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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

Dated as of April 29, 2020

(All amounts expressed in U.S. dollars, unless otherwise stated)

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

This Management's Discussion and Analysis ("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 MD&A, 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.

BACKGROUND

This MD&A has been prepared as of April 29, 2020 and it presents an analysis of the consolidated financial position of Vext Science, Inc. ("Vext" or the "Company") (formerly Vapen MJ Ventures Corporation, Calyx Growth Corporation, and Fabula Exploration Inc.) for the year ended December 31, 2019. The following information should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2019 and December 31, 2018, including the notes contained therein. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements of the Company include the financial statements of the Company and its direct subsidiaries, indirect subsidiaries that are not wholly owned by the Company and other entities consolidated other than on the basis of ownership:

Name	Jurisdiction	Ownership
Vext Science, Inc.	BC, Canada	100%
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Arizona, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
X-Tane, LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen 501 Lab LLC(1)	Arkansas, USA	50%
Vapen Mass, LLC	Massachusetts, USA	50%

(1) Terminated on March 26, 2020.

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's expansion plans include partnering with cannabis license holders and hemp farms in multiple states within the U.S.

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. During the period covered by this MD&A, the Company began its expansion strategy by entering into joint venture agreements, management service agreements, and operating agreements with partners located in various states in the United States. At the date of this MD&A two of the joint ventures have commenced commercial operations, but none have contributed to revenues or net income as at December 31, 2019. Disclosure herein is therefore related to the agreements entered and the planned operations in states outside Arizona.

MATERIAL EVENTS THAT OCCURRED DURING THE YEAR ENDED DECEMBER 31, 2019

On January 4, 2019, The Company granted 909,000 stock options at an exercise price of CAD$1.00 to certain employees and consultants.

On April 25, 2019, as a result of the conversion of Special Warrants, the Company issued 1,000,000 Common Shares and 500,000 warrants and the Common Shares were valued at $183,250.

On May 3, 2019, the Company's long form prospectus was approved for filing in the Province of British Columbia.

On May 13, 2019, the Company's shares were listed for trading on the Canadian Securities Exchange ("CSE").

On May 13, 2019, the Company granted 200,000 stock options at a price of CAD$1.00 to certain employees and consultants. The options are exercisable at CAD$1.00 per share and expire on May 13, 2029.

On May 13, 2019, the Company granted a total of 1,000,000 special advisory warrants to consultants of the Company exercisable at a price of CAD$1.00 per share and expire on December 31, 2024.

On May 22, 2019, the Company closed its non-brokered private placement of 6,148,665 common shares at a price of CAD$1.00 per common share for gross proceeds of CAD$6,148,665.

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 under the symbol "VAPNF". 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.

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 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.

On August 27, 2019, the Executive Chairman of the Company was granted patent #10,231,948 for his metered dose inhaler from the United States Patent and Trademark office ("USPTO"). The Executive Chairman, intends to assign ownership of the patent to the Company. 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.

On October 8, 2019, the Company issued 150,000 common shares in full satisfaction of $205,383 in debt. In addition, the Company issued 10,000 common shares in satisfaction of $7,500 in debt.

On December 31, 2019, the Company completed a private placement financing comprising of secured non- convertible debentures (the "Loan") of $5,500,000. The Loan is secured by a security interest in all of the Company's assets. The Loan accrues interest at an annual rate of 10%, payable quarterly beginning July 1, 2020 and matures on December 31, 2021. The lenders also received warrants to purchase 980,210 Subordinate Voting Shares at an exercise price of CAD$1.00 (the "Loan Warrants") as an incentive. The Loan Warrants can be exercised for two years after closing, subject to the Company's right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than CDN$3.35 for the any five 5 consecutive trading days.

During the year, 3,000,000 warrants were exercised at CAD$0.25 each for a total of $568,030.

COMPANY OVERVIEW

The Company was incorporated in British Columbia, Canada on December 11, 2015 and its head office is located at 2250 – 1055 West Hastings Street, Vancouver, BC, Canada, V6E 2E9. On May 13, 2019, the Company commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "VEXT". On July 12, 2019 the Company commenced trading on the OTCQX Venture Market under the ticker symbol (OTCQX: VEXTF).

On December 31, 2018, the Company closed a share exchange agreement where it acquired all the issued and outstanding shares of New Gen Holdings Inc. ("New Gen") in exchange for certain shares of the Company. New Gen incorporated in the State of Wyoming on July 8, 2014. New Gen has several wholly-owned subsidiaries for the purpose of providing exclusive operating services to Herbal Wellness Center Inc. (HWC), a not-for-profit company that holds licenses to cultivate, extract, and dispense connoisseur-grade cannabis brands and cannabis-related products in Arizona. New Gen manages the activities of its operating subsidiaries and has done so since incorporation.

The Company is 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. The Company currently provides these management and marketing services in Arizona. The Company has also entered into management agreements, operating agreements, or non-binding letters of intent at the date of this MD&A in Kentucky, Nevada, Massachusetts, California, and Oklahoma. From the beginning in Arizona, the Company has developed proven and sought after standard operating procedures (SOPs) to produce a full line of branded flower, Vapen branded THC and CBD distillates, concentrates, extracts, and edibles.

