CHEMESIS INTERNATIONAL INC.
(the "Company")

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

This Management Discussion and Analysis ("MD&A") has been prepared by management in accordance with the requirements of National Instrument 51-102 and should be read in conjunction with the condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2020, and the related notes contained therein which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars, the reporting and functional currency of the Company, unless otherwise indicated.

DATE

This MD&A is prepared as of December 1, 2020.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. This MD&A should be read in conjunction with the risk factors described in the *Risk Factors* section of this MD&A. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

DESCRIPTION OF BUSINESS

Chemesis International Inc. ("Chemesis" or the "Company") is a U.S. focused multi-state cannabis company focused on providing retail solutions. The Company currently holds exclusive rights to an artificial inelegant ("AI") based kiosk system which can be deployed in high traffic areas such as shopping malls, stadiums, transit hubs, workplaces, and large corporate headquarters.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business.

KEY BUSINESS ACTIVITIES

Chemesis International Inc. (formerly Canadian Mining Corp.) was incorporated on April 26, 2013 and was a wholly-owned subsidiary of International Zeolite Corp. Chemesis' registered records office is HSBC Building, Suite 2200, 885 West Georgia Street, Vancouver BC V6C 3E8. During fiscal 2018, Chemesis was spun out pursuant to a plan of arrangement. On June 5, 2017, Chemesis began trading on the TSX Venture Exchange under the symbol CNG.

On July 17, 2018, Chemesis completed a reverse takeover transaction ("RTO") with 1145411 BC Ltd. ("1145411"), pursuant to which Chemesis acquired all of the issued and outstanding shares of 1145411 in exchange for 4,680,756 common shares of Chemesis. Accordingly, this transaction was recorded as a reverse acquisition with 1145411 being the acquirer for accounting purposes. The historical assets and liabilities are of 1145411 while the share capital is that of the Company.

Pursuant to the RTO, Canadian Mining Corp., under the trading symbol CNG, changed its name to Chemesis International Inc. and de-listed from TSX Venture Exchange and listed its shares on the Canadian Stock Exchange ("CSE"). Chemesis has since changed its business focus from mineral exploration to the continuation of 1145411's business of pursuing opportunities in the cannabis industry.

Effective July 17, 2018, the Company completed a share consolidation of its share capital on the basis of two existing common shares for one new common share. As a result of the share consolidation, the 32,080,152 common shares issued and outstanding were consolidated to 16,040,076 common shares.

On February 1, 2019, the Company and IMC International Mining Corp. ("IMC") completed a reorganization transaction by way of a plan of arrangement whereby, the Company undertook a reorganization and spin-out of various interests in minerals located in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona to IMC.

On February 1, 2019, Chemesis transferred all of the issued and outstanding common shares of its wholly owned subsidiary, Canadian Mining of Arizona Inc., to IMC. In exchange, the shareholders of Chemesis at the record date received 3,246,625 common shares, 305,000 options and 229,014 warrants of IMC.

Effective December 20, 2019, the Company completed a share consolidation of its share capital on the basis of ten existing common shares for one new common share. All common shares and per share amounts in the consolidated financial statements and tis MD&A are retroactively presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

On July 23, 2020, Chemesis started trading its currently listed shares on the CSE under the new symbol "CSI.U" which presented in USD.

Subsidiaries and their activities

1145411 is the owner of 100% of the issued and outstanding capital stock of Bonhomie Labs Inc. ("Bonhomie"), a California corporation. Bonhomie is the owner of 100% of the issued and outstanding capital stock of SAP Global ("SAP"), a California corporation. SAP is the assignee, pursuant to a management agreement of various entitlements that allow it to operate cannabis businesses in the State of California. SAP controls cultivation and manufacturing licenses for its manufacturing facility, where the Company manufactured and distributed medical and recreational THC and CBD products for the California market. Due in part to the decline in the market and ongoing repair costs to the facility and surrounding area, the Company decided to terminate its lease and not renew its license for SAP and as a result has impaired all intangible assets and leasehold improvements previously recognized.

On August 21, 2018 Chemesis acquired 100% of Desert Zen, a state-compliant, recreational and medicinal cannabis manufacturing, distribution, and transportation company based in Cathedral City, California. The facility is licensed under state and local laws to manufacture, package, and transport quality cannabis products. The Company still holds the facility lease and has renewed it's licenses for Desert Zen, but due in part to the decline market and minimal operations, the Company has decided to recognize an impairment of intangible assets, equipment and leasehold improvements previously recognized.

On November 30, 2018, the Company acquired 80% of Natural Ventures PR LLC ("Natural Ventures"), a cultivation and distribution business located in Puerto Rico. The company has been operational since early 2017. During November 2020, Natural Venture entered into an agreement (the "Natural Ventures Agreement") with Puerto Rico Industrial Commercial Holdings Biotech Corp. ("Prich") to sell and transfer all of Natural Ventures' operating assets in Puerto Rico in consideration for US$4,600,000 payable as follows:

(a) US$550,000 upon execution and approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health) in respect of the transactions contemplated in the Natural Ventures Agreement; and

(b) US$4,050,000 payable in 36 installments of US$112,500.

The completion of the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich is conditional upon receiving approval and authorization of the applicable governmental authorities, including, the approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health), and satisfactory due diligence of the operating assets of Natural Ventures by Prich. Further, in connection with, and as a condition to, closing the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich, the Company will cease to be a shareholder of Natural Ventures.

On January 11, 2019, the Company acquired 100% of La Finca Interacviva Arachna Inc. SAS ("La Finca"), a hemp and CBD cultivation business located in Colombia. La Finca holds a research and development license in Colombia.

