

**CANNAONE TECHNOLOGIES INC.**  
**Management Discussion and Analysis**  
**For the second quarter ended April 30, 2019**  
**Prepared as of April 30, 2019.**

**BACKGROUND**

*This discussion and analysis of financial position and results of operations is prepared as at April 30, 2019 and should be read in conjunction with the audited financial statements for the year ended October 31, 2018, of CannaOne Technologies Inc. (“CannaOne” or the “Company”). The audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*The Company’s trading symbol on the Canadian Securities Exchange is “CNNA”. The content of this MD&A has been approved by the board of directors of the Company (the “Board” or “Board of Directors”), on the recommendation of its Audit Committee.*

**CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION**

This quarterly report, including the documents incorporated herein and therein by reference, contains forward-looking statements with respect to business plans, activities, prospects, opportunities and events anticipated or being pursued by the Company and the Company’s future results. Although the Company believes the assumptions underlying such statements to be reasonable, any of the assumptions may prove to be incorrect. The anticipated results or events upon which current expectations are based may differ materially from actual results or events. Therefore, undue reliance should not be placed on such forward-looking information. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions in North America and internationally, (2) the uncertainty as to product development and commercialization milestones, (3) the uncertainty as to regulatory conditions and developments in the cannabis industry, (4) the risk that the Company does not execute its business plan, (5) inability to retain key employees, (6) inability to finance operations and growth, and (7) other factors beyond the Company’s control.

Forward-looking statements speak only as of the date of this MD&A and actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based may not occur. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. The forward-looking statements contained herein are expressly qualified by this cautionary statement

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

### **Corporate Overview**

The Company was incorporated on October 19, 2016 under the Business Corporations Act (British Columbia) to engage in the business of developing and marketing a software technology platform for use by the cannabis industry in Canada. The head office of the Company is located at Suite 413 – 375 Water Street, Vancouver, British Columbia V6S 5C6. The registered and records office of the Company is located at Suite 409 – 221 W. Esplanade, North Vancouver, British Columbia V7M 3J3. The Company has no subsidiaries.

### **Business Overview**

The Company's flagship product, known as BloomKit, which is undergoing testing and ongoing development, is a comprehensive web-based software-as-a-service ("SaaS") for the cannabis vendors and producers designed as an integrated business management, marketing, and sales tools. BloomKit incorporates themed online storefronts, automated customer acquisition tools, and production, inventory, shipping, logistics, payment, marketing, and website management features, among others. As the Company commercializes BloomKit, its associated data engine will collect, store and sort all the data created by BloomKit users, and through intelligent machine learning will provide BloomKit users with detailed industry business intelligence and, ultimately, predictive analytics.

### ***Period from October 19, 2016 to October 31, 2018***

In October 2016, CannaOne entered into term sheets to retain certain officers, directors and key employees. The term sheets are a provisional understanding regarding compensation for the applicable individuals during the first 36 months of the Company's development. Each term sheet provides for the accrual of annual compensation at a fixed, minimum rate for the period from October 27, 2016 to October 27, 2019. Each term sheet also provides that accrued salary will be recorded (and not paid) until such time as the Company is in a financial position to pay, that compensation shall be reviewed and adjusted annually, if, deemed appropriate, and that each employee will be eligible to receive an annual bonus, or to participate in the Company's stock option plan when such plan is implemented. Compensation accruing pursuant to the term sheets is as follows:

- Carlos Plashchinski (Social Media Specialist)—\$18,000 per annum,
- Dominic Stann (Director of Marketing)—\$30,000 per annum,

- James Petry (Marketing Analyst)—\$6,000 per annum;
- Scott Williamson (Lead Developer)—\$6,000 per annum;
- Erynn Tomlison (Independent Director)—\$12,000 per annum, and
- Solomon Riby-Williams (President, CEO & Director)—\$30,000 per annum.