The Company has built and operates a service business for cannabis cultivation and processing located in the State of Arizona. Products produced under contract are sold through Herbal Wellness Center ("HWC") a licensed not-for-profit dispensary located in Phoenix, Arizona. In other jurisdictions, the Company will provide SOPs and extraction expertise to partners pursuant to operating agreements. Products produced from these facilities will be branded as "Vapen". The Company will earn and record its proportional interests in the derived gross revenue and net income for each location, where appropriate, and in certain circumstances treat its annual share of income or loss as part of its investment in those entities. The Company may assist in opening retail dispensaries where appropriate. The model minimizes the capital needed to enter new markets by avoiding, where appropriate, the costs and time associated with licensing and acquiring real estate. The business model provides both near term return on invested capital and minimized lead time to market. The Company provides management services to two dispensaries located in Arizona.

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

The Company will enter new markets with limited capital risk, leveraging its operational expertise and brand strength. As a leader in the Arizona market, the Company is now monetizing both its manufacturing and distribution expertise. The Company has set up joint ventures in multiple states, which the Company expects the joint ventures to produce revenue and net profits in fiscal 2020. The Company continues to grow by reinvesting its net profits back into the business.

Competitive strengths:

Product Development, Branding and Standard Operating Procedures ("SOPs"): The business commenced in Arizona, where the Company entered the market to provide cultivation, extraction and manufacturing, support for retail and wholesale distribution for high margin cannabis THC and hemp CBD through HWC. The Vapen brand is widely recognized throughout the entire State of Arizona.

The Company's established SOPs provide consistency in product quality whether flower, extracts or edibles. Industry participants have sought out these capabilities, thus enabling a rapid expansion into other markets, many without the inherent time and costs associated with either direct license acquisition or the acquisition of existing operations. For this reason, the Company's footprint is expanding rapidly with minimal capital requirements. The Company may also seek out attractive acquisitions of existing operations that are accretive.

Licensing SOPs and Acquisitions: The strategy is to identify opportunities where the Company can deliver its SOPs to a rapidly expanding national and international market, where medical and recreational markets are converging and where the ability to penetrate both retail and wholesale markets effectively with the Vapen brand is quantifiable. Secondly, the Company seeks out partners for joint ventures who have strength in cultivation, licenses and real estate to support its extraction capabilities for both high margin cannabis THC and hemp CBD.

High Quality Cannabis and CBD Products: The Vapen Clear THC high quality solvent-free concentrates include daytime (sativa), afternoon (hybrid), and nighttime (Indica) products, offered with multiple and convenient delivery options. Vapen extracts include high quality products produced from premium biomass. Vapen Clear THC products can be produced from any cannabis biomass thus complementing state-by-state expansion plan without compromising quality.

Vapen CBD and Pure Touch Botanicals branded products complement the Vapen brand and facilitate multi-state expansion plans.

Edibles produced under the Vapen Kitchens Brand consist of Vapen Clear infused products, THC chocolate bars, THC syrup, THC snacks, candies, and gummies. Vapen branded products have earned industry-wide recognition.

Management Team: The Vext management team possesses expertise in the cannabis industry, finance, capital markets, regulations, operations, project management, and marketing. This team has proven its ability to grow and scale companies, skills that have been inherited from the experience gained by the team over many years.

Replicable Processes and Scalability. The Company's production processes are replicable and scalable, resulting in consistent quality and taste across all the Company's products. SOPs utilized in the Arizona operation are being deployed in other states under various agreements.

Growth Strategies and Strategic Priorities:

Joint Ventures: The Company's growth strategies involve partnering with established operators in multiple states. Operating agreements have been negotiated. In each market, the Company provides the equipment, and operating experience, while the partners provide licensure, access to raw material (biomass), and real estate for the facility to the joint venture. Both the Company and the joint venture partners will provide a working capital loan to the joint ventures.

Growth of Core Arizona Business: Marketing and sales strategies are focused on attracting new and existing patients and customers to the dispensaries and the Vapen CBD and the Pure Touch Botanicals CBD brands in Arizona.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

Overview

The Company began operations in the State of Arizona, through its operating subsidiary, New Gen Holdings Inc. and subsidiaries. The Company was incorporated on December 11, 2015. New Gen was incorporated in the State of Nevada on July 8, 2014. New Gen has multiple subsidiaries for the purpose of providing operating services for not for profit cannabis companies that hold licenses to cultivate, extract, and dispense cannabis products in Arizona.
Vext currently provides management and marketing services in Arizona.

Vext began its expansion in 2019 into other markets as summarized in the MD&A.

Arizona Operations:

New Gen's services are provided individually by 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.

New Gen invoices cannabis companies on a monthly basis for the services and products it provides. During the fourth quarter of 2019, New Gen revised the basis for monthly management fees to HWC to appropriately reflect the current market value of the services it provides in accordance with New Gen's expansion plans. In addition, to better reflect the current lease rate, the Company reduced its charge to HWC in Q1 2019. Accordingly, management fees and charges for leased properties were reduced from the amounts charged.

New Gen also generates revenue from a wide range of CBD products. These brands are marketed and sold under the Vapen CBD and Pure Touch Botanicals brands worldwide.

HWC sells its products on a retail basis to customers holding a valid medical marijuana card and on a wholesale basis to other licensed cannabis operations throughout the State of Arizona.

HWC's wholesale customer base sold increased approximately 10% compared to 2018. Vapen branded products were in approximately 91% of licensed operations in the state of Arizona in 2019. HWC's medical marijuana patients increased approximately 11% compared to 2018.