On May 24, 2019, the Company acquired a 60% interest in Kieley Growth Management ("Kieley"), a company with dispensary operations in California, United States. Kieley holds a Type-6 Cannabis Processing License as issued by the California Department of Health. Due in part to the decline in the market and ongoing repair costs to the facility and surrounding area, the Company decided to terminate its lease and not renew its license for Kieley and as a result has impaired all intangible assets, equipment and leasehold improvements previously recognized.

On April 1, 2019 the Company entered into an agreement to acquire 19.9% equity stake in GSRX Industries Inc. ("GSRX"), a company which owns and operates six cannabis dispensaries and an online ecommerce site. Pursuant to the terms of the acquisition, GSRX issued 11,666,998 common shares to Chemesis. On August 28, 2019, the Company acquired 42,634,124 common shares of GSRX in exchange for 1,488,071 common shares of the Company for a total fair value of $8,437,358 and acquired100% of the preferred shares in exchange for 400,000 common shares of the Company with a fair value of $2,268,000, which were issued in November 2019. Immediately after the transaction, the Company held 67.04% of common share interests in GSRX. The acquisition of GSRX was accounted for as a business combination. In addition, on August 28, 2020, Chemesis replaced three out of the five board seats on the Board of Directors of GSRX and continues to hold approximately 66% of the outstanding shares of GSRX. During November 2020, GSRX's subsidiary, Project 1493, LLC ("Project 1493") entered into an asset purchase agreement (the "Asset Purchase Agreement") with Prich to sell and transfer all of Project 1493's operating assets in Puerto Rico in consideration for US$743,333.33 (including Sales and Use Tax of Puerto Rico) (the "Project 1493 Asset Purchase Price"), which may be divided and credited towards the Project 1493 Asset Purchase Price as follows:

(a) US$133,333.33 for the purchase of medical cannabis trim;

(b) US$533,333.33 for the purchase of medical cannabis flower; and

(c) US$76,666.66 for the payment of Sales and Use Tax of Puerto Rico in respect of the purchases set out in (a) and (b) above.

Additionally, Prich assumed all of Project 1493's liabilities in respect of the assets sold and the leases assigned to Prich.

Key License agreements

SAP Brand rights
On July 20, 2018, the Company issued 66,464 common shares for a fair value of $255,886 pursuant to an acquisition of licensed rights from SAP. Further, the Company paid $110,000 cash. Such rights included, the brand name, trade name, and trademarks together with all of the patents, patent applications, and inventions. These licenses were amortized over the estimated useful life of 5 years. The Company wrote off the balance of the licenses and recognized as impaired during the year ended June 30, 2020 as the license is no longer in use.

Rapid Dose Therapeutics Inc. ("RDT")
On October 12, 2018, the Company acquired the license rights from RDT, a Canadian bio-technology company which provides proprietary drug delivery technologies. RDT's QuickStrip is an oral fast-dissolving drug delivery system.

Under the terms of the agreement, the Company received rights to produce, distribute, and sell QuickStrip products, with rights for cannabis markets in California. Total consideration was $318,010, paid by $130,570 in cash and 17,356 common shares for a total share fair value of $187,440. This license is amortized over the estimated useful life of 5 years. Due in part to the decline in the market, the Company has written off the balance of the license during the year ended June 30, 2020.

Kieley Growth Management License
On May 24, 2019, the Company acquired a 60% interest in Kieley, which held a Type-6 Cannabis Processing License as issued by the California Department of Health. This license had a value of $404,040 and was amortized over one year. Due in part to the decline in the market, the Company has written off the balance of the license during the year ended June 30, 2020.

Natural Ventures License
On November 9, 2018, the Company acquired Natural Ventures. At the time, Natural Ventures held: a cultivation license and a cannabis manufacturing license. These licenses had a fair value of $1,662,625 and have a useful life of one year. These licenses have been sold and transferred to Prich pursuant to the terms of the Natural Ventures Agreement (as further described herein).

Desert Zen License
On August 10, 2018, the Company acquired Desert Zen, who held a light manufacturing (Type-P) license and distributor (Type-11) license issued by the California Department of Health. The license had a fair value of $230,000 on acquisition and is amortized over one year. Due in part to the decline in the market, the Company wrote off the balance of the license during the year ended June 30, 2020.

La Finca License
La Finca holds seed producer and hemp cultivation licenses in Colombia (the "La Finca Licenses") with a fair value of $100,000. The Company notes that the La Finca Licenses permit La Finca to do the following with respect to non-psychoactive cannabis: (1) production of seeds and cultivation of cannabis plants; (2) fabrication of derivatives; (3) storage, transportation and distribution of products; and (4) use and possession for industrial and scientific purposes. The La Finca Licenses also enable La Finca to commercially sell biomass and cosmetic finished products. The Company also notes that the La Finca Licenses remain up to date and valid. However, in order to carry out further product commercialization and the exportation of such products under the La Finca Licenses, there are certain certifications and registrations that must be obtained. For instance, in order to further commercialize, it is first necessary to complete the Pruebas de Evaluacion Agronomica - Agronomic Evaluation Trials ("PEAs") and obtain a registered cultivar certification from the Government of the Republic of Colombia. The PEA process ("PEA Process") includes multiple stages, including development of seeds through a growth cycle in various regions throughout Colombia followed by rigorous testing of the performance and potency of the plants. The PEA Process requires significant capital investment and typically takes approximately 12-18 months to complete, depending on the success of the cultivation and harvest process and the speed of regulatory approvals. As such, while the Company is currently engaged in the PEA Process, under Colombian regulations related to cannabis matters, La Finca does not require additional licenses other than the ones it currently has for the production and marketing of finished products or non-psychoactive cannabis-based raw materials. On April 27, 2020, the Company announced its intention to spin-out the assets of La Finca to be able to focus in on the specific needs of this entity and maximize its ability to meet its goals within Latin America.