Subsequently, with effect from August 31, 2018, CannaOne entered into a memorandum of agreement with certain of its officers, directors, employees and consultants (including Domenic Stann (Chief Operating Officer) Carlos Plaschinski (Social Media Specialist), Erynn Tomlinson (Director), and Scott Williamson (Chief Technology Officer and Lead Developer) pursuant to which those parties agreed to defer payment of accruing compensation payable by the Company until April 30, 2020. The agreement further provides that re-payment of accrued salaries may be made, at CannaOne's discretion, in cash, by the issuance of common shares of CannaOne, or by any combination of cash or shares. Payment made in common shares will be calculated based on a 20% discount to the then prevailing market price at that time and, if the common shares are publicly traded at the time of conversion, based on a 5 day VWAP from the 5 trading days prior to conversion, but not less than \$0.05 per share pursuant to the requirements of the Exchange.

The Company expects to re-evaluate compensation and to enter into formal compensation arrangements with its officers, directors and key employees following the commercial launch of BloomKit.

***Period from November 1, 2018 to April 30, 2019***

In February 2019, CannaOne amended the term sheets to retain certain officers, directors and key employees. The term sheets were amended to accrue the compensation as follows:

- Carlos Plashchinski (Social Media Specialist)—\$90,000 per annum,
- Dominic Stann (Director of Marketing)—\$130,000 per annum,
- James Petry (Marketing Analyst)—\$6,000 per annum;
- Scott Williamson (Lead Developer)—\$120,000 per annum;
- Erynn Tomlison (Independent Director)—\$12,000 per annum, and
- Solomon Riby-Williams (President, CEO & Director)—\$140,000 per annum

Subsequent to October 31, 2018, the Company issued, pursuant to its initial public offering, 1,250,000 shares of common stock for gross proceeds of \$500,000 less issuance costs of \$73,611. In addition, the Company issued its agent for the offering 100,000 warrants, exercised during the period at \$0.40 for cash proceeds of \$40,000.

Subsequent to October 31, 2018, the Company issued private placements of 496,428 common shares for cash proceeds of \$312,015.

CannaOne achieved the following BloomKit development milestones during the first 6 months ended April 30, 2019:

1. Effective January 8, 2018, the Company's common shares became listed on the Frankfurt Stock Exchange under the trading symbol 3CT.

2. On February 13, 2019 CannaOne launched www.itsprimo.com ("itsprimo.com"), owned by Primo Networks. This new offering presented by Primo Networks, is a unique branding and online marketplace experience powered exclusively by CannaOne's BloomKit product. Core features of itsprimo.com, include a dispensary directory, brand pages, visual product attributes and multi-varied cannabis centric reviews. It is expected that the ecommerce component of the itsprimo.com site will be fully operational prior to the end of February 2019.
3. On March 5, 2019 CannaOne entered into a formal agreement with Manna Health Services SA de CV of Mexico City ("Manna"), to undertake the development, launch and operation of an industry leading online CBD product purchase and delivery marketplace for the Country of Mexico.
4. On March 24, 2019 CannaOne entered into a formal agreement with Real Health Science ("Real Health"), to create, facilitate and operate an online CBD marketplace for all 50 states within the United States of America.

Effective February 20, 2019, Jackson & Company Chartered Accountants was asked to resign as auditor of the Company to facilitate the appointment of Dale Matheson Carr-Hilton LaBonte LLP Chartered Professional Accountants of Suite 1500 – 1140 West Pender Street, Vancouver, B.C. V6E 4G1.

## **Overall Performance and Outlook**

### **Outlook**

As at April 30, 2019, the Company had cumulative revenues of \$107,932. Revenues consisted of initial set-up fees covering the wire framing layout and user interface development to integrate customers into BloomKit and two months of subscription revenues.

During the first six months ending April 30, 2019, \$93,646 was generated. The Company's immediate objective is to raise adequate capital and to strengthen its operational capabilities by adding technical staff and infrastructure, and allocating a marketing budget in order to expand and refine BloomKit functionality and continue to develop online marketplaces.

While the Company seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control. There can be no assurance that additional capital or other types of financing will be available to the Company if needed or that, if available, the terms of such financing will be on terms favourable to the Company.

### *Going Concern*

The Company's operations to date have been financed by issuing common shares and special warrants. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate funds therefrom and raise additional financing in order to meet current and future obligations. The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on equity financing. As at April 30, 2019, the Company has accumulated losses of \$1,252,523 since inception. There is no assurance that the Company will be successful in generating and maintaining profitable operations, or able to secure future debt or equity financing for its working capital and development activities. If the Company is unable to obtain sufficient funding in this fashion, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of the going concern assumption will be in significant doubt. These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. We will be seeking additional funding by raising an additional capital from the public. We also expect to receive revenue for enterprise clients in the coming months. We have been in discussions with multiple parties along with our sponsored broker, Leede Jones Gable and look forward to raising additional fund in the next two to three months.