HWC is independent from New Gen and operates pursuant to Arizona law as a not-for-profit corporation. New Gen's subsidiaries provide services to HWC enabling HWC to conduct its business.

For the year ended December 31, 2019, the Company had revenue of $22,322,568, a gross profit of $9,367,848, and a profit margin of 42%. Comparatively, 2018 revenue was $18,476,269, gross profit of $9,174,351, and a profit margin of 49%. The decrease in profit margin percentage is attributable to growth in the wholesale business and related expenses from capital assets for cultivation utilized in 2019. Net income before taxes was $3,668,229 for 2019 and $4,879,994 for 2018. The decrease in net income was primarily due to share based payments (non-cash), an increase in consulting fees, professional fees and salaries, wages and commission, which pertains to the additional cost involved as a public company and increased operational activities.

Joint Ventures

Vapen Mass, LLC

In 2019, Vapen, LLC entered into an operating agreement with Caregiver Patient Connection, LLC and formed Vapen Mass, LLC ("Vapen Mass"), which will operate on a 50/50 basis as a joint venture extracting THC in Massachusetts. Operations are anticipated to commence in October 2020. Vapen Mass will have its own facility producing a full line of Vapen products. The Company is providing the capital equipment, SOPs, branding, training of staff, and a working capital loan. Caregiver Patient Connection, LLC is providing the facility, operating license, and working capital loan as needed by Vapen Mass to operate in Massachusetts.

Vapen Oklahoma, LLC

Subsequent to fiscal year 2019, Vapen, LLC entered into an operating agreement with Texoma Processing and Extraction, LLC ("Texoma") and formed a joint venture called Vapen Oklahoma, LLC ("Vapen OK"). Vapen OK will conduct business in Oklahoma. Operations are anticipated to commence in Q2 2020. Vapen OK will have its own facility including 10 acre of outdoor cultivation space to provide biomass and will produce a full line of Vapen products. Vapen is providing equipment, training, SOPs, marketing and branding, and working capital loans as needed for startup. Texoma is providing the licensing, facilities, and working capital for startup as needed. This will be a outdoor cultivation and processing facility.

Vapen Kentucky, LLC

Subsequent to fiscal year 2019, Vapen, LLC entered into an operating agreement with Emerald Pointe Hemp, Inc. and formed venture a joint venture called Vapen Kentucky, LLC ("Vapen KY"). Vapen KY will conduct business in Kentucky and intends to do worldwide distribution of CBD products it produces. Operations have started in Q1 2020. Vapen is supplying equipment, training, SOPs, and working capital for startup as needed. Emerald Pointe Hemp is supplying building, licensing, access to biomass from its existing farming operations and working capital for startup as needed. Product will primarily be sold through wholesale distribution channels worldwide.

Investments and Management Agreements

Las Vegas Wellness and Compassion, LLC

In 2019, Vapen, LLC entered into a management agreement and IP license and commercialization agreement with Las Vegas Wellness and Compassion, LLC.

Legacy Ventures Hawaii, LLC

In 2019, Vapen CBD, LLC subscribed for 350,000 units of Legacy Ventures Hawaii, LLC ("Legacy") in 2019, which equates to 12.28% of Legacy's membership units outstanding. Legacy currently owns 49.25% of Archipelago Ventures, LLC.

Happy Travels, LLC

In 2019, Vapen LLC entered into a manufacturing services agreement with Happy Travels, LLC, which is based in California. Through the manufacturing services agreement, Happy Travels, LLC will be able to produce high quality distillate product for wholesale and Vapen branded product. Operations are anticipated to fully commence in the second quarter of 2020.

Appalachian Pharms Processing, LLC

In 2019, Vapen, LLC entered a non-binding LOI with Appalachian Pharms Processing, LLC ("Appalachian") in Ohio in regards to forming a joint venture in Ohio. The Company has not entered into a definitive agreement with Appalachian as of the date of this MD&A.

Competitive Advantages:

Brand Strength:
The Company's brand strength enables both its wholesale distribution and partnership relationships across multiple geographic markets. The Company's continued commitment to product growth, diversity of delivery methods, results in consistent pure products of a high quality. The Vapen and related brands resonate with all consumers across broad demographic segments.

Distribution Channels:
The Company has a well-developed distribution process at both retail and wholesale levels in Arizona. The Vapen brand is carried by most of the dispensaries in that market. Joint ventures as noted elsewhere in the MD&A will further expand the distribution capability of the Company as it moves into new markets. The cost of expanding distribution is shared with partners in each location.

Supply Chain:
The Company has a well-established supply chain. The Company uses multiple suppliers, both international and domestic. Suppliers are proven and reliable to meet the needs of the Company.

Financial Strength:
The Company has a proven track record of operating profitable cannabis companies, providing access to capital markets to support growth and expansion into different geographic markets.

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2019

The financial information reported herein reflects the operations of the Company as at December 31, 2019. Although certain joint ventures have been executed for activities in states other than Arizona, no revenues have yet been generated from these joint ventures.