Patents
The Company's subsidiary, GSRX, applied for patents which it believes are a new, original and ornamental design for Oral Consumable Flakes. The patents use the methods of preparing soluble encapsulated plant-based compositions. The fair value of the patent application costs was determined to be $nil on the acquisition date of GSRX.

Below is a summary of all licenses by location, entity holding the license, renewal date, and status of the license:

Entity which holds the license	**Type of License**	**Renewal date (annual)**	**Status of License**
PUERTO RICO			

Natural Ventures	Manufacturing	November 16, 2020	Sold and transferred to Prich pursuant to the Natural Ventures Agreement
Natural Ventures	Cultivation	November 16, 2020	Sold and transferred to Prich pursuant to the Natural Ventures Agreement
Caribbean Green	Dispensary	December 28, 2020	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Caribbean Green	Dispensary	February 6, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Caribbean Green	Dispensary	June 29, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Project 1493, LLC (wholly-owned subsidiary of GSRX)	Dispensary	October 1, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Project 1493, LLC (wholly-owned subsidiary of GSRX)	Dispensary	December 21, 2020	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Project 1493, LLC (wholly-owned subsidiary of GSRX)	Dispensary	May 29, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Project 1493, LLC (wholly-owned subsidiary of GSRX)	Dispensary	May 29, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
Project 1493, LLC (wholly-owned subsidiary of GSRX)	Dispensary	March 26, 2021	Sold and transferred to Prich pursuant to the Asset Purchase Agreement
CALIFORNIA			
Desert Zen	Distribution	June 27, 2021	Active
Desert Zen	Manufacturing	March 28, 2021	Active
Green Spirit Mendocino, LLC	Dispensary	April 4, 2021	Active
Point Arena Distribution, LLC	Distribution	June 27, 2021	Active
Point Arena Manufacturing, LLC	Manufacturing	May 15, 2021	Active
Colombia			
La Finca Interacviva Arachna Med SAS	cultivation of non-psychoactive plants license (cultivation and manufacturing)	October 19, 2022	Active
La Finca Interacviva Arachna Med SAS	seed producer certificate (cultivation and manufacturing)	N/A	Active
La Finca Interacviva Arachna Med SAS	commercial cultivar certificate	pending	pending
La Finca Interacviva Arachna Med SAS	commercial cultivar certificate	pending	pending
La Finca Interacviva Arachna Med SAS	commercial cultivar certificate	pending	pending

Chemesis no longer actively holds exclusive rights to cultivation hemp licenses in Puerto Rico.

Business acquisitions

Bonhomie / SAP Global

During the year ended June 30, 2018, the Company acquired 100% of the issued and outstanding shares of Bonhomie for $100. At the time, Bonhomie held a 51% controlling interest in SAP. At the date of the Company's acquisition of Bonhomie, the net assets were acquired in exchange for the Company settling the liabilities related to the assets acquired. Accordingly, at the date of the Company's acquisition of Bonhomie, SAP was considered to have net identifiable assets of $574,028. On July 19, 2018, the Company increased its ownership in SAP from 51% to 80% for no additional consideration. On July 3, 2019, the Company increased its holdings to 100% of the issued and outstanding capital stock of SAP by issuing 100,000 common shares of the Company with a fair value of $1,780,000.

Desert Zen

On August 10, 2018, the Company acquired 100% of the shares of Desert Zen for USD$200,000 cash paid upon closing, as well as 65,250 common shares of the Company with a fair value of $342,563 escrowed over 36 months. This transaction was accounted for as a business combination, as such the Company used the acquisition method of accounting. The consideration paid in excess of the net assets of the acquired business was $374,830 and recognized in goodwill, which was written down to $nil during the year ended June 30, 2020 due in part to a declining market.

Natural Ventures

On November 30, 2018, the Company acquired 80% of Natural Ventures for cash payment of USD$2,800,000 and 223,525 common shares of the company with a fair value of $1,877,607 escrowed over 36 months. This transaction was accounted for as a business combination, as such the Company used the acquisition method of accounting. The consideration paid in excess of the net assets of the acquired business was $3,557,713 and was recognized in goodwill. The license were amortized over a useful life of 1 year. During November 2020 the Company entered into a sale agreement for Natural Ventures and accordingly has recognized all of the assets and liabilities as assets and liabilities held for sale in the statement of financial position for all periods presented.

La Finca

On January 11, 2019, the Company acquired 100% of La Finca, a hemp and CBD cultivation company located in Colombia. The Company assumed a promissory note of $5,500,000 and issued of 74,800 common shares with a fair value of $7,225,680 escrowed over 36 months. This transaction was accounted for as an asset acquisition. The consideration paid in excess of the net assets of the acquired assets was $10,305,740 attributable to seed research, development and technology expenditures for the year ended June 30, 2019.

Kieley Growth Management

On May 24, 2019, the Company acquired a 60% interest in Kieley. The Company acquired a non-interest-bearing promissory note of USD $1,000,000 and issued 67,231 common shares with a fair value of $880,058 as consideration for 60% of Kieley's common shares. This transaction was accounted for as a business combination, as such the Company used the acquisition method of accounting. The consideration paid in excess of the net assets of the acquired business was $2,259,080 and is recognized in goodwill, which was written down to $nil during the year ended June 30, 2020 due in part to a declining market.

GSRX Industries Inc.