## SUMMARY OF ANNUAL INFORMATION

The following table sets forth selected financial information of the Company for last fiscal years, and for the period from February 1, 2019 to April 30, 2019). This financial information is derived from the audited financial statements of the Company and Interim reports:

### Statement of Net Loss, Comprehensive Loss and Deficit

	<b>Three Months Ended April 30</b>		
	<b>2019 (unaudited)</b>	<b>2018 (unaudited)</b>	<b>October 31, 2018 (audited)</b>
Revenue	93,646	4,762	\$14,286
Expenses	\$510,196	\$153,312	\$437,479
Net Loss from Operations and Comprehensive Loss	\$510,196	\$153,312	\$437,479
Net loss	\$416,550	\$148,550	\$445,527
Net Loss per Share	\$0.021	\$0.008	\$0.024

### Selected Balance Sheet Data

	<b>As At April 30, 2019 (Unaudited)</b>	<b>As At October 31, 2018 (Audited)</b>
Current Assets	\$378,508	\$84,451
Total Assets	\$814,955	\$538,631
Liability	\$295,961	\$250,386
Share Capital	\$1,771,517	\$840,828
Deficit	\$1,252,523	\$704,869

The large increase in loss from continuing operations and net loss during the second quarter ended April 30, 2019 as compared to the second quarter ended April 30, 2018, was mainly attributable to an increase in marketing related cost of \$261,583, as well as an increase in management fee expense of \$99,000.

The increase in total assets was due primarily from cash generated from issuance of capital stock for \$778,404, net of cost. Whereas the increase in liability is due to the increased management fee accrual in the second quarter 2019.

## SUMMARY OF QUARTERLY RESULTS

The following is selected financial information from the Company's 2<sup>nd</sup> fiscal quarter ended April 30, 2018 and April 30, 2019.

	<b>2nd Qtr. Ended April 30, 2019</b>	<b>2nd Qtr. Ended April, 2018</b>
Total Revenues	\$93,646	4,762
Loss from Operations and Comprehensive Loss	\$416,550	\$148,550
Total Net Income (Loss) Per Share	(\$0.021)	(\$0.008)

### *Second Quarter Results*

During the three months ended April 30, 2019, the Company recorded loss from operations and comprehensive loss of \$416,550 (April 30, 2018—\$148,550) and a net loss per share of \$0.021. The

increase in loss during the most recent fourth quarter resulted from an overall increase in marketing costs and management fees in the current period.

## LIQUIDITY AND CAPITAL RESOURCES

CannaOne has financed its operations to date through the issuance of common shares and special warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt. The Company maintained cash at April 30, 2019 in the amount of \$298,588, in order to meet short-term business requirements. As at April 30, 2019, the Company had current liabilities for the amount \$16,801. CannaOne's continuation as a going concern is dependent upon the successful development and commercialization of its software product, and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would require disclosure.

## MANAGEMENT AND RELATED PARTY TRANSACTIONS

The Company's Board of Directors consists of Solomon Riby-Williams, Erynn Tomlinson, and Rob Goehring.

Included in the Loss from Operations and Comprehensive Loss for the Quarters ended April 30, 2019 and 2018, are the following amounts, which arose due to transactions with related parties:

	April 30, 2019	April 30, 2018
	\$	\$
Management fees from directors and key management	124,500	25,500
	<b>124,500</b>	<b>25,500</b>

The Company had the following outstanding amounts as at April 30, 2019 and October 31, 2018 due to related parties:

	April 30, 2019	October 31, 2018
	\$	\$
Due to directors for management fees	73,026	40,526
Due to key management personnel for management fees	206,000	104,500
Principal	<b>279,026</b>	145,026
Debt discount reserve	(35,000)	(39,000)
Accretion interest expense	6,833	4,000
Total	<b>250,859</b>	110,026
Carrying value – short term	-	-
Carrying value – long term	<b>250,859</b>	110,026

Amounts due to directors and key management personnel are unsecured without interest and due on demand.

