hardware and software upgrades, additional dues and subscription costs, and increased supplies expense.

Professional Fees: For the three months ended September 30, 2019, professional fees were $467,138, as compared to $95,854 for the comparative quarter, an increase of $371,284 or 387.3%. The increase is due to increased additional investor relations consultants, extraction and cultivation consultants, marketing and advertising consultants, and legal fees related to the establishment of the joint venture partnerships disclosed elsewhere in this MD&A.

Rent, Property Taxes and Utilities: For the three months ended September 30, 2019, rent and property taxes were $64,781 as compared to $59,936 for the comparative quarter. The $4,845 increase is due to higher electricity consumption associated with the expanded cultivation operations.

Repairs and Maintenance: For the three months ended September 30, 2019, repairs and maintenance costs were $34,358 as compared to $188,941 for the comparative quarter a decrease of $154,583 or 81.8%. The decrease is due to reduced expenditures being made on installed equipment and facilities expansion.

Research and Development: For the three months ended September 30, 2019, the Company spent $11,994 on research and development compared to $10,109 for the comparative quarter.

Share-based Compensation: For the three months ended September 30, 2019 share based compensation was $nil compared to $nil for the comparative period.

Salaries and Wages (Operating): For the three months ended September 30, 2019, salaries and wages were $275,117 as compared to $27,716 for the comparative period, an increase of $247,401 or 892.6%. The increase is due to an increased head count for the operations, a higher percentage of labor being allocated to operating expenses, and executive, management, and administrative operating personnel allocated to the multistate joint venture partnership operations.

Travel and Training Costs*:* For the three months ended September 30, 2019, the Company recorded $97,449 for travel and training costs compared to $125,375 for the comparative period, a decrease of $27,926 or 22.3%.

CASH FROM ACTIVITIES

For the nine months ended September 30, 2019, cash flows used in operating activities was $742,481.

CASH FROM INVESTING ACTIVITIES

For the nine months ended September 30, 2019, cash flows used in investing activities was $3,793,035.

CASH FROM FINANCING ACTIVITIES

For the nine months ended September 30, 2019, cash flows provided by financing activities was $4,176,463.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2019, the Company had working capital of $20,705,821. This working capital is sufficient to fund operations and working capital requirements for the next twelve months.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these condensed consolidated financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer, Chief Operating Officer, and President and Chief Financial Officer.

Remuneration attributed to key management personnel for the three months ended September 30, 2019 and September 30, 2018 is summarized as follows:

	September 30, 2019	**September 30, 2018**
Salaries, wages and commissions – included in operating expenses	$ 170,779	$ 139,851
Salaries and wages – included in cost of sales	$ 34,044	$ 7,361
	$ 204,823	$ 147,212

Other related parties

Other related parties include close family members of the Company's CEO and directors.

Remuneration attributed to other related parties for the three months ended September 30, 2019 is summarized as follows:

	September 30, 2019	**September 30, 2018**
Salaries and wages included cost of sales	$ -	$ 32,206
Salaries, wages and commissions included in operating expenses	33,564	1,695
	$ 33,564	$33,901

Balances with related parties

Due from related parties:

	September 30, 2019	December 31, 2018
Non-interest bearing, due on December 31, 2021 from the CEO	**$ 537,151**	$ 537,151
Non-interest bearing, due on December 31, 2022 from the CEO	**316,251**	316,251
Non-interest bearing, due on December 31, 2023 from the CEO	**1,328,383**	1,328,383
	$ 2,181,785	$ 2,181,785

Due to related parties:

Amounts due to related parties as at September30, 2019 and December 31, 2018 included the following:

- Included in payables and accrued liabilities as at September 30, 2019 is $336,047 (December 31, 2018 - $290,167) owing to the CEO, companies controlled by the CEO, and close family members of the CEO. The majority of this amount is made up of accrued salary.
- Included in short-term loans payable as at September 30, 2019 is $nil (December 31, 2018 - $14,445) owing to a company controlled by the CEO of the Company. This amount bears interest of 13% per annum, and is due on demand.
- Included in the long-term loans payable as at September 30, 2019 is $88,301 (December 31, 2018 - $128,228) due to the CEO of the Company, the spouse of the CEO, and a company controlled by the CEO of the Company. These loans bear interest of 13% per annum, and are due between 2022 – 2026.

SHARE CAPITAL

The Company is authorized to issue the following shares:

- Unlimited subordinated voting common shares without par value; and
- Unlimited super voting shares with multiple voting rights, each convertible into 100 subordinated voting common shares.