On April 1, 2019, the Company entered into an agreement to acquire 19.9% equity stake in GSRX Industries Inc. Pursuant to the terms of the acquisition, GSRX issued 11,666,998 common shares to Chemesis. GSRX has also granted a pre-emptive right to maintain such ownership percentage. In exchange, the Company issued 729,187 common shares, which are subject to hold periods of up to 36 months. At the time of acquisition, the Company had no board members or management on the Board of Directors of GSRX. On August 28, 2019, the Company acquired 42,634,124 common shares of GSRX in exchange for 1,488,071 common shares of the Company for a total fair value of $8,437,358 and acquired a 100% of the preferred shares in exchange for 400,000 common shares of the Company with an fair value of $2,268,000. Immediately after the transaction the Company held a 67.04 % common share interest and in GSRX. In connection with the acquisition, the Company acquired 100% of the preferred shares in exchange for 400,000 common shares of the Company (Notes 5 and 9) and has three board seats on the Board of Directors of GSRX. During November 2020 the Company entered into a sale agreement for the operating assets of Project 1493 and accordingly has recognized all of the assets and liabilities as assets and liabilities held for sale in the statement of financial position for all periods presented.

Business Dispositions

During November 2020, GSRX's subsidiary, Project 1493 entered into the Asset Purchase Agreement with Prich to sell and transfer all of Project 1493's operating assets in Puerto Rico in consideration for US$743,333.33 (including Sales and Use Tax of Puerto Rico), which may be divided and credited towards the Project 1493 Asset Purchase Price as follows:

(a) US$133,333.33 for the purchase of medical cannabis trim;

(b) US$533,333.33 for the purchase of medical cannabis flower; and

(c) US$76,666.66 for the payment of Sales and Use Tax of Puerto Rico in respect of the purchases set out in (a) and (b) above.

Additionally, Prich assumed all of Project 1493's liabilities in respect of the assets sold and the leases assigned to Prich.

During November 2020, Natural Venture entered into the Natural Ventures Agreement with Prich to sell and transfer all of Natural Ventures' operating assets in Puerto Rico in consideration for US$4,600,000 payable as follows:

(a) US$550,000 upon execution and approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health) in respect of the transactions contemplated in the Natural Ventures Agreement; and

(b) US$4,050,000 payable in 36 installments of US$112,500.

The completion of the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich is conditional upon receiving approval and authorization of the applicable governmental authorities, including, the approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health), and satisfactory due diligence of the operating assets of Natural Ventures by Prich.

TRANSACTIONS IN PROGRESS

On September 9, 2019 the Company announced it had entered into an agreement to purchase three cannabis dispensary operation in Puerto Rico from Caribbean Green LLC in exchange for USD $1.2 million in cash over 24 months. The Company notes that although we currently run the operations of Caribbean Green, until the licenses are transferred to and registered in the name of Natural Ventures, there is uncertainty as to whether the regulators will allow such transfer and registration. Following the disposition of NVPR this transaction in process has also been terminated.

OVERALL PERFORMANCE

The net assets of the Company decreased from $11,837,362 at June 30, 2020 to $9,991,378 at September 30, 2020. The most significant assets at September 30, 2020 include: cash of $480,230 (June 30, 2020 - $185,279), current assets held for sale of $6,465,137 (June 30, 2020 - $4,540,947), non current assets held for sale of $14,981,001 (June 30, 2020 - $17,332,726), amounts receivable of $176,527 (June 30, 2020 - $79,544), and fixed assets of $196,947 (June 30, 2020 - $201,335),.

The Company's primary liabilities at September 30, 2020 consisted of accounts payable and accrued liabilities of $1,828,731 (June 30, 2020 - $2,800,647), current liabilities held for sale of $7,241,333 (June 30, 2020 - $4,563,897), non current liabilities held for sale of $2,051,980 (June 30, 2020 - $2,097,156), and convertible debt of $1,247,270 (June 30, 2020 - $1,063,562).

Cash increased by $294,951 pursuant to financing activities which raised $1,915,607, offset by cash used in operating activities of $1,526,378.

HIGHLIGHTS

On July 8, 2020, the Company closed a final tranche of a private placement for 5,235,300 units at a price of $0.50 per unit for gross proceeds totaling $2,617,650. Each unit is comprised one common share and one common share purchase warrant with each warrant entitling the holder to purchase one additional common share at an exercise price of $1.00 for a period of 24 months. The Company settled payable liabilities of an aggregate of CAD$671,800 and USD $24,000 through the issuance of 692,416 units and 38,307 common shares respectively.

On July 13, 2020, the Company filed a preliminary Form 1-A Regulation A, Tier 2 Offering Statement under the United States Securities Act of 1933, as amended, with the United States Securities and Exchange Commission in connection with the Company's intention to offer up to 40,000,000 units at a price of USD $0.50 per unit. Each unit would be comprised of one common share of the Company and one common share purchase warrant with each warrant entitling the holder to purchase one additional common share at an exercise price of USD $0.75 for a period of 24 months.

On July 23, 2020, the Company commenced trading on the CSE in USD under the new symbol CSI.U.

On July 24, 2020, the Company completed a debt settlement in the amount of $470,843, which was satisfied through the issuance of 692,416 units at a price of $0.68 per unit. Each unit is comprised of one common share and one common share purchase warrant at a exercise price of $0.85 for a period of 24 months. The Company also settled further outstanding debt in the amount of USD $24,000 through the issuance of 38,307 common shares at a price of $0.85 per common share.

