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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

Dated as of April 14, 2021

(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 for the year ending December 31, 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, 2020. The following information should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2020, 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
Subsidiaries:		
Vext Science, Inc.	BC, Canada	100%
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Delaware, 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%
RDF Management, LLC	Arizona, USA	100%
Firebrand, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Vapen Mass, LLC	Massachusetts, USA	50%
Joint Operations		
Happy Travels, LLC	California, USA	0%

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 and Pure Touch Botanicals brands. Vext's expansion plans include continuing to invest in expansion and efficiencies of AZ operations and partnering with cannabis license holders within the U.S.

New Gen Holdings, Inc is a service company that provides services to Herbal Wellness Center Inc. ("HWC"), licensed dispensaries for medical marijuana products and extracts pursuant to licenses granted by the State of Arizona. On April 6, 2020, the Company acquired 100% membership interest in Firebrand, LLC and RDF Management, LLC, which owned management contracts to provide services to Organica Patient Group Inc., and Organica Patient Group Medical Marijuana Dispensary. As a result of this acquisition, the Company through its operating subsidiaries, has management contracts with two licensed medical marijuana dispensaries in the State of Arizona.

During the period covered by this MD&A, the Company continued its expansion strategy by entering into additional joint venture agreements, management service agreements, and operating agreements with partners located in various states in the United States. As of the date of this MD&A, four of these relationships have commenced commercial operations.

MATERIAL EVENTS THAT OCCURRED DURING THE YEAR ENDED DECEMBER 31, 2020

On January 1, 2020, the Company entered a $5,000,000 line of credit secured promissory note ("Promissory Note") with Herbal Wellness Center, Inc. ("HWC") Draws upon the note are payable over a 36-month period and are at 10% annual interest rate until paid.

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 received 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 22, 2022. With the subsequent financing in February of 2021, any liabilities due to Robert Brilon were paid.

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 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, 48,850 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. This was a contemplated CBD venture in Arkansas. The economies no longer made economic sense for either party.

On March 30, 2020, the Company entered into a loan agreement with Appalachian Pharm Processing, LLC ("APP)", an Ohio limited liability company. The Company initially advanced APP the aggregate principal sum of $500,000 in two equal installments of $250,000 each for the manufacturing and production of cannabis products as well as associated expenses related to this manufacturing operation. The $500,000 was still outstanding as of December 31, 2020..

In addition, the company made additional advances that were in accordance with the Ohio LOI for acquisition of a dispensary totaling $1,953,147. It is anticipated the dispensary will be operational in 2nd quarter of 2021.

Total advances to both Ohio operations in 2020 totaled $2,953,147.

On April 6, 2020, Vext acquired 100% membership interest of RDF Management, LLC ("RDF") and Firebrand, LLC ("Firebrand"). RDF provides exclusive turn-key services for management, administration and operation of Organica Patient Group, Inc. ("Organica"), an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, from the Arizona Department of Health Services in the State of Arizona. The services include but are not limited to management, administration and operation of its medical marijuana dispensary, cultivation, extraction, kitchen, and infusion operations. Consideration included the issuance

of 67,000 Class A common shares of Vext (the "Multiple Voting Shares"), each Multiple Voting Share carrying one hundred votes and subject to the appropriate terms and restrictions, and the issuance of a promissory note by Vext in the aggregate sum of $5.2 million and other standard closing adjustments.

On June 11, 2020, Vext entered into a joint operation agreement with Green Goblin Inc. ("Green Goblin") of San Diego, California. The Company will be marketing and selling the Vapen brand of products within the San Diego market through the joint operation.

On July 14, 2020, the Company announced that it had obtained the Certificate of Occupancy for a second dispensary location in North Phoenix, which will be leased by "Organica Patient Group Medical Marijuana Dispensary" (the "Organica Dispensary").

On August 18, 2020, the Company announced that it has obtained approval from the City of Phoenix to begin a 10,000 square foot expansion at its Phoenix location. The expansion will be comprised of additional cultivation capacity, a new lab, and expansions in the kitchen and finished goods processing areas. Construction began in September, and is now fully operational.

On September 18, 2020, the Company filed an Annual Information Form (AIF), for the year ended December 31, 2019.

On October 7, 2020, the Company filed a short form prospectus announcing an Overnight Market Financing. The financing closed on October 8, 2020 at a price per unit of $0.36 CAD with a full warrant priced at $0.45 CAD. Total shares issued was 17,310,165 and 17,310,165 warrants.

On October 9, 2020, the company announced an upsize of the offering. Total shares issued were 17,777,165 and 17,777,165 warrants. Funding transpired on 10/31/2020 finalizing the offering on 11/2/2020.

On November 3, 2020, the voters of Arizona approved adult use marijuana. The program became effective January 22, 2021. HWC and Organica began selling to adult use customers January 28, 2021.

On November 27, 2020, the Company announced the issuance of 375,000 options for employees priced at $0.75 CAD.

On December 1, 2020, the Company announced the exercise of the overallotment from the November 2, 2020 closing of the offering. 1,389,500 units were issued at a price of $0.36 CAD.

On December 16, 2020, the company repriced warrants totaling 980,210 issued on December 31, 2019 from $1.00CAD to $0.64CAD. These notes were in relationship to the $5.5M financing agreement in 2019.

COMPANY OVERVIEW

The Company was incorporated in British Columbia, Canada on December 11, 2015, and its head office are 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 Best 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 to two licensed

dispensaries. The Company has also entered into management agreements, operating agreements, investments, or non-binding letters of intent at the date of this MD&A in Kentucky, Nevada, Hawaii, Massachusetts, California, Ohio, and Oklahoma. 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") and Organica Patient Group Medical Marijuana Dispensary ("Organica"), both licensed not-for-profit dispensaries 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 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's multi-state operations encompasses a medical and adult-use cannabis and CBD products 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 other 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, cultivation and distribution expertise. The Company has negotiated joint ventures, management agreements and operating agreements in multiple states, most of which have commenced production at the date of this MD&A. 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 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.

The Company's established operations in Arizona are positioned for continued growth and with the passage of Proposition 207 legalizing cannabis for adult use, the Company is expected to handle increased demands.

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 and management agreements 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:

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.

The acquisition of the Organica management agreement through acquiring RDF Management, LLC provides the Company another organization to support with the infrastructure developed. With the Company now managing Organica, an application to relocate the dispensary to North Phoenix was approved and the new dispensary began operating on July 10, 2020.