The Company also has a loan from a related party with a carrying value of \$28,301 as at April 30, 2019

As at April 30, 2019, CannaOne owed \$279,026 (October 31, 2018 - \$145,026) to key management and directors, the amounts owing are unsecured without interest and due on demand.



## **SHARE DATA**

Authorized share capital consists of unlimited number of common shares without par value.

As at the date of this MD&A, the Company had 20,008,596 (October 2018: 18,162,168) common shares issued and outstanding.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with International Financial Reporting Standards and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## **INDUSTRY CONDITIONS AND RISKS**

The Company has identified certain risks and uncertainties that may have a material adverse effect on its business, results of operations, or financial condition. In any such case, the market price of its common shares could decline, and investors may lose all or part of their investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Company.

The following list of risk factors is not exhaustive. Investors should carefully consider these and other risks, one or all of which may be material, before purchasing securities of the Company. The Company will, on occasion, make forward looking statements about its expectations, its business and industry, and operations. These forward-looking statements are made at a point in time, based on certain assumptions. They are subject to change without notice as a result of the risks described herein and other risks. Investors or potential investors in the Company should not rely on forward-looking statements or the Company's historical operating performance as a prediction of actual results, and the Company undertakes no obligation to update forward looking information. In addition, the Company operates in a rapidly changing business, economic and regulated environment, and new potentially material risk factors emerge from time to time.

### *Operations Dependent on Revenues and Financing*

The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or

that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the shares purchased would be diminished.

#### *Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies 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 continued fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

#### *Dividend Record and Policy*

The Company has not paid any dividends since incorporation and does not anticipate declaring any dividends on the Common Shares in the foreseeable future. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time.

### **Risk Factors Associated with CannaOne's Business**

#### *Limited Operating History*

CannaOne has limited operating history. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets such as the market for software related to cannabis retail industry. There is no certainty that the Company will operate profitably.

#### *Limited Profits to Date*

CannaOne has made limited profits since its incorporation and it is expected that it will not be profitable for next foreseeable future. Its future profitability will, in particular, depend upon its success in developing and commercializing its BloomKit software as a service platform, and the extent to which BloomKit is able to generate significant revenues. Because of the limited operating history, and the uncertainties regarding the development of the retail cannabis market, management does not believe that the operating results to date should be regarded as indicators for CannaOne's future performance.

#### *Additional Requirements for Capital*

Substantial additional financing may be required for the Company successfully develop its software business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

### *Negative Operating Cash Flow*

The Company has not generated operating revenue and has incurred negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- (a) increasing the Company's vulnerability to general adverse economic and industry conditions;
- (b) limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- (c) limiting the Company's flexibility in planning for, or reacting to, changes in its business and industry.

### *Expenses May Not Align With Revenues*

Unexpected events may materially harm the Company's ability to align incurred expenses with recognized revenues. The Company incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, the Company's business, financial condition, or results of operations could be materially and adversely affected.

### *Market Acceptance*

If CannaOne's BloomKit software service does not gain market acceptance, its operating results may be negatively affected. The Company intends to complete development of, and market and sell, BloomKit. If the markets for BloomKit fails to develop, develop more slowly than expected, or become subject to increased competition, the Company's business may suffer. As a result, the Company may be unable to successfully market BloomKit or to develop new products and services. If CannaOne's BloomKit platform is not accepted by its customers or by other businesses in the marketplace, CannaOne's business, operating results and financial condition will be materially affected.

### *Vulnerability to Negative Publicity or Consumer Perception*

The licensing of software such as BloomKit to manage marijuana related businesses and transactions is part of a new and rapidly evolving industry that is subject to a high degree of consumer and media scrutiny stemming, in part, from regulatory uncertainty, and from public uncertainty and speculation regarding the ethical, social, and health related impacts of newly sanctioned and developing commerce in marijuana. In this climate of uncertainty and public scrutiny, CannaOne (and other participants in the marijuana industry) are notably vulnerable to negative consumer sentiment, and negative media coverage or publicity. The occurrence of such negative sentiment, coverage, or publicity may adversely impact CannaOne's business in a number of ways, such as discouraging use of its products & services, impairing goodwill attributed to its brand, impeding its ability to raise additional financing, or compromising its ability to attract and retain qualified employees, among others.

