CHEMESIS INTERNATIONAL INC.
(the "Company")

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2021

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 interim financial statements and accompanying notes for the three and six months ended December 31, 2021, 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 March 25, 2022.

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. During the years ended June 30, 2021 and 2020, the Company's principal business was the production, distribution and sale of cannabis and cannabis related products. During the prior year, the Company has sold or is holding for sale nearly all of its Cannabis related operations and only continued to operate its CBD vending machines, of which, 6 were deployed in the US. The Company is now looking for strategic acquisitions to build and grow in the changing marketplace.

Due to delays in completing certain audit procedures due to the COVID-19 pandemic and associated travel and access restrictions to the Company's facilities in the United States of America, the Company applied for and received approval of a Management Cease Trade Order on October 29, 2021. On January 11, 2022, the British Columbia Securities Commission ("BCSC") issued a Cease Trade Order ("CTO") to the Company for failure to file its annual audited Financial Statements and Management Discussion and Analysis and for the year ended June 30, 2021 and its interim Financial Statements and Management Discussion and Analysis and for the three months ended September 30, 2021. The Company is working diligently to correct its filing deficiencies and have the BCSC revoke the CTO.

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. ("Chemesis" or "the Company") was incorporated under the Business Corporations Act of British Columbia on April 26, 2013. Chemesis' registered records office is Suite 2200 - 885 West Georgia Street, Vancouver, BC V6C3E8 and the corporate head office is at Suite 2200 - 885 West Georgia Street, Vancouver, BC V6C3E8. The Company trades on the Canadian Securities Exchange ("CSE") under the symbol CSI, on the OTC markets under the symbol CADMF, and on the Frankfurt Stock Exchange under the symbol CWAA.

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 this MD&A are retroactively presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

Subsidiaries and their activities

GSRX now has minimal operations and is seeking new opportunities and strategic acquisitions.

During the year ended June 30, 2021, the Company entered into negotiations to dispose of 100% of its equity interest in La Finca and as at December 31, 2021, its assets and liabilities were classified as held for sale. This is due to the difficulties causing costly delays in obtaining the requisite licensing for distribution and commercialization of its hemp operations.

During the year ended June 30, 2021, the company discontinued its California operations including Bonhomie, Desert Zen, SAP Global and Kieley Growth Management LLC and looks to wind these subsidiaries up

The Company started Vending Co. in fiscal 2021 which held CBD distribution vending machines. The Company was unable to secure large retail contracts and now looks to liquidate its operations and sell the assets. The assets of Vending Co. are currently recognized within assets held for sale.

Business acquisitions

None to report during the period ended December 31, 2021.

TRANSACTIONS IN PROGRESS

The Company is in the process of winding up the operations of La Finca and Vending Co. and looks to complete this before the end of the year.

OVERALL PERFORMANCE

The net assets of the Company decreased from $(203,133) at June 30, 2021 to $(600,992) at December 31, 2021. The most significant assets at December 31, 2021 include: cash of $867,585 (June 30, 2021 - $1,719,845), current assets held for sale of $427,844 (June 30, 2021 - $345,257), note receivable of $1,320,261 (June 30, 2021 - $1,227,281), and amounts receivable of $223,071 (June 30, 2021 - $201,964).

The Company's primary liabilities at December 31, 2021 consist primarily of accounts payable and accrued liabilities of $2,769,469 (June 30, 2021 - $2,287,347), current liabilities held for sale of $298,645 (June 30, 2021 - $150,549), derivative liability of $242,257 (June 30, 2021 - $1,185,923), and convertible debt of $129,382 (June 30, 2021 - $129,382).

Cash decreased by $852,262 primarily due to cash used in operating activities of $1,961,536 offset by financing activities which raised $1,155,655.

HIGHLIGHTS

On October 29, 2021, the Company applied for and received approval of a Management Cease Trade Order primarily due to the COVID-19 pandemic.