Joint Ventures and or Management Services Agreements: The Company's growth strategies involve partnering with established operators in multiple states. Several management 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 which will be repaid to the partners before any distribution of profits.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

The Company began operations in the State of Arizona, through its operating subsidiary, New Gen Holdings Inc. (New Gen), 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, infuse and dispense cannabis products in Arizona.

Vext operates under management agreements, joint ventures, joint operation, investments or service agreements in Arizona, Kentucky, Ohio, Oklahoma, Nevada, Hawaii, Massachusetts, and California.

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. ("Organica"), 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").

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

Arizona Operations:

The Company's services are provided individually by operating subsidiaries pursuant to ten-year renewable management services agreements 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.

HWC and Organica sell 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. With the passage of Proposition 207, the State of Arizona has legalized adult use. The adult use program licenses were granted to HWC and Organica on January 22, 2021 and both locations began selling adult use January 28th, 2021.

HWC and Organica are independent from the Company and operate pursuant to Arizona law as not-for-profit corporations. The Company's subsidiaries provide services to HWC and Organica enabling both to conduct their respective businesses. With the passage of **Proposition 207**, the dispensaries can be acquired and operated as a for profit entity. We are anticipating clarification on the process in the second quarter of 2021.

Summary of Operations

For the year ended December 31, 2020, the Company had revenue of $25,193,958 a gross profit of $9,903,787 and a profit margin of 39.3%. For the three months ended December 31, 2020, the Company had revenue of $6,409,489, a gross profit of $3,018,869 and a profit margin of 47%. Comparatively, for the quarter ended December 31, 2019, the Company had revenue of $3,551,319; gross profit of $566,743; and a profit margin of 16%.

For the comparative quarters, the margin difference is attributed to adjusting property leasing charges made at fiscal year ended 2019, increased wages related to the acquisition of the RDF and Firebrand, and increased amortization expenses related to new equipment being put in production associated with growth in Arizona and Joint Ventures during the year ending December 31, 2020.

Organica Patient Group, Inc.

On April 6, 2020, the Company acquired RDF Management, LLC ("RDF") and Firebrand, LLC ("Firebrand"), Arizona based companies, in order to provide exclusive services for the management, administration and operation of Organica Patient Group, Inc. ("Organica"), 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 (the "Organica Transaction"). Organica has been operational in the Arizona market since 2013, with its retail dispensary located and operational in Chino Valley, Arizona, which has been relocated to north Phoenix, and its offsite cultivation facility located in and operational in Prescott Valley, Arizona. Organica cultivates and produces medical marijuana and medical marijuana products which are sold and distributed on a retail and wholesale basis in State of Arizona.

RDF Management, LLC

Organica entered into a management services agreement with RDF effective as of March 20, 2020. Pursuant to the terms of the agreement, RDF agreed to provide services to Organica in connection with the operation and management of certain licensed medical or recreational marijuana cultivation, infusion kitchen and extraction facilities or dispensaries. As noted above, the Company acquired RDF on April 6, 2020. With the acquisition of RDF, New Gen Holdings began providing services directly to Organica. The term of the agreement is 10 years and automatically renews, and Organica pays New Gen Holdings, Inc. for management services and support of the dispensary and cultivation facilities.

Herbal Wellness Center

Herbal Wellness Center has contracted with New Gen Holdings, Inc. for management services, support of retail, cultivation operations and securing supplies. The contract is for 10-year terms and renews automatically.

On December 31, 2018, the Company completed a transaction pursuant to which New Gen Holdings, Inc. became a

wholly owned subsidiary of the Company. New Gen Holdings, Inc. was incorporated in the State of Wyoming on July 8, 2014. New Gen Holdings, Inc. has several wholly owned subsidiaries for the purpose of providing exclusive operating services to HWC. New Gen Holdings, Inc. manages the activities of its operating subsidiaries and has done so since its incorporation. On December 31, 2019, the Company and HWC entered a promissory note, whereby $2,933,957 owing to the Company by HWC was reclassified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020, and is payable as follows: $913,775, as well as accrued interest due on or before December 31, 2020; $1,000,779 as well as accrued interest due on or before December 31, 2021; and $1,019,403, as well as accrued interest due on or before December 31, 2022. As of December 31st, 2020, HWC has fully paid its 2020 commitment under the promissory note. In addition, the amounts due on or before December 31, 2021 and December 31, 2022, respectively, remain outstanding.

Joint Ventures and Joint Operations

None of the Company's joint ventures or joint operation are with related parties of the Company.

STATE	FOOTPRINT	VAPEN PRODUCTS IN MARKET	PRODUCT TYPE	VEXT RELATIONSHIP	VEXT ECONOMIC INTEREST	CURRENT STATUS	EXPECTED SHORT TERM DEVELOPMENTS
Kentucky	Processing and/or Wholesale	Yes	CBD	Joint Venture	50%	Operating and selling wholesale product	Working on recurring base load supply contracts
Nevada	Processing and/or Wholesale	Yes	THC	Service Agreement	Licensing Fee	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand
Oklahoma	Processing and/or Wholesale	Yes	THC	Joint Venture	25%	Expanding SKUs and on-shelf presence	First harvest from outdoor grow
California	Processing and/or Wholesale	Yes	THC	Joint Operations	~50%	Vapen actively being sold at dispensaries in the market	Expanding on-shelf presence for Vapen brand
Ohio	Processing and/or Wholesale	Yes	THC	LOI	NA	Vapen actively being sold at dispensaries in the market	Expanding SKUs and on-shelf presence
Mass.	Processing and/or Wholesale	No	THC	Joint Venture	50%	Build-out stage. Awaiting final inspections	Awaiting COA approval and expected operations beginning in 2021

Vapen Mass, LLC

In 2019, Vapen, LLC entered into an operating agreement with Caregiver Patient Connection, LLC ("CPC") to form Vapen Mass, LLC ("Vapen Mass"). Vapen Mass is owned on a 50/50 basis as a joint operation for the purposes of extracting THC in Massachusetts, contingent upon regulatory approval for a change of ownership application adding Vapen Mass to a product manufacturer provisional license. Pursuant to the terms of the operating agreement, the Company will provide the capital equipment, SOPs, branding, training of staff, and a working capital loan. CPC will provide the facility, operating license, and working capital loan as needed by Vapen Mass to operate in Massachusetts. Vapen Mass is inactive and will remain inactive until the State of Massachusetts approves a change of ownership application adding Vapen Mass to a product manufacturer provisional license held by CPC and the Company obtains final building approval for occupancy. Vapen Mass is expected to commence operations in the second quarter of 2021. The joint operation members agreed to provide Vapen Mass with certain assets in order to enable Vapen Mass to operate a cannabis extraction and kitchen facility and other business (CPC will provide physical space and Vapen, LLC will provide equipment). Both members have agreed to contribute up to $250,000 as their respective initial capital contributions. Funding arrangements also include a pre-operations budget and an operating budget. All advances to

Vapen Mass must be repaid before there is any distribution to the joint venture members.