Share Capital Summary – September 30, 2019

	Number of subordinate voting shares	Amount – subordinate voting shares	Number of multiple voting shares	Amount – multiple voting shares
Balance at December 31, 2018	11,525,961	$4,150,332	625,287	$19
Issuance of shares	-	50,000		
Private placement	6,148,665	4,585,134		
Exercise of warrants	500,000	93,750		
Conversion of special warrants	1,000,000	183,250		
Balance at September 30, 2019	19,174,626	$9,062,466	625,287	$19

During the nine months period ended September 30, 2019:

- The Company received $50,000 for subordinate voting shares that were issued during the year ended December 31, 2018.
- The Company received $183,250 for special warrants that were issued during the year ended December 31, 2018.
- On April 25, 2019 1,000,000 special warrants were converted *
- The Company closed a private placement of 6,148,665 common shares at a price of CAD$1.00 per share for a total of CAD$6,148,665.
- For the quarter ended September 30, 2019, the Company received CAD$125,000 for the issuance of 500,000 common shares at a price of CAD$0.25 as a result of warrant exercises.

Subsequent to the period end the Company issued 160,000 common shares in full satisfaction of $272,500 in debt.

Special warrants

On April 25, 2019, during the period ending September 30, 2019, 1,000,000 special warrants that were outstanding were automatically converted into 1,000,000 units, with each unit consisting of one (1) subordinated voting share and one-half of one (½) subordinated voting share purchase warrant. Each whole purchase warrant entitles the holder to purchase one (1) additional subordinated voting share from the Company at an exercise price of CAD$0.25 per subordinated voting share for a period of one (1) year from issuance of the unit (December 24, 2018).

Share purchase warrants

The following is a summary of warrant activities during the three months ended September 30, 2019:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, December 31, 2018	4,500,000	$ 0.42
Issued	500,000	$ 0.19
Exercised	(500,000)	$ 0.25
Outstanding, September 30, 2019	4,500,000	$ 0.44

As at September 30, 2019, the Company had the following share purchase warrants outstanding:

Outstanding	**Exercise Price**	**Remaining Life (Years)**	**Expiry Date**
2,200,000	CAD$0.25	0.21	December 17, 2019
2,000,000	CAD$1.00	0.25	December 31, 2019
300,000	CAD$0.25	0.23	December 24, 2019
4,500,000	$0.44	0.23	

Stock options

As at September 30, 2019, the Company had a stock-based compensation plan. The plan provides for the granting of awards in the form of incentive and nonqualified stock options, stock appreciation rights, shares of restricted common stock, bonus stock in lieu of obligations, or other stock-based awards to employees, directors and independent contractors who provide valuable service to the Company. Options are granted at the market price of the common stock on the date the grant and have a maximum ten-year term. The stock options for directors typically vest over a 24-month period from the date of grant. The stock options for employees and independent contractors typically vest over a 36-month period from the date of grant.

The following is the summary of the stock option activities during the six months ended September 30, 2019:

	Option Shares	Weighted Average Exercise Price CAD$
Outstanding, December 31, 2018	-	-
Granted	1,109,000	$1.00
Cancelled	(26,000)	$1.00
Outstanding, June 30, 2019	1,083,000	$1.00

As at September 30, 2019 the Company had the following stock options outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
889,000	100,000	CAD$1.00	9.25	January 3, 2029
200,000	-	CAD$1.00	9.61	May 13, 2029
1,089,000	100,000	CAD$1.00	9.32	

During the nine-month period ended September 30, 2019, the Company issued 1,109,000 stock options with a fair value of $280,970 or $0.25 per option. During the nine-month period ended September 30, 2019, $144,311 was recorded as a share-based compensation expense based on the number of options vested during the period.

Special Advisory Warrants

The following is the summary of special advisory warrant activities during the nine months ended September 30, 2019:

	Warrants	Weighted Average Exercise Price CAD$
Outstanding, December 31, 2018	-	-
Granted	1,000,000	$1.00
Outstanding, September 30, 2019	1,000,000	$1.00

As at September 30, 2019 the Company had the following special advisory warrants outstanding and exercisable:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
1,000,000	-	CAD$1.00	5.25	December 31, 2024

During the nine-month period ended September 30, 2019, the Company issued 1,000,000 special advisory warrants and recorded $46,776 as a share-based compensation expense. The fair value of the warrants granted during the period was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Weighted average expected stock price volatility	100%	n/a
Weighted average expected option life (years)	3	n/a
Risk-free interest rate	2.05%	n/a
Rate of expected dividends	0%	n/a

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Company has prepared the accompanying audited annual financial statements using accounting policies consistent with IFRS. Significant accounting policies are described in Note 2 of the Company's unaudited interim financial statements.

The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Deferred Tax Assets & 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 assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of marijuana operations. 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.