On November 11, 2021, the Company provided an update to its October 29, 2021 news release as it continues working diligently to complete its audit procedures. The Company continues to anticipate that the Filings will be completed no later than December 28, 2021.

On November 16, 2021, the Company announced a non-brokered private placement of up to $1,300,000 or up to 10,833,333 units (the "Units"). Each Unit will be comprised of one common share and one common share purchase warrant (the "Warrants"). Each Warrant will be exercisable for one common share at a price of $0.15 for a period of 24 months.

On November 29, 2021, the Company announced that is has closed a non-brokered private placement issuing an aggregate of 10,393,335 units ("Units") at a price of $0.12 per Unit for gross proceeds of $1,247,200. Each Unit consists of one common share in the capital of the Company ("Share") and one common share purchase warrant ("Warrant") exercisable at $0.15 for 24 months from the date of issuance into an additional Share. Proceeds from the sale of the Units will be used for general working capital.

On January 11, 2021, the British Columbia Securities Commission ("BCSC") issued a Cease Trade Order ("CTO") to the Company for failure to file its annual audited Financial Statements and Management Discussion and Analysis and for the year ended June 30, 2021 and its interim Financial Statements and Management Discussion and Analysis and for the three months ended September 30, 2021. The Company is working diligently to correct its filing deficiencies and have the BCSC revoke the CTO.

DISCUSSION OF OPERATIONS

The following highlights the key operating expenditures during the three and six months ended December 31, 2021, compared to the three and six months ended December 31, 2020:

For the six months ended December 31, 2021

During the six months ended December 31, 2021, the Company incurred a net loss of $1,638,672 (December 31, 2020 - $17,456,050). The net loss for the six months ended December 31, 2021 consists primarily of the following:

- Revenues were $13,919 (December 31, 2020 - $nil) derived primarily from CBD vending machine sales.

- Advertising and marketing of $522,751 (December 31, 2020 - $1,755,405) consists of advertising and marketing campaigns to increase market awareness and brand generation activities. The expense decreased as a result of reduced advertising and marketing campaigns and related expenditures;

- Consulting and payroll of $1,050,486 (December 31, 2020 - $118,563) consists primarily of services used in operational and corporate activities. This expense has increased reflecting the services used for GSRX's operational activities of $859,858 and for corporate activities of $190,628 during the period as the Company shifts its focus from having multiple operations in multiple jurisdictions;

- Management fees of $353,039 (December 31, 2020 - $518,250) consists primarily of services used in corporate activities and reflects the changing needs of the Company. Management fees decreased following the Company's shift in operations and related management

- Professional fees of $297,116 (December 31, 2020 - $641,527) consists primarily of the fees incurred for corporate and operational activities. The reduction reflects the decrease in operating activities and volume of legal support needed;

- Depreciation of $nil (December 31, 2020 - $23,292) as a result of all of the Company's tangible and intangible assets primarily being disposed of or written off at the end of previous year end and as a result, there was no expense in the current period.

- Interest expense of $6,320 (December 31, 2020 - $116,175) consists primarily of the accretion and amortization of the debt component of convertible debt and decreased due to the decrease in such debt in the current year by way of settlements.

- Change in fair value of derivative (other income) of $943,666 (December 31, 2020 - $nil) consists primarily of the fair value adjustment on the Company's embedded derivative liability.

During the six months ended December 31, 2021, the Company incurred a comprehensive net loss of $1,504,558 (December 31, 2020 - $17,265,316). The difference from net loss arises primarily from net foreign currency translation adjustments of $134,114 (December 31, 2020 – $190,734) arising from non-cash presentation currency adjustment of its Puerto Rico and Colombian continuing and discontinued operations financial information to Canadian dollars.