The Company has reviewed its financial position and results of operations for the year ended December 31, 2019 with a view to assessing an impact that the novel corona virus known more particularly as COVID-19 has had or will have on the business going forward. Although there can be no assurance that there will not be an impact on the Company's financial position or operations (see Risk Factors – COVID-19), at the date of this MD&A, the following determinations have been made by management:

a) There has been no inherent loss in the carrying value of the Company's assets as at December 31, 2019. Management is of the opinion that both its current and long-term assets are fully collectable and or realizable at their recorded values.

b) The Company has no obligations to third parties which have or will require renegotiation at the date of this MD&A

c) Although there can be no assurances given with respect to future unknown events (See Risk Factors -COVID-19), the Company's outlook for 2020 remains on target as planned in 2019. Construction delays have slowed initiation of operations in certain markets. These delays are being reflected in internal planning tools for revenue expectations in 2020 and were not caused by the COVID-19 outbreak.

d) The Company has funded the majority of its currently planned expansion programs in the markets referred to in this MD&A and accordingly the capital requirements to operate in these expanded markets has been met. Management is particularly conservative with the application of its current liquid assets and therefore the 2020 expansion plans are not dependent upon additional outside capital. Continued growth will of course be determined by market forces outside the control of the Company.

e) To date, the Company has been deemed an essential service in all its markets and therefore continues to operate without interruption or suspension. That said, management is taking all necessary preventative actions to protect and safeguard its employees and customers from the effects of COVID-19.

SELECTED ANNUAL INFORMATION

The following select financial data from the Company's financial statements was prepared in accordance with International Financial Reporting Standards (IFRS).

	December 31, 2019	December 31, 2018	December 31, 2017
Total Revenue	$ 22,322,568	$ 18,476,269	$ 14,848,730
Cost of Sales	$ 12,954,720	$ 9,301,918	$ 6,602,383
Gross Profit	$ 9,367,848	$ 9,174,351	$ 8,246,347
Operating Expenses	$ 5,849,739	$ 3,604,321	$ 2,610,581
Net Income	$ 2,839,324	$ 3,748,562	$ 4,107,232
Total assets	$ 38,780,494	$ 23,434,185	$ 13,840,997
Total long-term liabilities	$ 10,736,865	$ 3,785,829	$ 3,638,388
Net Income per share (basic)	$ 0.04	$ 0.06	$ 0.06
Net Income per share (diluted)	$ 0.04	$ 0.06	$ 0.06
Total liabilities and shareholders' equity	$ 38,780,494	$ 23,434,185	$ 13,988,997

SELECTED QUARTERLY INFORMATION

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

Quarter over quarter results may vary due to New Gen being a service and product supplier to cannabis companies, meaning that as product is received at New Gen from the supply chain, revenues from the customer companies will follow in that period. Revenues tend to decrease in periods with lower procurement of raw materials and supplies.

Three months ended

	March 31, 2019	**June 30, 2019**	**September 30, 2019**	**December 31, 2019**
Total Revenue	$6,499,928	$6,696,775	$5,574,546	$3,551,319
Cost of Sales and Expenses	$4,838,511	$5,517,713	$4,789,616	$4,383,404
Net Income/(Loss)	$1,661,417	$1,179,062	$784,930	($832,085)
Net Income per share (Basic)	$0.02	$0.02	$0.01	($0.01)
Net Income per share (Diluted)	$0.02	$0.02	$0.01	($0.01)

Three months ended

	March 31, 2018	**June 30, 2018**	**September 30, 2018**	**December 31, 2018**
Total Revenue	$4,399,269	$4,671,205	$4,703,730	$4,702,065
Cost of Sales and Expenses	$3,329,271	$3,695,375	$3,350,908	$4,352,153
Net Income	$1,069,998	$975,830	$1,352,822	$349,912
Net Income per share (Basic)	$0.02	$0.02	$0.01	$0.01
Net Income per share (Diluted)	$0.02	$0.02	$0.01	$0.01

FOURTH QUARTER RESULTS OPERATIONS – Three Months Ended December 31, 2019:

For the quarter ended December 31, 2019, the Company changed the basis for its revenues related to management fees charged to its customer. Management fees for the quarter were reduced from $400,000 per month to $200,000 per month and the company reduced the mark up percentage for product sale to better reflect the current market and economy. In addition, due to the adoption of IFRS 16 during the year, the Company made adjustments to the leases and subleases at year end. The impact is that revenue for the fourth quarter of 2019 is lower than comparative quarters in fiscal 2019.

Financial Position as at December 31, 2019

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at December 31, 2019.

Current Assets

As at December 31, 2019 the Company had total current assets of $24,837,122 (2018 - $$17,170,755). The current assets were made up of the following: cash of $7,292,261 (2018 – $3,393,567), accounts receivable of $15,555,977 (2018 - $13,206,458), prepaid deposits and other receivables of $1,866,857 (2018 - $263,507), and investment in sublease - current of $122,027 (2018 – nil).

As at December 31, 2019, the cash increased due to the non-convertible debentures financing of $5,500,000 that closed on December 31, 2019. The accounts receivable increased by $2,349,519 compared to prior year and they are mainly from HWC. Prepaid deposits and other receivables increased during the year mainly due to the current portion of a note receivable the Company entered with HWC during the year. The total promissory note entered with HWC was $2,933,957 and $913,775 was classified as the current portion. The purpose of the promissory note was to reclassify the $2,933,957 of equipment purchased by the Company and billed to HWC which was originally reflected in accounts receivable. The equipment has a useful life of over 5 years and accordingly would be better treated as a long-term receivable by the Company. The promissory note matures on December 31, 2022 has an interest rate of 10% per annum commencing January 1, 2020.