On August 7, 2020, the Company announced that the Puerto Rico Court of Appeals ruled in favour of the Puerto Rico Medicinal Cannabis Office, a constituent of Puerto Rico's Department of Health, in regard to the Puerto Rico cannabis licenses held by the Company's subsidiaries Natural Ventures PR, LLC and GSRX Industries Inc (the "Appeal Decision"). The Appeal Decision reverses the Decision, wherein it was found that the abeyance of the Licenses was invalid and unconstitutional and that such action was nullified. The Company notes that the Appeal Decision does not entail an automatic abeyance of the Company's licenses held in Puerto Rico and in fact operations under such licenses are continuing in the ordinary course. The Company further notes that the Court of Appeals based its decision on procedural grounds, finding that the Court of First Instance did not have jurisdiction over the matter; the Court of Appeal did not decide upon substantive merits.

On September 2, 2020, the Company announced that the Puerto Rico cannabis licenses held by the Company's subsidiary, Natural Ventures, have been granted an administrative extension for a period of sixty days by the Department of Health of Puerto Rico.

On September 28, 2020, the Company announced that the Department of Health of Puerto Rico is conducting a review of certain filings made by the Company's subsidiaries, Natural Ventures and GSRX with the Department of Health. This review is in addition to the ongoing Review by the Department of Health.

On October 1, 2020, the Company announced the initial deployment of its VICKI artificial intelligent self-checkout solution at the Atlanta International Airport. In collaboration with Business Traveler Services, Inc., a minority-owned airport concessionaire of Atlanta International Airport, Chemesis with its partner ViaTouch Media Inc, has launched branded CBD automated retail stores in Concourses A & D, under the retail brand, Green Spirit Rx.

During November 2020, GSRX's subsidiary, Project 1493 entered into the Asset Purchase Agreement with Prich to sell and transfer all of Project 1493's operating assets in Puerto Rico in consideration for US$743,333.33 (including Sales and Use Tax of Puerto Rico), which may be divided and credited towards the Project 1493 Asset Purchase Price as follows:

(d) US$133,333.33 for the purchase of medical cannabis trim;

(e) US$533,333.33 for the purchase of medical cannabis flower; and

(f) US$76,666.66 for the payment of Sales and Use Tax of Puerto Rico in respect of the purchases set out in (a) and (b) above.

Additionally, Prich assumed all of Project 1493's liabilities in respect of the assets sold and the leases assigned to Prich.

During November 2020, Natural Venture entered into the Natural Ventures Agreement with Prich to sell and transfer all of Natural Ventures' operating assets in Puerto Rico in consideration for US$4,600,000 payable as follows:

(c) US$550,000 upon execution and approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health) in respect of the transactions contemplated in the Natural Ventures Agreement; and

(d) US$4,050,000 payable in 36 installments of US$112,500.

The completion of the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich is conditional upon receiving approval and authorization of the applicable governmental authorities, including, the approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health), and satisfactory due diligence of the operating assets of Natural Ventures by Prich. Further, in connection with, and as a condition to, closing the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich, the Company will cease to be a shareholder of Natural Ventures.

DISCUSSION OF OPERATIONS

The following highlights the key operating expenditures during the current three months ended September 30, 2020 compared to the three months ended September 30, 2019:

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

During the three months ended September 30, 2020, the Company incurred a net loss of $4,704,948 (September 30, 2019 - $3,129,827). The net loss for the period ended September 30, 2020 consists primarily of the following:

- Revenues were $nil (September 30, 2019 - $364,514) due to the Company selling its primary operations in Puerto Rico. In the prior year, the Company had revenues from California operations; however, there were no such activities in the current period;

- Advertising and marketing of $858,654 (September 30, 2019 - $156,389) consists of advertising and marketing campaigns to increase market awareness and brand generation activities;

- Consulting and payroll of $42,793 (September 30, 2019 - $76,783) consists primarily of services used in operational and corporate activities;

- Management fees of $259,125 (September 30, 2019 - $116,100) consists primarily of services used in corporate activities and reflects the changing needs of the Company as it transitions from exploration and evaluation to expanding its offerings in Cannabis market throughout the US, Puerto Rico, and Columbia;

- General and administration fees of $1,561,591 (September 30, 2019 - $1,308,329) consists of all costs associated with head office activities of Chemesis as well as head office costs of GSRX. The increase is a result of consolidating the activities of GSRX for the full three months ended September 30, 2020, compared to the period from acquisition on August 28, 2019 until September 30, 2019.

- Professional fees of $402,417 (September 30, 2019 – $463,611) consists primarily of the fees incurred for corporate and operational activities;

- Share based payments of $75,863 (September 30, 2019 - $72,632) consists of the vesting of restricted share rewards;

- Depreciation of $12,721 (September 30, 2019 - $182,107) consists primarily of the non-cash reduction in the value of the Company's fixed assets and intangibles over their useful lives;

- Interest expense of $187,200 (September 30, 2019 - $76,897) consists primarily of the accretion and amortization of the debt component of convertible debt.

- Loss on investment in GSRX Industries of $nil (September 30, 2019 - $1,564,379) consists primarily of the non-cash fair value adjustment of GSRX shares measured up to the date of acquisition of control on August 29, 2019. This investment is now being consolidated pursuant to a business combination;

During the three months ended September 30, 2020, the Company incurred a comprehensive net loss of $4,340,859 (September 30, 2019 - $3,891,897). The difference from net loss arises on a foreign currency translation adjustments of $364,089 (September 30, 2019 - $330,931) arising from non-cash presentation currency adjustment of its US, Puerto Rico and Columbian continuing and discontinued operations financial information to Canadian dollars.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed interim quarters:

	Quarter Ended September 30, 2020 $	**Quarter Ended June 30, 2020 $**	**Quarter Ended March 31, 2020 $**	**Quarter Ended December 31, 2019 $**
Revenue	Nil	3,919,025	4,529,524	944,457
Operating Expense	(1,644,746)	(7,026,208)	(5,574,102)	(6,485,451)
Net loss	(4,704,948)	(6,599,348)	(11,003,732)	(18,636,519)
Comprehensive income (loss)	(4,340,859)	(18,722,907)	1,040,904	(18,606,165)
Basic and diluted loss per share, basic and diluted	(0.12)	(0.99)	(0.44)	(1.78)

	Quarter Ended September 30, 2019 $	**Quarter Ended June 30, 2019 $**	**Quarter Ended March 31, 2019 $**	**Quarter Ended December 31, 2018 $**
Revenue	4,700,834	4,051,471	3,406,413	2,820,105
Operating Expense	(3,085,273)	(6,598,168)	(3,778,789)	(2,320,033)
Net loss	(2,378,878)	(19,028,079)	(3,133,856)	(2,335,980)
Comprehensive loss	(2,709,809)	(18,189,590)	(3,844,309)	(1,757,355)
Basic and diluted loss per share, basic and diluted	(0.20)	(2.30)	(0.40)	(0.36)

On a quarter-by-quarter basis the loss can fluctuate significantly due to a number of factors including first year of operations of a start-up cannabis Company, timing of stock option grants, changes in nature of the business and significant one-time transactions.

In the quarter ending December 31, 2018, the Company continued earning revenues from sale of cannabis products of $2,820,105, acquired Natural Ventures and a number of licenses. In the quarter ending March 31, 2019, the Company had increased revenues to $3,406,413 with increased activities from Natural Ventures and US operations. In the quarter ended June 30, 2019, the Company earned revenues of $4,051,471 with the quarter seeing increased activity and sales from previous quarters. In the quarter ended September 30, 2019, the Company earned revenues of $4,700,834. In the quarter ended December 31, 2019, the Company earned revenues of $944,457 following the Review of some of the Company's licenses in Puerto Rico and the decline of the California market. In the quarter ended March

31, 2020, the Company's licenses in Puerto Rico were reinstated and the Company was deemed an essential service in Puerto Rico. This resulted in a recovery in revenues and operational activities resulting in revenues of $4,529,524. In the quarter ended June 30, 2020, the Company earned revenues of $3,919,025. Following the subsequent disposition transactions of Project 1493's assets and Natural Ventures, all related assets, liabilities and results of operations have been disclosed in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. Pursuantly, all related assets and liabilities have been presented separately on the statement of financial position as at September 30, 2020 and June 30, 2020 and the sum of the post-tax loss of the discontinued operations and post-tax gain or loss recognized on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets has been presented as a single amount on the face of the statement of comprehensive income for the three months ended September 30, 2020. As such there were no revenues earned by Chemesis as operations were limited to non Puerto Rico related activities for the quarter ended September 30, 2020.

SEGMENTED REPORTING

The Company currently has four operating segments and generates external revenues from the sale of cannabis products. The operating segments have been disclosed by geographical region as follows:

	Assets $	Liabilities $	Revenues $	Depreciation $	Interest $	Income tax recovery $	Profit (loss) $
Canada	807,274	2,595,128	-	12,721	(187,200)	-	(1,831,946)
United States - California							
Manufacturing	-	97,618	-	-	-	-	-
Bulk CBD	-	140,438	-	-	-	-	-
United States - Puerto Rico							
Discontinued operations – NVPR	10,070,003	5,591,111	1,299,068	-	-	-	(481,249)
Discontinued operations – Project 1493	11,376,135	3,702,202	3,658,956	-	-	-	(2,391,753)
Columbia	107,280	242,818	-	-	-	-	-
	22,360,692	12,369,315	4,958,024	12,721	(187,200)	-	(4,704,948)

Revenues for the three months ended September 30, 2020 are included in loss from discontinued operations (Note 5).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company had cash of $480,230 and $176,527 in amounts receivable. The Company has a working capital deficit of $3,177,400 (June 30, 2020 – $(3,650,686)).

During the three months ended September 30, 2020:

a. The Company received cash of $666,707 pursuant to the exercise of options and warrants; and
b. The Company received net cash of $1,248,900 pursuant to private placements completed.

The Company has access to additional equity financing agreement for up to $25,000,000, with Alumina Partners, LLC, a New York-based private equity firm that has made substantial investments in the cannabis space. The agreement details the purchase of up to $25,000,000 of units of the Company, consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the Company's shares, subject to the rules and polices of the CSE, with each equity financing occurring exclusively at the option of the Company, throughout the 24-month term of the agreement. The Company has used $750,000 of this lending facility to date.

Additionally, the Company has entered into a $10,000,000 share subscription agreement with Global Emerging Markets ("GEM"). The agreement provides that the Company may, at any time while the agreement is in effect, deliver a draw-down notice to GEM specify the number of common shares for which GEM will then have an obligation to subscribe up to a maximum of $10,000,000. As of June 30, 2020, the Company has drawn down $778,000 on this equity financing arrangement.

If additional funds are required, the Company plans to raise capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements.

Operating Activities

The Company used net cash of $1,526,378 in operating activities during the three months ended September 30, 2020.

Investing Activities

The Company had no change in cash from investing activities.

Financing Activities

The Company received cash of $1,915,604 from financing activities during the three months ended September 30, 2020. Financing activities primarily consisted of cash of $666,707 received pursuant to the exercise of options and warrants and net cash of $1,248,900 received from private placements.