Vapen Oklahoma, LLC

Vapen, LLC entered into an operating agreement dated effective March 5, 2020 with Texoma Processing and Extraction, LLC ("TPE") to form a joint venture, Vapen Oklahoma, LLC ("Vapen OK"). Vapen OK conducts business in Oklahoma. Operations commenced in the second quarter of 2020. Vapen, LLC is a minority member of Vapen OK, owning 25%, with TPE owning the remaining 75% interest. Both TPE and Vapen, LLC have agreed to contribute equal amounts of capital to cover the initial expenses and assist in operations. Pursuant to the terms of the agreement, Vapen, LLC has agreed to provide equipment, training, SOPs, marketing and branding, and working capital loans as needed for startup. TPE has agreed provide the licensing, facilities, and working capital for startup as needed. Members have agreed to provide Vapen OK with certain assets in order to enable Vapen OK to operate a cannabis extraction and kitchen facility and other business (TPE will provide physical space and Vapen, LLC will provide equipment). Both members have agreed to contribute up to $250,000 as their respective initial capital contributions and, in addition, have each agreed to contribute $420,000 to be allocated and utilized exclusively towards cannabis cultivation expenses. Each of Vapen, LLC and TPE will enter into a loan agreement with Vapen OK with respect to such party's contribution to the joint venture. Vapen, LLC has agreed to license the Vapen brand to Vapen OK for Vapen OK to utilize during the term of the joint venture, and Vapen OK will be able to utilize the Vapen brand, without any licensing fees. All advances to Vapen OK must be repaid before there is any distribution to the joint venture members.

Vapen Kentucky, LLC

Vapen, LLC entered into an operating agreement dated effective February 1, 2020 with Emerald Pointe Hemp, Inc. ("EPH") and formed a joint venture, Vapen Kentucky, LLC ("Vapen KY"). Vapen KY conducts business in Kentucky. Operations commenced in the first quarter of 2020. Pursuant to the terms of the agreement, Vapen, LLC will supply equipment, training, SOPs, and working capital for startup as needed. EPH will supply building, licensing, access to biomass from its existing farming operations and working capital for startup as needed. Products will primarily be sold through wholesale distribution channels worldwide. Each party owns 50% of Vapen KY and shares in net profits on a 50/50 basis. Both members have agreed to contribute equal initial capital contributions. Funding arrangements also include a pre-operations budget and an annual operating budget. Each member can designate an individual to be on the board of managers (which exercises all powers of Vapen KY). No action of the managers or Vapen KY shall require member approval. All advances to Vapen KY must be repaid before there is any distribution to the joint venture members.

Happy Travels, LLC

On June 10, 2020, Vapen, LLC entered into a joint operation agreement with Green Goblin Inc. (GG) to operate Happy Travels, LLC ("Happy Travels"). Happy Travels conducts business in San Diego, California. Vapen and GG will utilize Happy Travels and its commercial manufacturing license to jointly operate a commercial cannabis manufacturing, extraction and kitchen facility in the state of California. Vapen is supplying equipment, training, SOPs and working capital as needed to Happy Travels. The title and rights to the equipment supplied by Vapen, LLC will remain with Vapen, LLC. GG has agreed to supply the building, licensing, and access to biomass to Happy Travels. The Company and GG have equal voting rights. Vapen, LLC is entitled to 50% of all profits received by the joint operation and has agreed to cover 50% of all losses. However, GG owns 100% of Happy Travels (Vapen, LLC owns 0%). In the event of a sale of Happy Travels or substantially all of the assets of Happy Travels, including a change in the membership of Happy Travels, Vapen, LLC will be compensated as if it has a 45% interest in Happy Travels. Vapen, LLC has agreed to provide Happy Travels working capital loans, and Happy Travels' repayment obligations will begin when Happy Travels attains $400,000 in working capital. All revenues and profits will be shared equally between Vapen, LLC and GG. All advances to Happy Travels must be repaid before there is any distribution to the joint venture members. The term of the initial joint operation will be three years, with automatic successive renewal terms of additional two-year periods. As of the date of this MD&A, the Company has invested $309,838 and advanced $69,013 in the joint operation.

Investments, Management Agreements, and Non-Binding Letters of Intent

Las Vegas Wellness and Compassion, LLC

Vapen, LLC entered into a management services agreement and intellectual property and commercialization agreement with Las Vegas Wellness and Compassion, LLC ("LVWC") effective as of September 6, 2019. Vapen, LLC earns a participation fee (the "Participation Fee") equal to 33% of the net income of LVWC as calculated in accordance with the management services agreement, with such Participation Fee to be paid on an annual basis. The management services agreement has a five-year term and is renewable for consecutive five-year terms. The intellectual property and commercialization agreement sets out the trademarks for all licensed products to LVWC and from which LVWC will derive revenue and from which Vapen, LLC will receive its Participation Fee.

Legacy Ventures Hawaii, LLC

On August 22, 2019, Vapen CBD, LLC, a subsidiary of Vapen, LLC, entered into a subscription agreement to purchase 350,000 Class B Units of Legacy Ventures Hawaii, LLC ("Legacy") for a total purchase price of $350,000, representing a 12.28% membership interest in Legacy. Legacy was formed to make an investment in Archipelago Ventures Hawaii, LLC. ("Archipelago"). Archipelago was formed as a partnership between Arcadia Bio Science Inc. and Legacy to engage in the cultivation and production of Hemp related products in Hawaii. Vapen CBD, LLC was issued 350,000 Class A Units of Legacy as consideration for providing services related to Archipelago's business.