Non-current Assets

As at December 31, 2019, the Company's non-current assets were $13,943,372 (2018 - $6,263,430). The increase in non-current assets were mainly due to right-of-use-asset of $287,890, investment in sublease of $576,887, investment in Legacy Ventures Hawaii, LLC of $350,000 and property, plant and equipment of $8,526,628.

On January 1, 2019, the Company adopted IFRS 16. Due to the adoption of IFRS 16, the Company recognized a right of use asset, investment in sublease and lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset and investment in sublease are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

During the year, the Company spent $5,259,345 in acquisition in property, plant and equipment.

Current Liabilities

As at December 31, 2019, the Company's current liabilities were $2,370,431 (2018 - $2,647,781).

As at December 31, 2019, the Company had accounts payable and accrued liabilities of $1,068,635, current portion of notes payable of $920,414, income taxes payable of $45,728, a current portion of lease liability of $132,654 and a contribution payable of $203,000, which is related to Legacy Ventures Hawaii, LLC.

Non-current Liabilities

As at December 31, 2019, the Company's non-current liabilities were $10,736,865 (2018 - $3,785,829), which consisted of non-convertible debentures of $5,280,467, deferred tax liabilities of $4,499,000, long-term portion of lease liability of $858,504, and long-term portion of notes payable of $98,984.

Shareholders' Equity

As at December 31, 2019, the Company had shareholders' equity of $25,673,198 (2018 - $17,000,575). The increase is mainly due to the following: $4,585,134 private placement that closed in May 2019, $183,250 for the conversion of special warrants to common shares and warrants, $568,030 for shares issued from warrants exercised, $100,881 for shares for debt settlement, $419,552 for the fair value of the stock options and special advisory warrants granted.

Furthermore, on January 1, 2019, the Company adopted IFRS 16, Leases. At this date, the Company had two building leases affected by the transition to IFRS 16, Leases. Of the two building leases held at January 1, 2019, one was being sub-leased by the Company. The second lease was subsequently subleased after transition, during the year ended December 31, 2019, and derecognized from the ROU assets. As a result in setting up the right of use asset ("ROU") and lease liability, the Company made an adjustment to the opening retained earnings of $(101,718), which is offset by the adjustment to recognize the cumulative effect of the derecognition of the ROU for the property that was being subleased as of January 1, 2019 of $76,353. The net impact to the opening retained earnings is $(25,365).

Working Capital Position

As at December 31, 2019, the Company's working capital position was $22,466,691, compared to $14,522,974 for the year ended December 31, 2018, an increase of $7,943,717, or 55%.

The increase in working capital is primarily due to the $5.5 million cash raised in financing of non-convertible debentures, advances to joint ventures of $440,830 and notes receivable of $1,130,587. Among the $1,130,587 in notes receivable, $913,775 is related to the current portion of promissory note from HWC, the Company's major customer that created an account receivable across several services lines provided by the Company to HWC including management fees and lease payments on property and equipment. These charges were reduced in the fourth quarter to reflect current market rates. Management is however of the view that with the general reduction in service charges and with increased business in Arizona, the receivable is fully collectable over time.

Furthermore, $2,020,182 of the $2,933,957 that was previously reflected as a current asset in accounts receivable has been reclassified as a long-term note bearing interest at 10% which begins accruing on January 1, 2020.

Financial Results for the Year Ended December 31, 2019

The following discussion of the Company's results of operations is based on its condensed consolidated financial statements for the year ended December 31, 2019.

Revenue

For the year ended December 31, 2019, the Company's revenues from operations was $22,322,568, compared to $18,476,269 in 2018, an increase of $3,846,299 or 21%.

Management fees for the twelve months ending December 31, 2019 were $4,638,000 compared to $4,800,000 for the year ended December 31, 2018, a decrease of $162,000 or 3.3%. Management fees were reduced in fourth quarter 2019 to reflect the current market prices.

Professional services revenue for the year ended December 31, 2019 was $6,458,297 compared to $6,652,534 for the year ended December 31, 2018, a decrease of $194,237or 3%. The decrease in professional services revenue is attributed a higher percentage of executive, management, and administrative operating personnel being attributable to the multistate joint ventures, thereby decreasing charges billed to our primary customer.

Product sales revenue during for the year ended December 31, 2019 was $9,949,209 compared to $5,342,956 for the year ended December 31, 2018, an increase of $4,606,253 or 86%. The increase in product sales revenue is related to the increased sales by our primary customer, HWC. Vapen branded products were in approximately 91% of licensed operations in the state of Arizona in 2019. HWC's medical marijuana patients increased approximately 11% compared to 2018.

Equipment leasing revenues for the year ended December 31, 2019 was $1,019,403 compared to $1,000,779 for the year ended December 31, 2018, an increase of $18,624 or 2%.

Property leasing revenues for the year ended December 31, 2019 was $257,659 compared to $680,000 for the year ended December 31, 2018, a decrease of $422,341 or 62%. The decreased property lease revenue was related to a general reduction in lease charges to our customer. As a result of adopting IFRS 16, $77,659 in finance income is included in property leasing revenue relating to the two sublease arrangements with a customer.