### *Management Experience and Dependence on Key Personnel and Employees*

The Company's success is currently largely dependent on the performance of its directors and officers. Certain members of the Company's management team have experience in the software development and information technology industries, while others have experience in areas including financial management, corporate finance and sales and marketing. The experience of these individuals is a factor which will contribute to the Company's continued success and growth. The Company will initially be relying on its board members, as well as on independent consultants, for certain aspects of its business. The amount of time and expertise expended on the Company's affairs by each of the Company's management team and the Company's directors will vary according to the Company's needs. The Company does not intend to acquire any key man insurance policies and there is therefore a risk that the death or departure of any member of management, the Company's board, or any key employee or consultant, could have a material adverse effect on the Company's performance, including the continuity or quality of its business. Investors who are not prepared to rely on the Company's management team should not invest in the Company's securities.

### *Limited Intellectual Property Protection.*

CannaOne intends to rely in part on technological barriers, and on the protections afforded by copyright and common law trademark rights to reduce potential duplication or imitation of its products and services by future competitors. As its business and products develop, CannaOne may seek additional protection of its intellectual property assets through the registration of trademarks or, if warranted by unanticipated product innovations, the prosecution of patents. However, even if CannaOne is successful in obtaining such protections, which is not guaranteed, those protections alone will be insufficient to prevent copying or passing off by third parties of similar products and services. CannaOne may be unable to devote sufficient legal resources to the enforcement of any intellectual property rights it may hold from time to time, and may therefore lose market share to competitors who may produce similar or identical products at a lower cost. If CannaOne is unable to protect its intellectual property, its vulnerability to third party imitators will increase significantly, which would make its business uncompetitive.

### *Risks Associated with VMoney.*

On March 20, 2017 CannaOne entered into a licensing agreement with VMoney, Inc. to license VMoney's proprietary software platform, which facilitates financial transactions between merchants and customers. The license will allow CannaOne to provide transaction processing services within BloomKit. Once the VMoney financial transaction platform is incorporated by CannaOne into BloomKit, the unmitigated loss or disruption of the VMoney service may cause CannaOne to incur significant replacement costs, loss of revenue or customers, or reputational damage.

Although VMoney's software is currently used by a range of retailers and institutions located in Asia, Australia and North America, in the event VMoney does not perform under the license agreement, it may be difficult for CannaOne to obtain legal remedies against VMoney because the license agreement is governed by, and subject to, the laws and jurisdiction of the Republic of the Philippines. Although the Republic of the Philippines possesses a developed legal system and codified civil laws, the enforcement of contractual rights in the Philippines is, by reputation, procedurally onerous, requiring an average of 2.3 years to obtain and enforce civil judgments. Accordingly, CannaOne may be unable to enforce its contractual rights in relation to the VMoney agreement, in a timely, meaningful, or economical way.

### *Regulatory Risks*

Changes in or more aggressive enforcement of laws and regulations related to the businesses of prospective customers of the Company could adversely impact its business. Regulatory uncertainty in the recreational and medical marijuana industries could have a material adverse effect on the operations or operational requirements of prospective customers of the Company, which may in turn constrain the market for the Company's products, or require un-anticipated investment by the Company to ensure compliance of its products with regulatory regimes. Accordingly, changes in government, regulations and regulatory policies or practices could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The legal status and regulation of marijuana varies substantially from country to country, state to state, and province to province, and is still undefined and changing in many of them. While some jurisdictions have explicitly allowed its use and trade, others have banned or restricted it. Likewise, various government agencies, departments, and courts have imposed varying operational requirements and restrictions on marijuana commerce, all of which are subject to change.

### *Risk of Security Weaknesses in the BloomKit or VMoney Network Core Infrastructure Software*

The BloomKit and VMoney network software consists of open source software that is itself based on open source software. There is a risk that the developers of BloomKit or VMoney, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructural elements of the network software interfering with the use of or causing the loss of customer information, transaction information, or other data.