Appalachian Pharms Processing, LLC

On March 30, 2020, the Company's wholly owned subsidiary, Vapen, LLC ("Vapen"), entered into a non-binding letter of intent (the "LOI") with Appalachian Pharms Processing, LLC ("App Pharms") to form a joint venture in Ohio related to the manufacturing, production and sale of medical cannabis (marijuana) products in Ohio, pursuant, and subject to, applicable Ohio state law. In accordance with the terms of the LOI, on September 23, 2020; October 16, 2020; October 23, 2020; November 13, 2020 and December 1, 2020, Vapen loaned, pursuant to loan agreements (collectively, the "Loan Agreements" and individually, a "Loan Agreement"), $390,000, $750,000, $250,000, $610,000 and $300,000, respectively, to App Pharms. These loans accrue interest at 10% per annum and are due 30 months from the date of advancement, being March 23, 2023; April 16, 2023; April 23, 2023; May 13, 2023 and June 1, 2023 respectively. The Loan Agreements are secured against the processing license held by App Pharms.

In or around March 30, 2020, Vapen agreed, and subsequently advanced to App Pharms, a further $500,000 in two equal installments of $250,000 for the exclusive purpose of App Pharms acquiring biomass for the manufacturing and production of cannabis products as well as associated expenses (together, the "Biomass Loans" and individually, a "Biomass Loan").

Interest on the Loan Agreements and the Biomass Loans accrues at the rate of 10% per annum. The Loan Agreements and the Biomass Loans mature 30 months from the effective date of the respective Loan Agreement and Biomass Loan.

The Company, through Vapen, funded the Loan Agreements and the Biomass Loans from the Company's internal generated working capital. The Loan Agreements are secured against the processing license held by App Pharms.

In addition to the Loan Agreements and the Biomass Loans, the Company loaned a further $153,147 in working capital to App Pharms pursuant to the LOI between Vapen and App Pharms. As of the date hereof, the Company has loaned to App Pharms an aggregate of $2,953,147.

App Pharms has made filings with the State of Ohio to recognize Vapen's proposed equity interest in App Pharm's processing license based on the value of the Loan Agreements. Such equity interest is subject to applicable regulatory approval in Ohio and if the state regulator does not approve Vapen's proposed equity interest, the Loan Agreements and Biomass Loans will be due in accordance with the terms of such agreements.

Competitive Advantages:

Brand Strength:
The Company has developed and supports the Vapen brand of products. The products are recognized for their high quality and competitive price structure. In Arizona and Ohio the Vapen brand is available in the majority of dispensary locations.

Vapen branded products encompass edibles, concentrates and extracts. Vapen's social media following and activity is extensive and has helped propel the recognition and growth.

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.

FINANCING ACTIVITIES

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2020

The financial information reported herein reflects the operations of the Company as of December 31, 2020. All operations, except for Massachusetts and Hawaii, were in full operation in 2020. Both Massachusetts and Hawaii are anticipated to begin operating in first half of 2021.

The Company has reviewed its financial position and results of operations for the year ended December 31, 2020 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 of December 31, 2020. 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 2021 remains on target. Construction delays have slowed initiation of operations in certain markets. These delays are being reflected in internal planning tools for revenue expectations in 2021 and were not caused by the COVID-19 outbreak.

d) The Company has funded all 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 2021 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.

Use of Available Funds & Business Objectives and Milestones from November 2020 Offering

The net proceeds of the offering are currently intended to be used for corporate expansion projects and general corporate purposes. Specifically, the Company expects to use the net proceeds of the Offering for the following purposes:

Project	Timeline	Milestone	Allocation of Net Proceeds
Phase IV Buildout of Cultivation Facility	Next 12 Months	Facility build-out and additional growing rooms in existing cultivation building located in Prescott Valley, Arizona	$3,000,000
Organica Expansion	Next 12 Months	New dispensary relocated to Phoenix in conjunction with the acquisition of the management service agreements for Organica Patient Group, Inc.	$1,000,000
General corporate purposes	Next 12 Months	n/a	$1,280,000
		Total	$5,280,000

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, 2020		December 31,2019		December 31,2018
Total Revenue	$	25,193,958	$	22,322,568	$	18,476,269
Cost of Sales	$	15,290,171	$	12,954,720	$	9,301,918
Gross Profit	$	9,903,787	$	9,367,848	$	9,174,351
Operating Expenses	$	7,289,757	$	5,849,739	$	3,604,321
Net Income Before Tax	$	2,639,068	$	3,668,229	$	3,748,562
Total assets	$	55,454,661	$	38,780,494	$	23,434,185
Total long-term liabilities	$	10,309,148	$	10,736,865	$	3,785,829
Net Income per share (basic)	$	0.02	$	0.04	$	0.06
Net Income per share (diluted)	$	0.02	$	0.04	$	0.06
Total liabilities and shareholders' equity	$	55,454,661	$	38,780,494	$	23,434,185

SELECTED QUARTERLY INFORMATION

The following financial data was derived from the Company's financial statements for each of the Company's most recent eight completed financial quarters:

EBITDA and Adjusted EBITDA

The Company defines EBITDA and Adjusted EBITDA as per the table below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

	2020 Q4	**2020 Q3**	**2020 Q2**	**2020 Q1**	**2019 Q4**	**2019 Q3**	**2019 Q2**	**2019 Q1**
Revenue	$ 6,409,489	$ 7,951,648	$ 6,736,723	$ 4,096,098	$ 3,551,319	$ 5,574,546	$ 6,696,775	$ 6,499,928
Gross Profit	$ 3,018,869	$ 3,135,135	$ 2,543,992	$ 1,205,791	$ 566,743	$ 2,549,600	$ 3,080,100	$ 3,171,405
Gross Profit Margin (%)	47.1%	39.4%	37.8%	29.4%	16.0%	45.7%	46.0%	48.8%
Operating & Other Expenses	$ 1,892,153	$ 1,722,161	$ 1,987,595	$ 2,176,811	$ 1,398,828	$ 1,764,670	$ 1,901,038	$ 1,509,988
Net Income (loss) after taxes	**$ 1,126,716**	**$ 1,412,974**	**$ 556,397**	**$ (971,020)**	**$ (832,085)**	**$ 784,930**	**$ 1,179,062**	**$ 1,661,417**
Interest Expense	$ 10,168	$ 57,308	$ 43,765	$ 76,726	$ (88,883)	$ 8,318	$ (14,604)	$ 29,212
Income Taxes	$ 514,000	$ -	$ -	$ -	$ (289,872)	$ 305,626	$ 332,842	$ 526,309
Depreciation & Amortization	$ 629,228	$ 802,108	$ 426,024	$ 269,098	$ 156,104	$ 242,374	$ 222,166	$ 212,606
EBITDA	**$ 2,280,112**	**$ 2,272,390**	**$ 1,026,186**	**$ (625,196)**	**$ (1,054,736)**	**$ 1,341,248**	**$ 1,719,466**	**$ 2,429,544**
Accretion	$ 36,589	$ 37,542	$ 25,354	$ 26,134	$ -	$ -	$ -	$ -
Share (Profit) / Loss on JVs	$ 127,627	$ 76,747	$ 253,908	$ 62,520				
Share-based compensation	$ 243,554	$ 86,790	$ 461,926	$ 87,406	$ 230,099	$ -	$ 122,060	$ 67,393
*Office and General**	$ -	$ -	$ -	$ 500,000	$ -	$ -	$ -	$ -
Loss on asset disposal	$ 77,987	$ 82,531		$ 766	$ -	$ -	$ -	$ -
Foreign Exchange	$ (353,179)	$ 18,738	$ 132,616	$ (126,347)	$ -	$ -	$ -	$ -
Adjusted EBITDA	**$ 2,412,690**	**$ 2,574,738**	**$ 1,899,990**	**$ (74,717)**	**$ (824,637)**	**$ 1,341,248**	**$ 1,841,526**	**$ 2,496,937**
Total	**$ 6,812,701**	**2020**			**$ 4,855,074**	**2019**		