Cost of Sales

Total cost of sales for the year ended December 31, 2019 was $12,954,720 compared to $9,301,918 for the year ended December 31, 2018, an increase of $3,652,802 or 39%. 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. Included in these costs are federally mandated tariffs on imported products which did not exist in the comparative period. Included in cost of sales (property and equipment leasing) is interest expense of $98,353, which relates to the lease obligation pertaining to IFRS 16.

Gross profit for the twelve months ended December 31, 2019 was $9,367,848 compared to $9,174,351 for the comparative period, an increase of 193,497 or 2%.

Operating Expenses

The Company's total operating expenses were $5,849,739 for the year ended December 31, 2019 compared to $3,604,321 for the year ended December 31, 2018, an increase of $2,245,418. Accounting for these expenses were the following items:

Advertising and Promotion: For the year ended December 31, 2019, the Company's advertising and promotion expenses totaled $926,459 compared to $1,022,045 for the comparative reporting period, a decrease of $95,586 or 9%. Advertising expense decreased for the year largely due to a reduction in expenditures needed to support the Company's brand which is now well established in Arizona.

Amortization: For the year ended December 31, 2019, the Company's amortization expense totaled $135,351 compared to $86,215 for the comparative reporting period, an increase of $49,136 or 57%. The Company built and/or purchased additional depreciable assets in the year and accordingly the increase is reflected in a larger balance in property plant and equipment.

Bank Charges and Interest: For the year ended December 31, 2019, the Company's bank charges, and interest totaled $64,593, compared to $59,365 for the comparative reporting period, an increase of $5,228 or 9%. The Company incurred higher expenses for bank charges due to increased activities.

Consulting Fees: For the year ended December 31, 2019, the Company recorded consulting fees of $763,342 compared to $184,206 for the year ended December 31, 2018 an increase of $579,136 or 314%. The increase is mainly due to increase in extraction and cultivation consultants and marketing and advertising consultants. In addition, given this is the first year the company is a public company, the Company increased its general business development expenditures to consultants, capital markets related costs and corporate finance expenses. The Company settled $204,973 of consulting fees with common shares of the Company during the year.

Insurance: For the year ended December 31, 2019, the Company's insurance expense were $69,722 compared to $48,683 for the comparative reporting period, an increase of $21,039 or 43%. Increased insurance costs resulted from an increase in the base of insurable assets, including automotive and physical plant.

Office and General Expense: For the year ended December 31, 2019, the Company's office expense were $606,351 compared to $288,075 for the comparative reporting period, an increase of $318,276 or 111%. The majority of this increase is attributed to bad debt write-offs associated with the discontinued X-Tane operations. Additionally, increased personnel, computer hardware and software upgrades, dues and subscriptions and other soft costs associated with multi-state expansion contributed to this increase.

Professional Fees: For the year ended December 31, 2019, professional fees were $840,248 compared to $351,527 for the comparative reporting period, an increase of $488,721 or 139%. The increase is due to additional, legal/compliance fees related to being a public company, and costs related to the establishment of joint venture agreements.

Rent, Property Taxes, and Utilities: For the year ended December 31, 2019, rent and property taxes were $182,293 compared to $169,103 for the comparative reporting period, an increase of $13,190 or 8%.

Repairs and Maintenance: For the year ended December 31, 2019, repairs and maintenance expense were $325,311 compared to $508,550 for the comparative reporting period, a decrease of $183,239 or 36%. The Company's equipment is relatively new and accordingly any obsolete equipment was replaced and thus a reduced spend on maintenance.

Research and Development: For the year ended December 31, 2019, research and development expense was $112,962 compared to $107,354 for the comparative reporting period, an increase of $5,608 or 5%. The Company spent considerable funds perfecting its mobile extraction labs and focus on new extraction methods related to joint venture expansion. The development process is fully complete and several portable extraction plants have been delivered to the operating sites.

Share-based Compensation: For the year ended December 31, 2019 share based compensation was $419,552 compared to $nil for the comparative reporting period. $419,552 represents the fair value of the stock options and special advisory warrants that were granted during 2019.

Salaries, Wage and Commissions (Operating): For the year ended December 31, 2019, salaries, wages and commissions were $909,995 compared to $304,180 for the comparative reporting period, an increase of $605,815 or 199%. This increase is attributed to increased headcount for 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 year ended December 31, 2019, travel and training costs were $493,560 compared to $475,018 for the comparative reporting period, an increase of $18,542 or 4%. Travel costs increased due to onsite visitations to the new locations.

During the year ended December 31, 2019, the net income before taxes is $3,668,229 (2018 - $4,879,994). The $1,211,765 decrease in net income before taxes is mainly due to share-based payments of $419,552 (non-cash operating expense), increase in consulting fees due to the increase in business development and marketing for the Company as it is its first year operating as a public company, and salaries and wages due to increase operation.

CASH FROM ACTIVITIES

The following table summarizes the sources and uses of cash for the following years:

	December 31, 2019	December 31, 2018
Net cash used in operating activities	$ (393,313)	$ 2,409,636
Net cash used in investing activities	(5,406,715)	(1,423,397)
Net cash provided by financing activities	9,698,722	2,581,569
Net increase in cash	$ 3,898,694	$ 3,567,808

Operating Activities

During the year ended December 31, 2019, operating activities used $393,313 of cash, primarily resulting in a net income of $2,793,324 and the non-cash gain in gain on settlement of debt, finance income on subleases and gain on derecognition of ROU Asset of $104,092, $77,659, and $38,129 respectively. The finance income on subleases and gain on derecognition of ROU Asset was related to the adoption of IFRS 16. Cash provided by changes in operating assets and liabilities was primarily due to increases in accounts receivable of $5,275,514.