For the three months ended December 31, 2021

During the three months ended December 31, 2021, the Company incurred a net loss of $1,410,793 (December 31, 2020 - $13,526,965). The net loss for the three months ended December 31, 2021 consists primarily of the following:

- Revenues were $6,959 (December 31, 2020 - $nil) derived primarily from CBD vending machine sales.
- Advertising and marketing of $242,293 (December 31, 2020 - $989,277) consists of advertising and marketing campaigns to increase market awareness and brand generation activities. The expense decreased as a result of reduced advertising and marketing campaigns and related expenditures;
- Consulting and payroll of $772,695 (December 31, 2020 - $75,770) consists primarily of services used in operational and corporate activities. This expense has increased reflecting the services used for GSRX's operational activities of $595,449 and for corporate activities of $177,246 during the period as the Company shifts its focus from having multiple operations in multiple jurisdictions;
- Management fees of $215,914 (December 31, 2020 - $259,125) consists primarily of services used in corporate activities and reflects the changing needs of the Company. Management fees decreased following the Company's shift in operations and related management.
- Professional fees of $175,550 (December 31, 2020 - $239,110) consists primarily of the fees incurred for corporate and operational activities. The reduction reflects the decrease in operating activities and volume of legal support needed.
- Depreciation of $nil (December 31, 2020 - $10,571) as a result of all of the Company's tangible and intangible assets primarily being disposed of or written off at the end of previous year end and as a result, there was no expense in the current period.
- Interest expense of $3,160 (December 31, 2020 - $nil) consists primarily of the accretion and amortization of the debt component of convertible.
- Change in fair value of derivative (other income) of $(50,547) (December 31, 2020 - $nil) consists primarily of the fair value adjustment on the Company's embedded derivative liability.

During the three months ended December 31, 2021, the Company incurred a comprehensive net loss of $1,402,328 (December 31, 2020 - $13,700,320). The difference from net loss arises primarily from net foreign currency translation adjustments of $8,465 (December 31, 2020 – $(173,355)) arising from non-cash presentation currency adjustment of its Puerto Rico and Colombian 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 December 31, 2021 $	Quarter Ended September 30, 2021 $	Quarter Ended June 30, 2021 $	Quarter Ended March 31, 2021 $
Revenue	6,959	6,960	16,521	11,317
Operating Expense	(1,282,426)	(1,201,076)	(1,698,376)	(6,000,704)
Net loss	(1,410,793)	(230,284)	(3,267,786)	(648,146)
Comprehensive income (loss)	(1,402,328)	(104,636)	(3,931,789)	(838,880)
Basic and diluted loss per share, basic and diluted	(0.02)	(0.00)	(0.05)	(0.01)

	Quarter Ended December 31, 2020 $	Quarter Ended September 30, 2020 $	Quarter Ended June 30, 2020 $	Quarter Ended March 31, 2020 $
Revenue	Nil	Nil	302,461	252,753
Operating Expense	(1,709,393)	(1,568,883)	(5,656,299)	(2,220,593)
Net loss	(12,826,965)	(4,629,085)	(13,034,978)	(3,662,108)
Comprehensive loss	(13,000,320)	(4,264,996)	(12,621,615)	(5,573,292)
Basic and diluted loss per share, basic and diluted	(0.32)	(0.12)	(0.49)	(0.21)

In the quarter ended March 31, 2020, the Company earned revenues of $252,753. In the quarter ended June 30, 2020, the Company earned revenues of $302,461. Following the subsequent disposition transactions of the Company's Puerto Rican operations, all related assets, liabilities and result of operations have been disclosed in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. As such there were no revenues earned by Chemesis as operations were limited to non Puerto Rico related activities for the quarters ended September 30, 2020 and December 31, 2020. Revenues began to generate from the newly rolled out kiosk vending machines during the quarters ended March 31, 2021, June 30, 2021, September 30, 2021, and December 31, 2021 but as result of the market conditions and inability to secure large contracts, there were was a decline in revenues during the quarters ended September 30, 2021 and December 31, 2021.

SEGMENTED REPORTING

The Company currently has one operating segment.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Company had cash of $867,585 and $223,071 in amounts receivable. The Company had a working capital deficit of $1,921,253 (June 30, 2021 – working capital deficit of $1,430,414).