* Includes a one-time severance settlement with the former CFO, President, Corporate Secretary, and Director.

Quarter over quarter results may vary due to New Gen, the Company's wholly owned subsidiary, 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.

New Gen is primarily a service and product supplier with management services agreements in the State of Arizona servicing two not-for-profit licensed cannabis dispensaries, HWC and Organica. The Company's business outside of Arizona is conducted by way of either participating as a member of joint ventures or by way of investment in entities conducting business in selected markets. At the date of this MD&A, most of all revenues have been historically generated from the Company's Arizona operations. During the year ended December 31, 2020, the Company has

utilized cash flows from operations and financings to invest in ventures outside the State of Arizona, which have not yet begun to generate significant revenues.

Therefore, comments made with respect to the quarterly results herein are focused on Arizona operations. Due to the nature of the business, revenues have been generated by the provision of products and services to its two customers in the State of Arizona. Cost of sales generally follow sales trends. Operating expenses have fluctuated due to one-time charges and/or adjustments that were made in part for continued IFRS compliance.

As reported above, the fourth quarter of 2019 and the first quarter of 2020 reported losses compared to the other six disclosed quarters. These variations were the result of one-time charges to operating expenses, but not the result of any changes in buying patterns, changes in selling practices, the impact of competition, exchange rate impacts on purchases, input changes, production capacity or sales discounts. In the two quarters noted, the Company reduced the management fees charged to HWC, in anticipation of the Organica acquisition. The reduction was reflected in the first quarter of 2020. Other one-time charges in that quarter impacted operations. The Company has met and continues to meet its goals and milestones, utilizing its resources too efficiently to maintain stable and predictable growth.

Financial Position as at December 31, 2020

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at December 31, 2020.

Current Assets

As of December 31, 2020, the Company had total current assets of $23,997,578 (2019 - $24,837,122). The current assets were made up of the following: cash of $1,745,381 (2019 – $7,292,261), accounts receivable of $17,224,397 (2019 - $15,548,015), inventory of $857,317 (2019 - $ Nil), due from related parties -current of $537,151 (2019 - $ Nil), prepaid deposits and other receivables of $1,566,145 (2019 - $303,402), notes receivable – current of $1,853,573 (2019 – $1,130,587), advances to joint ventures and operation of $69,013 (2019 - $440,830), and investment in sublease - current of $144,601 (2019 – $122,027).

Accounts Receivable

The company's account receivable is comprised of balances owed by the dispensary operations. Prior to the acquisition of RDF Management, LLC and Firebrand, LLC, the accounts receivable was related to HWC, but now it compromises Organica as well. The accounts receivable from both HWC and Organica are at 180-day terms. The growth in the balance represents the new Organica dispensary that opened in July 2020. HWC's accounts receivable was reduced during the quarter.

Non-current Assets

As at December 31, 2020, the Company's non-current assets were $31,457,083 (2019 - $13,943,372). Non-current assets are comprised of long term notes receivable of $7,024,110 (2019 – $2,020,182), investment in Legacy Ventures of $350,000 (2019 - $350,000), property, plant and equipment $12,457,565 (2019 – $8,526,628), investment in sub-lease $432,287 (2019 – $576,887), investment in joint ventures $1,282,598 (2019 – $Nil), right-of-use asset $258,362 (2019 – $287,890), related party loans receivable of $1,644,634 (2019 – $2,181,785), intangible investment in management services agreement $7,093,825 (2019 - $Nil), intangible investment in Patent $225,000 (2019 - $Nil),), intangible investment in Firebrand Brand $226,950 (2019 - $Nil), and goodwill $461,752 (2019 - $Nil).

Current Liabilities

As at December 31, 2020, the Company's current liabilities were $8,832,393 (2019 - $2,370,431). Current liabilities include the following: accounts payable and accrued liabilities of $2,572,975 (2019 - $1,068,635), loan payable of $4,165,034 (2019- $Nil), contributions payable of $22,479 (2019- $Nil), current portion of notes payable of $920,828 (2019 – $920,414), current portion of RDF note payable of $948,750 (2019 – $Nil), current portion of lease liability of $156,694 (2019 - $132,654), and income taxes payable of $45,633 (2019 - $45,728).

Non-current Liabilities

As at December 31, 2020, the Company's non-current liabilities were $10,309,148 (2019 - $13,107,296). Long-term portion of lease liability of $701,810 (2019 - $858,504), long-term portion of RDF Acquisition note payable of $4,529,575 (2019 – $Nil) loan payable of $64,762 (2019 - $98,894), and deferred tax liabilities of $5,013,000 (2019 - $4,499,000).

Shareholders' Equity

As at December 31, 2020, the Company had shareholders' equity of $36,313,120 (2019 - $25,673,198).

Working Capital Position

As at December 31, 2020, the Company's working capital position was $15,165,185 compared to $22,466,691 as at December 31, 2019.