Investing Activities

During the ended December 31, 2019, cash flows used in investing activities was $5,406,715. The Company utilized $5,259,345 in the acquisition of PP&E for the year and $147,000 on investment in Legacy Ventures Hawaii, LLC.

Financing Activities

During the year ended December 31, 2019, cash flows provided by financing activities was $9,698,722, primarily resulting from a private placement that closed in May 2019 of $4,585,134 and non-convertible debentures financing of $5,500,000 that closed in December 2019.

LIQUIDITY AND CAPITAL RESOURCES

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations, and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at December 31, 2019, the Company had working capital of $22,466,691 (December 31, 2018 - $14,522,974) and retained earnings of $15,291,214 (December 31, 2018 - $12,523,255). There is uncertainty as the likely effects of the novel coronavirus ("COVID-19") outbreak which may, among other things, impact the Company's operations and ability to raises further financing. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

A summary of the Company's contractual obligations at December 31, 2019 is detailed in the table below.

Contractual Obligations	**Payments Due by Period**			
	Total	**Less than 1 Year**	**1 – 5 Years**	**After 5 Years**
Accounts payable and accrued liabilities	$1,068,635	$1,068,635	N/A	N/A
Due to Legacy Ventures Hawaii, LLC	$203,000	$203,000	N/A	N/A
Notes payable – current portion	$920,414	$920,414	N/A	N/A
Lease liability – current portion	$132,654	$132,654	N/A	N/A
Current income taxes	$45,728	$45,728	N/A	N/A
Notes payable – long term	$98,894	N/A	$98,894	N/A
Lease liability – non current portion	$858,504	N/A	$858,504	N/A
Long term loan payable	$5,280,467	N/A	$5,280,467	N/A
Total	$8,608,296	$2,370,431	$6,237,865	N/A

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 Executive Chairman, Chief Executive Officer, Chief Operating Officer, and President and Chief Financial Officer.

Remuneration attributed to key management personnel as of December 31, 2019 and 2018 is summarized as follows:

		December 31, 2019		December 31, 2018
Share-based payments	$	**101,955**	$	-
Salaries and wages included in cost of sales		**826,855**		596,668
Salaries, wages and commissions included in operating expenses		**43,519**		31,351
Consulting fees included in operating expenses		**19,785**		-
	$	**992,114**	$	627,019

Other related parties

Other related parties include close family members of the Company's Executive Chairman and former CFO and President.

Remuneration attributed to other related parties as of December 31, 2019 and 2018 is summarized as follows:

		December 31, 2019		December 31, 2018
Salaries and wages included cost of sales	$	**148,466**	$	118,898
Salaries, wages and commissions included in operating expenses		**7,814**		6,258
Rent Expense included in operating expenses (1)		**27,169**		-
	$	**138,449**	$	125,156

Notes:

1. This consist of short-term lease payments made to a company owned by a close family member of the Company's Executive Chairman for the temporary usage of office space.

Balances with related parties:

Due from related parties:

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

Due from other related parties:

		December 31, 2019		December 31, 2018
Non-interest bearing advances to Joint Ventures and Investee	**$**	**440,830**	$	-

Due to related parties:

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

- Included in payables and accrued liabilities as at December 31, 2019 is $338,198 (2018 - $290,167) owing to the Executive Chairman, companies controlled by him, and his close family members. The majority of this amount is made up of accrued salary.
- Included in payables and accrued liabilities as at December 31, 2019 is $5,885 (2018 - $ nil) owing to the Chief Executive Officer, a director, and the former CFO and President of the Company.

- Included in short-term loans payable as at December 31, 2019 is $nil (2018 - $14,445) owing to a company controlled by the Executive Chairman 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 December 31, 2019 is $87,316 (2018 - $128,228) due to the Executive Chairman of the Company, his spouse, and a company controlled by him. These loans bear interest of 13% per annum, and are due between 2022 – 2026.

OUTSTANDING SHARE DATA

The following share capital data is current as of the date of this document:

Number Outstanding as at:	**April 29, 2020**	**December 31, 2019**
Subordinate voting shares	22,323,126	21,834,626
Multiple voting shares	620,402	625,287
Stock Options	1,043,000	1,043,000
Warrants	1,022,910	1,022,910
Special advisory warrants	1,000,000	1,000,000

PROPOSED TRANSACTIONS

The Company does not have any other proposed transactions to discuss at this time other than the acquisition and joint ventures entered into subsequent to the year ended, December 31, 2019 discussed in the subsequent events section within this MD&A.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company adopted all of the requirements of IFRS 16 Leases ("IFRS 16") as of January 1, 2019. IFRS 16 replaces IAS 17 Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The Company choose to apply the effect of changes retrospectively with the cumulative effect of initially applying the standards recognized to retained earnings at the date of initial application which is January 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right of use asset and lease liability is recognized at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

If a right-of-use asset is re-leased, the corresponding right-of-use asset is derecognized and an investment asset is recorded at the present value of the lease income not paid at the commencement date discounted using the implicit rate in the lease or the Company's incremental rate of borrowing.