During the six months ended December 31, 2021:

a. The Company received cash of $1,147,200 pursuant to private placements.

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 cash of $1,961,536 in operating activities during the six months ended December 31, 2021.

Investing Activities

The Company had no investing activities during the six months ended December 31, 2021.

Financing Activities

The Company received cash of $1,155,655 from financing activities during the six months ended December 31, 2021. Financing activities primarily consisted of $1,147,200 received from private placements.

CHANGES IN ACCOUNTING POLICIES

With the exception of the recently adopted accounting policies, the management discussion and analysis has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended June 30, 2021, filed March 25, 2022.

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 six months ended December, 2021 and 2020 is summarized as follows:

		2021		**2020**
Management fees	$	365,250	$	518,250
Share-based payments		-		-
Total	**$**	**365,250**	**$**	**518,250**

As at December 31, 2021, $844,910 (June 30, 2021 - $477,424) is owed to directors and officers of the Company for unpaid fees and expenses paid on behalf of the Company.

During the six months ended December 31, 2021, the Company paid $nil (2020 - $162,000) included in management fees to Edgar Montero, the CEO and Director of the Company pursuant to CEO and director services provided.

During the six months ended December 31, 2021, the Company accrued $75,000 (2020 - $75,000) 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 six months ended December 31, 2021, the Company accrued $150,000 (2020 - $162,000) 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 six months ended December 31, 2021, the Company paid $9,000 (2020 - $18,000) 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 six months ended December 31, 2021, the Company paid $131,250 (2020 - $50,625) included in management 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. As a result, during the six months ended December 31, 2021, the Company recognized share-based payments of $nil (2020 - $nil) pertaining to the vesting of these RSUs, which is included in the consolidation statements of net loss and comprehensive loss.

During the year ended June 30, 2021, the Company's subsidiary GSRX advanced US$1,250,000 to an entity controlled by Shaun Dale, a director of GSRX. The note receivable bears interest at 12% and is due on demand upon the occurrence of an event expected to occur within one year of the date of the Statement of Financial Position. The Company has discounted the expected cash flows to be received by GSRX assuming even repayments over a period of 10 years using a rate of 20%. On February 17, 2021, the note was amended to be secured against all the assets of the entity.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 3 of the Company's consolidated financial statements for the six months ended December 31, 2021

SUBSEQUENT EVENTS

Subsequent to December 31, 2021:

- The Company issued 74,000 common shares pursuant to debt settlement.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

Common shares issued and outstanding as at March 25, 2022 are 66,096,892 (December 31, 2021 – 66,096,892) of which 729,187 common shares are classified as held internally and deducted from the statement of changes in shareholders equity.

Share Purchase Warrants

As at March 25, 2022, the Company had 24,112,265 (December 31, 2021 – 24,112,265) share purchase warrants outstanding with expiry dates as follows:

Expiry date	Warrants		Exercise Price
December 21, 2023	31,250		15.00
January 21, 2024	38,460		24.50
March 1, 2024	150,000		25.00
May 30, 2024	18,918		25.00
May 30, 2024	37,837		25.00
June 13, 2024	5,405		25.00
January 21, 2022	6,036,441		0.405
January 23, 2022	370,192		0.70
January 23, 2022	1,232,711		1.12
May 19, 2022	1,220,000		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
January 18, 2023	3,687,419		USD 0.34
November 29, 2023	10,393,335		0.15
Balance, September 30, 2021	**27,799,684**	**$**	**0.71**

Stock Options

As at March 25, 2022, the Company had 3,795,000 (December 31, 2021 – 3,795,000) 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	3.03
January 12, 2026	1,500,000		0.89	4.03
Balance, December 31, 2021	**3,795,000**	**$**	**0.90**	3.53

Restricted Share Rights

As at March 25, 2022, the Company had 3,575,000 (December 31, 2021 – 3,375,000) restricted share rights outstanding and exercisable.

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.

Shelf Life of Inventory

The Company holds finished goods in inventory 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.