Financial Results of the Operation for the Three Months Ended December 31, 2020

	For the Three Months Ended		$ Change	% Change
	December 31, 2020	December 31, 2019		
REVENUES	$6,409,489	$3,551,319	$2,858,170	80.5%
COST OF SALES	($3,390,620)	($2,984,576)	($406,044)	13.6%
GROSS PROFIT	$3,018,869	$566,743	$2,452,126	432.7%
OPERATING EXPENSES	$1,644,314	$1,833,661	($189,347)	(10.3%)
Share of profit (loss) on Joint Ventures	(127,627)	-	(127,627)	NMF
Loss on asset disposal	(77,987)	(3,404)	(74,583)	NMF
Foreign exchange gain	353,179	3,205	349,974	NMF
Gain on derecognition of ROU asset	-	38,129	(38,129)	NMF
Gain on settlement of debt	-	104,092	(104,092)	NMF
Interest income	118,596	2,939	115,657	NMF
Net income before taxes	$1,640,716	$(1,121,957)	$2,762,673	NMF
Income tax expense	(514,000)	298,872	(812,872)	NMF
Net income after taxes	$1,126,716	$(823,085)	$1,949,801	NMF
Unrealized gain on foreign exchange translation	(337,003)	(22,863)	(314,140)	NMF
Total comprehensive income	$789,713	$(845,948)	$1,635,661	NMF

The following discussion of the Company's results of operations is based on its consolidated financial statements for the year ended December 31, 2020 compared to the comparative period December 31, 2019.

The Company's revenues from operations were $6,409,489 for the three months ended December 31, 2020, compared to $3,551,319 for the three months ended December 31, 2019, an increase of $2,858,170 or 80.5%. The increase was attributable to increases in demand from HWC and the addition of the Organica dispensary management agreement.

Management fees for the three months ended December 31, 2020 were $1,200,000 compared to $1,038,000 for the three months ended December 31, 2019, an increase of $162,000 or 15.6%.

Professional services revenue for the three months ended December 31, 2020 was $2,348,435 compared to $1,562,924 for the three months ended December 31, 2019, an increase of $785,511 or 50.3%. The increase was directly related to the addition of a new dispensary and cultivation client (Organica).

Product sales revenue during for the three months ended December 31, 2020 was $1,194,020 compared to $1,292,814 for the three months ended December 31, 2019, a decrease of ($98,794) or (7.6%). The decrease in product sales relates to the passage Proposition 107. With Proposition 107, products are required to have child protection. Accordingly, the Company revamped the Vapen brand packaging to ensure compliance and as such reduced its inventory levels in fourth quarter to support the implementation of new packaging in the first half of 2021.

Equipment leasing revenues for the three months ended December 31, 2020 was $1,624,788 compared to $119,922 for the three months ended December 31, 2019, an increase of $1,504,866 or 1254.9%. The increase is related to the outdoor cultivation operations at the Organica facility and infrastructure at indoor cultivation at Organica. The Company passes its equipment leasing costs through to the not-for-profits; being HWC and Organica on a cost-plus basis, that is based upon going commercial rates.

Property leasing revenues for the three months ended December 31, 2020 was $42,246 compared to ($426,341) for the three months ended December 31, 2019, an increase of $504,587. The negative revenue reported for the three months ended December 31, 2019 was the result of an adjustment taken to property leasing revenues originally charged in the 3rd quarter of 2019.

Total cost of sales for the three months ended December 31, 2020 was $3,380,082 compared to $2,984,576 for the three months ended December 31, 2019, an increase of $395,506 or 13.3%. The cost of sales increase resulted from the following:

- **Cost of Goods Sold** decreased from $1,545,183 (4th Qtr./2019) to $958,475 (4th Qtr./2020) for a total decrease of ($586,708) or (38%), reflecting the reduction in need to buy raw materials in the wholesale market in 2020 compared to 2019. This was a direct result of the Organica acquisition and outdoor grow operation.

- **Salaries** increased from $1,271,042 (4th Qtr./2019) to $2,030,670 (4th Qtr./2020) and total of $759,628, an increase of 59.8% due to relocation of Organica dispensary into Phoenix Metro and expansion of outdoor cultivation with the Organica acquisition.

- **Property, plant, and equipment costs** decreased from $43,651 (4th Qtr./2019) to $20,733 (4th Qtr./2020) a total of ($22,918), a decrease of (52.5%), reflecting less equipment needed to support operations and sales in the three months ended December 2020.

- **Amortization cost** increased from $124,700 (4th Qtr./2019) to $380,742 (4th Qtr./2020) and total of $256,042, an increase of 205.3%. The increase is directly related to capital asset acquisition to support growth in Arizona, JV's and Operating Agreements.

- **Gross profit** for the three months ended December 31, 2020 was $3,018,869 compared to $566,743 for 4th quarter of 2019, an increase of $2,452,126 or 432.7% over the comparative quarter. Revenues and gross profit increased between the comparative quarters as the Company needed to purchase and sell greater volumes of product supplies, professional services to support multiple operations in Arizona.

The Company's total operating expenses were $1,644,314 for the three months ended December 31, 2020 compared to $1,833,661 for the three months ended December 31, 2019, a decrease of ($189,347) or (10.3%). This decrease is primarily attributable to expenses related to reductions in office and general administrative expenses.

Financial Results of the Operation for the Year Ended December 31, 2020

	December 31, 2020	December, 31,2019	$ Change	% Change
REVENUES	$25,193,958	$22,322,568	2,871,390	12.8%
COST OF SALES	($15,290,171)	($12,954,720)	($2,335,451)	18%
GROSS PROFIT	$9,903,787	$9,367,848	$535,939	5.7%
OPERATING EXPENSES	$7,289,757	$5,849,739	$1,440,018	24.6%
Share of profit (loss) of Joint Ventures	($520,802)	-	($520,802)	(100%)
Loss on asset disposal	($161,284)	(3,404)	($157,880)	NMF
Foreign exchange gain	328,172	3,205	324,967	NMF
Gain on derecognition of ROU asset	-	38,129	(38,129)	(100%)
Gain on settlement of debt	-	104,092	(104,092)	(100%)
Interest income	378,952	8,098	$370,854	NMF
Net income before taxes	$2,639,068	$3,668,229	(1,029,161)	(28%)
Income tax expense	(514,000)	($874,905)	360,905	NMF
Net income after tax	$2,125,068	$2,793,324	($668,256)	(24%)
Unrealized gain on foreign exchange translation	($334,296)	$46,647	($380,943)	(816.7%)
Total comprehensive income	$1,790,772	$2,839,971	($1,049,199)	(36.9%)

For the year ended December 31, 2020, gross revenue was $25,193,958 compared to $23,322,568 for the comparative period ending December 31st, 2019 for an increase of $2,871,390 or 13%. The small increase of revenue is attributed to being able to relocate the Organica dispensary in July from a rural setting to an urban market. The Organica dispensary was in operation during relocation. Revenue in the fourth quarter was reduced from a redesign in the Vapen brand packaging. With the passage of Adult Use in Arizona, the brand packaging had to be modified for compliance purposes. We intentionally depleted existing supplies to ensure reduction of product obsolescence in 2021 with the implementation of the program.