Useful Life of Property and Equipment

Property and equipment is amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category	Measurement
Cash and bank indebtedness	FVTPL	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Subscriptions receivable	Loans and receivables	Amortized cost
Due from shareholders	Loans and receivables	Amortized cost
Prepaid deposits and other receivables	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Due to shareholders	Other liabilities	Amortized cost
Payables	Other liabilities	Amortized cost
Notes payable	Other liabilities	Amortized cost
Lease liability	Other liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and bank indebtedness have been measured at fair value using Level 1 inputs.

Impairment of Financial Assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a separate line item. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company's financial instruments are exposed to certain financial risks, which include the following:

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, and foreign currency risk. Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. Cash in banks is held with reputable United States financial institutions, from which management believes the risk of loss is remote. The Company does believe it has significant credit risk with respect to customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In the opinion of management, there is no significant liquidity risk associated with the Company's business.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

SUBSEQUENT EVENTS

On October 8, 2019, the Company issued 160,000 common shares in full satisfaction of $272,500 in debt.

On October 29, 2019 the Company announced a cannabis THC production, extraction and cultivation partnership with the principals and founders of Texoma House of Cannabis to form Vapen Oklahoma, LLC in Oklahoma. Texoma House of Cannabis has a licensed retail dispensary, as well as Texoma Cultivation greenhouse and outdoor growing operations in Madill, OK.

On November12, 2019, the Company changed its name from Vapen MJ Ventures Corporation to Vext Science, Inc. In addition to the new corporate name, Vext changed its ticker symbols on the U.S. OTCQX to VEXTF and on the Canadian Securities Exchange (CSE) to VEXT.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK AND UNCERTAINTIES

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which it may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations.

DESCRIPTION OF THE U.S. LEGAL CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – Issuers with U.S. Marijuana-Related Activities ("CSA Notice 51-352"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Legal and Regulatory Matters

United States Federal Overview

In the United States, thirty-one (31) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized "adult use" or "recreational" marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities including, without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law. Although federally illegal, the U.S. federal government's approach to enforcement of such laws has at least until recently trended toward non-enforcement. On August 29, 2013, the DOJ issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses. However, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community". While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime", it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses.

Arizona Overview:

Arizona has authorized the cultivation, extraction and dispensing of medical marijuana products by licensed dispensaries located throughout the State. There are 130 licenses in the state which cover all categories of production and sale of cannabis and cannabis related products. In 2010, Arizona became the 14th state to legalize medicinal cannabis for adults over 21 under Proposition 205: the Arizona Medical Marijuana Act (AMMA). Arizona is one of the 31 states to have some form of medical marijuana law in place. The AMMA is regularly used as an example for other states as an effective way to regulate a legal cannabis industry. In Arizona, the dispensaries operate as non- profit entities and engage with management companies to provide real estate rental, administrative, general management and advisory services, financing and logistics to medical marijuana businesses (the dispensaries) licensed under the provisions of the Arizona Medical Marijuana Act, A.R.S. Title 36, Section 28.1 (the "AMMA") and to provide material support. These management companies exert considerable influence and control over not-for-profit dispensaries. It is illegal in Arizona to possess marijuana in the absence of holding a medical marijuana card. Holders are entitled to purchase not more than 2.5 grams of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales. New Gen and its subsidiaries are in compliance with Arizona's medical marijuana regulatory requirements and programs where applicable.

Regulatory Risks

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

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

The Company expects to derive most of its revenues from the U.S. cannabis industry, which industry is illegal under U.S. federal law (other than its business related to high CBD/low THC products, known as "hemp"). As a result of the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The Company is expected to remain focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum in January 2018.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Currently, the Company is engaged in the branding and procurement for companies that manufacture and distribute cannabis in the medical and adult-use cannabis marketplace. As at December 31, 2018, the Company's assets and revenues are directly attributable to the medical marijuana use in the State of Arizona.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The Company's involvement in the U.S. cannabis industry will be (i) only in those states that have enacted laws legalizing cannabis; and (ii) only in those states where the Company can comply with state (and local) laws and regulations and has the licenses, permits or authorizations to properly carry on each element of its business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold license, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Heightened Scrutiny

For the reasons set forth above, the Company's activities in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's activities in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its business activities may require substantial expenditures on 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 cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Other Regulatory Risks

The activities and products of the Company are subject to regulation by governmental authorities, including, the U.S. Food and Drug Administration, and others. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and 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. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or 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, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Cannabis Industries are Highly Competitive

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 manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business.

Operating Risk and Insurance Coverage

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the business and manage operations, and on its ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as for officers and directors, can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact operations.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a client base for its product. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and, if applicable, the trading price of its Common Shares on any stock exchange.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Securities and Dilution

There is no assurance that sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

Future Capital Requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

OTHER INFORMATION

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