The Company has elected not to recognize right of use assets and lease liabilities for leases for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of the Company's accounts receivable, current notes receivable, advances to joint ventures, deposits and other receivables, payables, and amount due to Legacy Ventures Hawaii, LLC , approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes receivable and amount due from related parties approximate fair value. The fair values of the investment in sublease, right of use asset, and lease liability have been recorded as discussed in the audited financial statements Note 13. The long-term loan payable is recorded at fair value as discussed in the audited financial statements Note 14. The Company's cash and investment in Legacy are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

<u>Credit risk</u>

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its receivables. As at December 31, 2019, the Company was dependent on one major customer from its consulting business segment. The majority ($15,066,523) of the Company's accounts receivable are from this customer. The Company is of the opinion that it is not exposed to significant credit risk from this customer as at December 31, 2019 as it continues to collect accounts receivable routinely. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management. As at December 31, 2019, the Company had cash, accounts receivable and short-term notes receivable of $23,970,863 to settle its current liabilities of $2,370,431. Subsequent to year end, the maturity dates of $727,000 of current loans were extended for an additional year to help reduce liquidity risk. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in U.S. dollars. As at December 31, 2019, the Company had CAD$467,300 financial assets denominated in Canadian currencies. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately $35,978 in other comprehensive income.

OFF-BALANCE SHEET TRANSACTIONS

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

SUBSEQUENT EVENTS

- On January 1, 2020, the Company entered into a $5,000,000 line of credit secured promissory note ("Promissory Note") with Herbal Wellness Center, Inc. ("HWC") whereby HWC promises to pay the Company the principal and 10% interest per annum. As at the date of this MD&A, no money had been drawn from this line of credit by HWC.

- On January 8, 2020, the Company extended three notes payable of a total of $727,000 for one year.

- On January 23, 2020, Robert J. Brilon resigned as President, CFO, Corporate Secretary and a Director of the Company. Mr. Brilon received $125,000 upon his departure and will receive a total of $125,000 in monthly installment payments of $10,417 per month commencing March 2020 through February 2021, and a final lump sum amount of $250,000 upon the earlier of any change of control of the Company, a debt or equity financing greater than $10 million of the Company on or after February 7, 2020, or February 27, 2022.

- On February 1, 2020, an Operating Agreement of Vapen Kentucky, LLC ("Vapen KY") was signed for the purpose of being engaged in commercial Hemp processing, manufacturing, extraction, and distribution activities. The Company owns 50% of Vapen KY with Emerald Pointe Hemp, LLC ("EPH") owning the other 50%.

- On February 10, 2020, Denise Lok was appointed CFO of the Company and Brian Cameron was appointed Corporate Secretary of the Company.

- On February 12, 2020, the Company entered into a Joint Venture Term Sheet with Texoma Processing and Extraction, LLC ("TPE") regarding Vapen-Oklahoma, LLC ("Vapen-OK"). The Company is a minority member of Vapen-OK owning 25%, whereas TPE is a majority member owning 75% of Vapen-OK. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. Both TPE and the Company will contribute equal amounts of capital to cover the initial expenses and assist in operations.

- On February 14, 2020, Jason "Thai" Nguyen assumed the role of Executive Chairman of the Board of the Company and Eric Offenberger assumed the role of CEO of the Company.

- On February 18, 2020, Eric Offenberger was appointed to the Board of Directors of the Company. Mr. Offenberger continues as COO of the Company.

- On February 18, 2020, Caroline Williams was appointed to the Board of Directors of the Company.

- On March 18, 2020, 4,885 multiple voting shares were converted into 488,500 subordinate voting shares.

- On March 26, 2020, the Company entered into a Release and mutual Settlement Agreement (the "Release") with Tree of Life Seeds, Inc. to terminate the Joint Venture Operating Agreement in relation to Vapen 501 Labs, LLC.

- On March 30, 2020, the Company entered into a loan agreement with Appalachian Pharm Processing, LLC ("APP)", an Ohio limited liability company. The Company agreed to advance APP the aggregate principal sum of $500,000 in two equal installments of $250,000 each for the exclusive purpose of acquiring biomass for the manufacturing and production of cannabis products as well as associated expenses related to this.

- On April 6, 2020, the Company acquired RDF Management, LLC and Firebrand, LLC, Arizona based companies, in order to provide exclusive services for the management, administration and operation of Organica Patient Group, Inc., an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, by the Arizona Department of Health Services in the State of Arizona and certain intangible assets (collectively the "Transaction").

  In consideration for the Transaction, the Company issued:
  (i) 67,000 multiple voting shares;
  (ii) a promissory note of $5,500,000 for a period of 18 months. No interest will accrue on the promissory note during the 18-month period, and thereafter, interest will accrue at 10% per annum; and
  (iii) an undertaking to assist RDF Management, LLC in settling and resolving certain existing liabilities, allocating a total maximum of $3,500,000 in funds to settle such liabilities.

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 decide 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-three (33) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and eleven 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 33 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 not-for-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.

Novel Corona Virus Known as "Covid-19"

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. Although the Company has been deemed essential and/or has been permitted to continue operating its facilities in the states in which it operates during the pendency of the COVID-19 pandemic, there is no assurance that the Company's operations will continue to be deemed essential and/or will continue to be permitted to operate. The Company may incur expenses or delays relating to such events outside of its control, which the Company cannot estimate the length and severity of these developments or quantify the impact this pandemic may have on the financial results and condition of the Company in future periods.

OTHER INFORMATION

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