Management fees for the year ended December 31, 2020 were $4,100,000 compared to $4,638,000 for the comparative year. Management fees charged to HWC were reduced in the fourth quarter of 2019 and continued into the second quarter of 2020 in anticipation of obtaining a second client (Organica).

Professional fees for the year ended December 31, 2020 increased by $1,623,373 or 25.1% from the comparative period in 2019, caused largely by the additional fees associated with the Organica management agreement.

Product sales for the year ended December 31, 2020 decreased by ($306,674) or (3.1%), largely due to delays in

product shipments in the first and second quarters resulting from the COVID-19 pandemic and the reworking of the Vapen Brand Packaging from Adult Use requirements in AZ. With the passage of Adult Use in Arizona, the brand packaging had to be modified for compliance purposes. We intentionally depleted existing supplies to ensure reduction of product obsolescence in 2021 with the implementation of the program, which resulted in lower product sales during the fourth quarter of 2020.

Equipment leasing revenues for the year ended December 31, 2020, increased by $2,177,694, or 213.6%, largely because of increased equipment needs associated with the infrastructure build out of the outdoor cultivation and the relocation of the dispensary from the Organica management agreement.

Property leasing revenues declined significantly from $257,659 for the year ended December 31, 2019 to $172,656 for the year ended December 31, 2020, a decrease of ($85,003) or (33%).

For the year ended December 31, 2020, the Company recorded cost of goods sold of $15,290,171 compared to $12,954,720 for the comparative period in 2019 an increase of $2,334,451 or 18%. The following factors contributed to this increase:

- an increase in cost of goods sold from $6,607,533 (2019) to $7,126,813 (2020) of $519,280 or 8%;

- an increase in salaries from $5,545,340 (2019) to $6,770,153 (2020) of $1,224,813 or 22% related to increased employees to support the Organica and HWC dispensaries expansion.

- a decrease in property plant and equipment costs from $103,948 (2019) to $97,229 (2020) totaling ($6,719) or a (6%) related to less equipment needed.

- an increase in amortization cost from $697,899 (2019) to $1,295,976 (2020) of $598,077 or 85.7% related to additional depreciable equipment being utilized in the provision of services at both locations, joint venture or joint operations coming online.

- Gross profit for the year ended December 31, 2020 was $9,903,787 compared to $9,367,848 for the year ended December 31, 2019 for an increase of $535,939 or 5.7%.

Operating expenses for the year ended December 31, 2020 were $7,289,757 compared to $5,849,739 for the comparative period, an increase of $1,440,018 or 24.6%. The majority of this increase is attributable to share-based compensation related to stock options & warrants, and the severance settlement with the Company's former President & CFO, and an increase in amortization expense from new JV projects.

CASH FROM ACTIVITIES

The following table summarizes the sources and uses of cash for the year ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Cash provided by (used in) operating activities	$ 3,098,562	$ (393,313)
Net cash provided by (used in) investing activities	(12,901,183)	(5,406,715)
Net cash provided (used in) by financing activities	4,255,741	9,698,722
Net (decrease) in cash	$ (5,546,880)	$ 3,898,694

Operating Activities

During the year ended December 31, 2020, operating activities contributed $3,098,562 of cash compared to a use of cash of ($393,313) in the comparative period, a $3,491,875 increase. The cash flow improvement is represented from the customers revenues increasing greater than services have been invoiced to date.

Additionally, with respect to accounts receivable, it should be noted that the Company charges its management services pursuant to the various management agreements when the services or supplies are delivered or procured. Cultivation and product preparation consumes approximately 120 days in the cycle, and since the cash available from the customers is derived from product sales at the dispensary level, the Company's accounts receivable has a longer than traditional payment cycle, usually averaging 180 days. This in no way affects the collectability of the accounts.

Investing Activities

During the year ended December 31, 2020, cash flows used by investing activities was ($12,901,183) compared to ($5,406,715) for the comparative period in 2019, an increase of $7,494,468. The increase is a result of the RDF acquisition, further investing in the LOI related to Ohio, and increased purchases of equipment related to expansion in Arizona to support adult use.

Financing Activities

During the year ended December 31, 2020, cash flows provided by financing activities was $4,255,741 compared to $9,698,722 cash flows provided by financing activities for the comparative period in 2019, a decrease of ($5,442,981) over the comparative periods. This difference related to the receipt of long-term debt in 2019 of $5,500,000.

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, 2020, the Company had working capital of $15,165,185 (December 31, 2019 - $22,466,691) and retained earnings of $17,416,282 (December 31, 2019 - $15,291,214). 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.

RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the consolidated financial statements not disclosed elsewhere in these 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 consist of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, President, Chief Financial Officer, and Corporate Secretary.

Remuneration attributed to key management personnel for the year ended December 31, 2020 and 2019 is summarized as follows:

	December 31, 2020	December 31, 2019
Share-based compensation	$ **291,322**	$ 101,955
Salaries and wages included in cost of sales		
Jason Nguyen, Executive Chairman	**438,995**	388,769
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	**241,219**	277,345
Eric Offenberger, CEO, COO, and Director	**208,269**	71,250
Jonathan Shelton, Director	**3,800**	19,760
Other related parties	**-**	69,731
Salaries, wages and commissions included in operating expenses		
Jason Nguyen, Executive Chairman	**23,105**	20,462
Robert Brilon, Former CFO, Corporate Secretary, President, and Director	**580,595**	14,597
Eric Offenberger, CEO, COO, and Director	**10,962**	3,750
Jonathan Shelton, Director	**200**	1,040
Other related parties	**-**	3,670
Consulting fees included in operating expenses:		
Caroline Williams, Former Director	**4,000**	-
Denise Lok, Former CFO	**11,388**	-
Brian Cameron, Former Corporate Secretary	**100,000**	-
David Eaton, Director	**-**	19,785
	$ **1,913,855**	$ 992,114

Other related parties

Other related parties include close family members of the Company's Executive Chairman, former CFO, President, Corporate Secretary and Director and a company that is controlled by a Director.