### *General Cyber Security Risk,*

CannaOne's dependence on information technology systems to deliver the BloomKit service, and to otherwise administer its business, places it at significant risk for cyber security breaches, either directly or through its third party service providers (such as VMoney, internet service providers, or data storage providers). Hackers or other groups or organizations may attempt to interfere with the BloomKit network software or its availability any number of ways, including but not limited to denial of service attacks (flooding the bandwidth or resources of a web server, triggering a system crash), spoofing (masquerading as another by falsifying data for the purposes of theft or disruption), malware attacks (the introduction of software intended to damage or disable computers and computer systems), or consensus-based attacks (the injection of random false data into the communication links so as to degrade the network performance). While CannaOne intends to employ customary measures to maintain the security of its networks (including, without limitation, the use access controls, firewalls, intrusion detection products, regular security audits, and security updates), there is no guarantee that it will not suffer incidence of cyber security interference. Incidence of such interference may result in a number of adverse impacts to CannaOne's business including but not limited to:

- the misuse, theft, corruption or loss of confidential customer or employee information, or other data;
- lost revenues due to a disruption of activities;
- incurring unanticipated remediation costs;
- litigation, fines and liability for failure to comply with privacy and information security laws;
- reputational harm affecting customer and investor confidence; and
- diminished competitive advantage and negative impacts on future opportunities.

### *Competition*

The market for software solutions for the marijuana retail industry may become highly competitive on both a national and international level. The Company believes that the primary competitive factors in this market are: •(i) product features, (ii) functionality and ease of use; (iii) ongoing product enhancements; (iv) price; (v) quality service and support; and (vi) reputation and stability of the vendor. Additionally, the marijuana retail industry is at a very early stage, and the ultimate demand for industry related software solutions is uncertain. Accordingly, there are no assurances that that the Company will successfully compete with new and existing competitors, which may have greater financial, technical, and marketing resources than does the Company. The Company's competitors may also have a larger installed base of users, longer operating histories or greater name recognition than will the Company. There can be no assurance that the Company will successfully differentiate its BloomKit platform from the products of its competitors, or that the marketplace will consider the Company's platform to be superior to competing products.

### *Dependence on Third Party Relationships.*

The Company is highly dependent on a number of third party relationships to develop its products and implement its business plan, and it cannot be assured that all such relationships will be successful, advantageous or optimal. In addition, there is no guarantee that relevant third parties will fulfill their contractual obligations or, in the event of contractual breach, that the Company may legally compel performance of such agreements, or identify or secure alternative assistance.

### *Absence of Non-Compete and Confidentiality Agreements with Directors, Officers, Employees, and Consultants*

The directors, executive officers, and consultants of the Company have not entered into non-competition or non-disclosure agreements with the Company, and they are not expected to be a party to any such agreement upon completion of the Offering. Accordingly, the Company may have limited recourse (such as the inability to seek injunctive relief) to prevent its directors, officers, employees or consultants from entering into competition with the Company, or from misappropriating or otherwise utilizing information related to the Company's business or technology in a manner detrimental to the Company.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

At the date of authorization of this MD&A, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's financial statements.

### **IFRS 9 Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier

versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- Classification and measurement of financial liabilities:

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:

Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company is currently evaluating the impact of the final standard and amendments on its financial statements.

## **IFRS 16 Leases**

IFRS 16, Leases ("IFRS 16") In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective

for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently assessing the impact of IFRS 16.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and US GAAP. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 is not expected to have a significant impact on the financial statements of the Company as the Company has minimal revenues as of the date of these financial statements.

### **CRITICAL ACCOUNTING ESTIMATES**

The financial statements of the Company for the quarter ended April 30, 2019, were prepared in accordance with IFRS applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, the financial statements do not include any adjustments for the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. However, there is significant doubt as to the appropriateness of the going concern presumption. There is no assurance that the Company’s funding initiatives will continue to be successful.

The critical sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

#### *Fair Value of Financial Instruments*

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

#### *Share-Based Payment Transactions*

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are determined at the time of the granting of such share-based compensation.



## **INVESTOR RELATIONS**

On January 21, 2019, the Company entered into a consulting agreement with Oak Hill Financial for the provision of investor relation services. The consultant will initiate and maintain contact with the financial community, shareholders, investors and other stakeholders for the purpose of increasing awareness of CannaOne and its activities. The agreement is for a three months with an option for renewal. The engagement was not renewed on May 21, 2019 subsequent to the quarter ending.

## **ADDITIONAL INFORMATION**

Additional information relating to CannaOne Technologies Inc. is located at [www.sedar.com](http://www.sedar.com).