CHANGES IN ACCOUNTING POLICIES

There were no new accounting policies adopted during the period.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the three months ended September 30, 2020 and 2019 is summarized as follows:

		2020		2019
Management fees	$	259,125	$	116,100
Share-based payments		75,863		-
Total	**$**	**334,988**	**$**	**116,100**

As at September 30, 2020, $248,623 (2020 - $647,083) is owed to directors and officers of the Company for unpaid fees and expenses paid on behalf of the Company.

During the three months ended September 30, 2020, the Company paid $81,000 (2019 - $36,000) included in management fees to Edgar Montero, the CEO and Director of the Company pursuant to CEO and director services provided.

During the three months ended September 30, 2020, the Company accrued $37,500 (2019 - $30,000) included in management fees and accounts payable and accrued liabilities to Eli Dusenbury, the CFO of the Company pursuant to CFO services provided.

During the three months ended September 30, 2020, the Company accrued $81,000 (2019 - $37,500) included in management fees and accounts payable and accrued liabilities to Aman Parmar, the director of the Company pursuant to director services provided.

During the three months ended September 30, 2020, the Company paid $9,000 (2019 - $9,000) included in consulting fees to Brian Thurston, the Corporate Secretary and Director and of the Company pursuant to corporate secretary and director services provided.

During the three months ended September 30, 2020, the Company paid $50,625 (2019 - $nil) included in consulting fees to Josh Rosenberg, the President and Director and of the Company pursuant to related services provided.

During the year ended June 30, 2020, the Company issued 2,350,000 RSUs to directors and officers of the Company with a fair value of $2,078,591. Vesting of RSUs resulted in share-based payment expense of $75,863 for the three months ended September 30, 2020 (2019 - $nil). See Note 14.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial Instruments

The classification of the financial instruments as well as their carrying values are shown in the table below:

	Category	**September 30, 2020**	**June 30, 2020**
Financial Assets			
Cash	Amortized cost	$ 480,230	$ 185,279
Amounts receivable	Amortized cost	176,527	79,544
Total Financial Assets		**$ 656,757**	**$ 264,823**
Financial Liabilities			
Accounts payable and accrued liabilities	Amortized cost	$ 1,828,731	$ 2,477,662
Convertible debt	Amortized cost	1,247,270	1,063,562
Total Financial Liabilities		$ 3,076,001	$ 3,541,224

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

At September 30, 2020 and September30, 2019, cash is measured using Level 1 inputs. Derivative liability is measured using Level 2 inputs. During the three months ended September 30, 2020 and September 30, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and there were no transfers in and out of Level 3 fair value measurements.

The fair values of the Company's financial assets and liabilities approximate their carrying amounts. The carrying value of receivables and accounts payable, acquisitions payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The carrying value of loans payable approximate their carrying value based on currently available borrowing rates for debt on similar terms, credit risk and maturities. The fair value of convertible debt is measured using a discount factor of 15% which approximates the borrowing rate that the Company would get for debt without a conversion feature and warrants.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at September 30, 2020, the Company has a working capital deficit of $3,177,400 (September 30, 2019 - $(3,650,686)). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2020, the Company had cash of $480,230 (September 30, 2019 - $185,279), accounts payable and accrued liabilities of $1,828,731 (September 30, 2019 - $2,800,647) (due in 90 days), and convertible debt (due on demand) of $1,247,270 (September 30, 2019 - $1,063,562).

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going expansion of its subsidiaries, such capital to be derived from the completion of other equity and debt financings. The Company has limited financial resources, is currently generating net losses from operations, and has no assurance that additional funding will be available to it for future development of its business. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and accounts receivable.

The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables primarily consist of trade receivables due from merchant accounts.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximate the carrying value of these assets on the Company's consolidated statements of financial position.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company is satisfied with the credit ratings of its banks. As at September 30, 2020, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies.

Use of Estimates and Judgements

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Business combinations

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquire over the net assets of the acquisition-date amount of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as pf the acquisition date.

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Revenues - gross vs net

Determination of whether the Company is the agent or principal in a transaction involves judgment taking into account whether the Company accepts inventory risk, responsibility for fulfilling the purchaser and exercises price discretion.

Collectability of amounts receivable

The Company monitors its exposure for credit losses on its customer and related party receivable balances and the creditworthiness of the customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related party balances, where a risk of default is identified, and also include a provision for non-customer specific defaults based upon historical experience and aging of accounts. If circumstances related to specific customers and related parties change, estimates of the recoverability of amounts receivable could also change

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. the separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest o the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Biological assets

Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales prices, wastage and expected yields of the cannabis plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

Inventory

The Company estimates the net realizable value of inventory taking into account the most reliable evidence available at each reporting date.

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated by reference to the Black-Scholes pricing model.

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in the provision for income taxes.

Valuation of investment in GSRX

Management exercises judgment on the valuation of the investment in GSRX with reference to the valuation of the consideration received, and if appropriate, the valuation of the share consideration granted. On August 29, 2019, the Company completed an acquisition of control now includes this investment as a component of the purchase price of GSRX.

Valuation of equity consideration granted

The valuation of share consideration granted involves management judgment in determining valuation of the share consideration granted. Judgment is exercised in the reliability of the fair value of consideration received.

The fair value of equity instruments are subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with limited lives are affected by judgments about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

SUBSEQUENT EVENTS

During November 2020, GSRX's subsidiary, Project 1493 entered into the Asset Purchase Agreement with Prich to sell and transfer all of Project 1493's operating assets in Puerto Rico in consideration for US$743,333.33 (including Sales and Use Tax of Puerto Rico), which may be divided and credited towards the Project 1493 Asset Purchase Price as follows:

(a) US$133,333.33 for the purchase of medical cannabis trim;

(b) US$533,333.33 for the purchase of medical cannabis flower; and

(c) US$76,666.66 for the payment of Sales and Use Tax of Puerto Rico in respect of the purchases set out in (a) and (b) above.