Remuneration attributed to other related parties for the year ended December 31, 2020 and 2019 is summarized as follows:

	December 31, 2020	December 31, 2019
Salaries and wages included cost of sales	$ **47,299**	$ 148,466
Salaries, wages, and commissions included in operating expenses	**2,489**	7,814
Rent expense included in operating expenses	**-**	27,169
Consulting fees included in operating expenses	**363,009**	-
	$ **412,797**	$ 183,449

Balances with related parties:

Due from related parties:

The current portion of balances due from related parties is as follows:

	December 31, 2020	December 31, 2019
Non-Interest bearing, due on December 31, 2021 from Jason Nguyen, Executive Chairman	**$ 537,151**	$ -
	537,151	$ -

The non-current portion of balances due from related parties is as follows:

		December 31, 2020		December 31, 2019
Non-interest bearing, due on December 31, 2021 from Jason Nguyen, Executive Chairman	**$**	**-**	$	537,151
Non-interest bearing, due on December 31, 2022 from Jason Nguyen, Executive Chairman		**316,251**		316,251
Non-interest bearing, due on December 31, 2023 from Jason Nguyen, Executive Chairman	**$**	**1,328,383**	$	1,328,383
	$	**1,644,634**	$	2,181,785

OUTSTANDING SHARE DATA

The following share capital data is current as at the date of this MD&A:

Number Outstanding		
Subordinate voting shares		68,265,524
Multiple voting shares*		684,471
Stock options		3,068,334
Warrants		34,581,638
Special advisory warrants		1,000,000

*One multiple voting share can be converted into 100 subordinate voting shares.

PROPOSED TRANSACTIONS

Other than disclosed in this MD&A, the Company does not have any other proposed transactions at this time.

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 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.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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. The long-term loan payable is recorded at fair value as discussed in the audited financial statements. 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.

Credit risk

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, 2020, the Company was dependent on two major customers from its consulting business segment. The majority ($15,507,259) of the Company's accounts receivable are from these two customers. The Company is of the opinion that it is not exposed to significant credit risk from these two customers as at December 31, 2020 as it continues to collect accounts receivable routinely. The company has no investments in asset-backed commercial securities.

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 customers, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

Liquidity risk

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, 2020, the Company had cash, accounts receivable and short-term notes receivable of $20,823,351 to settle its current liabilities of $8,832,393. 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 Canadian dollars. As at December 31, 2020, the Company had approximately $500,000 net 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 $50,000 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 6, 2021, 140,000 RSUs were granted and expire on January 6, 2024.

- On January 6, 2021, 285,000 options were granted with an exercise price of CAD$1.22 and expire on January 6, 2031.

- On February 8, 2021, the Company closed a public offering of 18,515,000 units of the Company (the "Units") at a price of CAD$1.12 per Unit for aggregate gross proceeds of $16,259,725 (CAD$20,736,800) (the "Offering"). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD$1.40 until February 8, 2024. As compensation, the Company paid to the Agents a cash fee of $1,113,530 (CAD$1,420,138) and issued to the Agents an aggregate of 1,357,980 share purchase warrants (the "Agents' Warrants"). Each Agents' Warrant entitles the holder thereof to purchase one Subordinated Voting Share at an exercise price of CAD$1.12 per Subordinated Voting Share until February 8, 2024.

- On February 8, 2021, the Company closed a non-brokered private placement of of 1,395,000 units (the "Units") at a price of CAD$1.12 per Unit for a total of $1,254,560(CAD$1,600,000). Each Unit is comprised of one Subordinated Voting Share and one-half of one share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Subordinated Voting Share at an exercise price of CAD$1.40 until February 8, 2024.

- On February 10, 2021, the Company settled the remaining balance of $250,000 that was owed to Robert Brilon, the former CFO, Corporate Secretary, President and Director.

- On March 10, 2021, the Company announced that it had appointed Vahan Ajamian as Chief Financial Officer. Mr. Ajamian replaced Denise Lok, who has left for personal reasons. Mr. Ajamian will also

assume the responsibilities of Corporate Secretary. As part of this appointment, Mr. Ajamian was granted 100,000 options at CAD$0.96 which expire March 10, 2031.

- On March 15, 2021, the Company announced that it has entered into an LOI in the state of Ohio. The LOI will move towards establishing a footprint in the state. The LOI contemplates a subsidiary of VEXT acquiring a 50% economic interest (48% voting interest) (the "Equity Interests") in the JV Co., which has signed various agreements to acquire 100% of the membership interests of the Ohio entity holding the Provisional License (the "License Co."). The contemplated change in ownership is subject to approval by the State of Ohio's Board of Pharmacy (the "Board") and cannot occur until License Co. has received a certificate of operation and been operational for 12 months.

- Subsequent to the year ended December 31, 2020, 0 options were cancelled, 250,000 stock options were exercised at CAD$0.75 each for a total of $146,681, 500,000 options were granted with an exercise price of CAD$1.43 and expire on February 19, 2031, 10,000 RSUs were cancelled, 419,200 warrants were exercised at CAD$0.45 each for a total of $147,989, and 979,933 brokers' warrants were exercised at CAD$0.36 each for a total of $249,461.

- On April 6, 2021, the Company announced that is has entered three separate purchase and sales agreements to acquire: a vacant industrial facility located in Eloy, Arizona; the Company's managed indoor cultivation facility in Phoenix; and its managed indoor cultivation facility in Prescott Valley. The Company will pay approximately $6.55 million in aggregate cash consideration upon closing of the Transactions, representing the outright purchase of the Eloy facility, and deposits on the Phoenix and Prescott Valley facilities. The Company will enter vendor financing arrangements for the balance of the Phoenix and Prescott Valley facilities.

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 (36) states, Washington D.C. and Puerto Rico have legalized medical marijuana, and sixteen (18) 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 36 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.

Medical Use

Arizona Medical Marijuana cardholders are entitled to purchase not more than 2.5 ounces of product every two weeks. Purchases are tracked by cardholder and all dispensaries are required to report cardholder sales to the state to ensure that cardholders do not exceed their allotted purchase amount. New Gen and its subsidiaries are in compliance with Arizona's medical marijuana regulatory requirements and programs where applicable.

Adult Use

On November 3, 2020, Arizona voters passed Proposition 207, the "Smart and Safe Act", allowing adults to possess up to 1 ounce (28 grams) of marijuana (with no more than 5 grams being marijuana concentrate). Possession and cultivation of cannabis for adult use became legal on November 30, 2020. State-licensed sales of adult use cannabis began January 22, 2021. New Gen and its subsidiaries are in compliance with Arizona's adult use 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, 2020, the Company's assets and revenues are primarily 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 may 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 subordinated voting 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 subordinated voting 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.