Additionally, Prich assumed all of Project 1493's liabilities in respect of the assets sold and the leases assigned to Prich.

During November 2020, Natural Venture entered into the Natural Ventures Agreement with Prich to sell and transfer all of Natural Ventures' operating assets in Puerto Rico in consideration for US$4,600,000 payable as follows:

(e) US$550,000 upon execution and approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health) in respect of the transactions contemplated in the Natural Ventures Agreement; and

(f) US$4,050,000 payable in 36 installments of US$112,500.

The completion of the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich is conditional upon receiving approval and authorization of the applicable governmental authorities, including, the approval of the Regulatory Board of Medicinal Cannabis (Puerto Rico Department of Health), and satisfactory due diligence of the operating assets of Natural Ventures by Prich. Further, in connection with, and as a condition to, closing the sale and transfer of Natural Ventures' operating assets in Puerto Rico to Prich, the Company will cease to be a shareholder of Natural Ventures.

PROPOSED TRANSACTIONS

There are no proposed transactions.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

Common shares issued and outstanding as at December 1, 2020, are 40,349,308 (September 30, 2020 – 39,665,595) of which 729,817 common shares are classified as held internally and deducted from the statement of changes in shareholders equity. As at December 1 2020, the Company held 688,072 common shares in escrow.

Share Purchase Warrants

As at December 1, 2020, the Company had 22,498,935 (September 30, 2020 – 23,182,705) share purchase warrants outstanding with expiry dates as follows:

Expiry date	Warrants	Exercise Price
December 4, 2020	**160,000**	$ 15.00
December 20, 2023	**31,250**	15.00
December 21, 2020	**120,010**	15.00
January 21, 2024	**38,460**	24.50
March 3, 2022	**150,000**	25.00
April 22, 2024	**18,918**	25.00
May 8, 2024	**18,900**	25.00
May 30, 2024	**37,837**	25.00

June 13, 2024	**5,405**		25.00
September 18, 2021	**54,053**		15.00
January 21, 2022	**14,063,483**		0.41
January 23, 2022	**570,192**		0.70
January 23, 2022	**1,232,711**		1.12
May 19, 2022	**1,420,000**		1.00
May 20, 2022	**1,272,500**		1.00
July 3, 2022	**2,612,800**		1.00
July 24, 2022	**692,416**		0.85
Balance, December 1, 2020	**22,498,935**	**$**	**1.11**

Stock Options

As at December 1, 2020, the Company had 2,295,000 (September 30, 2020 – 2,295,000) options outstanding with expiry dates as follows:

			Outstanding and exercisable	
Expiry date	**Options**		**Exercise price**	**Remaining contractual life (years)**
January 12, 2025	2,295,000	$	0.90	4.29
Balance, December 1, 2020	**2,295,000**	**$**	**0.90**	4.29

As at December 1, 2020, the Company had 125,000 (September 30, 2020 – 2,500,000) restricted share units that convert to a common share of the Company on July 21, 2020.

RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the factors set out below. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares of the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. 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.

The Company will require additional financing to fund its operations to the point where it is generating positive cash flows. Continued negative cash flow may restrict the Company's ability to pursue its business objectives.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that any such financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

Key Personnel

Another risk associated with the production and sale of recreational cannabis is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. 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.

The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the directors and officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of its officers' other business interests.

Certain directors or officers of the Company are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the *Business Corporations Act* (British Columbia).

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Reliance on Key Inputs

The Company's business is dependent on a number of key inputs including raw materials and supplies relating to its growing operations including electricity, water, and other utilities. Any significant interruption or negative change in the availability or pricing of the supply chain for these key inputs could materially impact the Company's operations, financial condition, and operating results.

The Company's Products

As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company's common shares to the point investors may lose their entire investment.

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the U.S. Food and Drug Administration, the California or Puerto Rico Department of Public Health, or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Liquidity

The Company cannot predict at what prices the Company will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

Sales of Substantial Amounts of the Shares May Have an Adverse Effect on the Market Price of the Shares

Sales of substantial amounts of the common shares of the Company, or the availability of such securities for sale, could adversely affect the prevailing market prices for the common shares. A decline in the market prices of the common shares of the Company could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile Market Price for the Shares

The market price for the common shares of the Company may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Company's control, including, but not limited to the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company will operate;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding common shares of the Company;
- sales or perceived sales of additional common shares of the Company;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares of the Company may be materially adversely affected.

The Business is Dependent on Laws Pertaining to the Marijuana Industry

Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the Federal and State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact the proposed business.

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, its holding (directly or indirectly) of cannabis licenses in the United States (including Puerto Rico), the listing of its securities on various stock exchanges, 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 Company Will Be an Entrant Engaging in a New Industry

The recreational cannabis industry is fairly new. There can be no assurance that an active and liquid market for common shares of the Company will develop and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational 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 favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

The Company has Limited Operating History

The Company has limited operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenues, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use marijuana industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's shares.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Reporting Issuer's shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Reporting Issuer resources.

Risks Inherent in an Agricultural Business

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

Shelf Life of Inventory

The Company holds finished goods in inventory, including dried cannabis and oil products with a shelf life. The Company has a typical inventory turnover that varies and as a result, inventory may reach its expiration date and no longer be available for sale. As a result, inventory may have to be written down and could have a material adverse effect on the Company's business, financial condition, and results of operations.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company's shares will be made by the Board of Directors.

Speculative investment

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at http://www.sedar.com.

BOARD APPROVAL

The board of directors of the Company has approved this MD&A.