AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the year ended March 31, 2021
(In Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of Australis Capital Inc. (the "Company" or "ACI") for year ended March 31, 2021, and is prepared as of August 25, 2021. The MD&A should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended March 31, 2021.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the years ended March 31, 2021, and 2020. This MD&A has been prepared by reference to the MD&A disclosure requirements as established under National Instrument 51-102, *Continuous Disclosure Obligations* ("NI 51-102"), of the Canadian Securities Administrators.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except as indicated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. Generally, forward-looking statements can be identified by the use of words such as "plans," "expects", "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates", or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will be taken," "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. This MD&A should be read in conjunction with the risk factors set out below and as set out under "Risk Factors" in the Company's final prospectus dated August 14, 2018. The Company provides 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 forward-looking statements.

Certain forward-looking statements in this MD&A include, without limitation, information regarding:

- The future financial and operating performance of the Company;
- Statements related to operational and investment objectives;
- Adequacy of financial resources;
- Expectations of market size and growth for the Company's current and proposed products, as well as the Company's ability to capture market share;
- Expectations of the business and regulatory environment in which the Company operates, and for the cannabis industry in general; and,
- Management's belief regarding the anticipated impact of COVID-19 on financial and operating results.

BUSINESS OVERVIEW

The Company was incorporated under the *Business Corporations Act* (Alberta). The head office and principal address of the Company is 376 East Warm Springs Road, Suite 190, Las Vegas, Nevada, USA 89119. The Company's registered and records office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7. The common shares of the Company trade on the Canadian Securities Exchange (the "CSE") under the symbol "AUSA" and on the OTCQB® Venture Market in the United States under the symbol "AUSAF."

ACI operates in the cannabis space, with a current focus on branding and technology. The Company is committed to becoming a leading US cannabis company with a strategic plan expected to deliver sustainable and growing value to shareholders.

On November 17, 2020, the Company held its annual and special meeting of the shareholders resulting in the election of a new board and the subsequent resignation of the current management of the Company effective December 18, 2020. The newly elected directors of the Company appointed Dr. Duke Fu as Interim Chief Executive Officer. On December 30, 2020, the Company announced the appointment of Jon Paul as its new Chief Financial Officer effective January 1, 2021. On May 17, 2021, the Company hired Leah S. Bailey as its Chief Business Development Officer.

On March 8, 2021, the Company acquired 51% of the issued and outstanding shares of 2750176 Ontario Inc. ("ALPS"), with an option to purchase the remaining 49%. ALPS, formerly Aurora Larssen Projects, is a global leader in facility design, construction management and (post) commissioning services to the horticultural sector across a wide variety of commercial crops. As a condition of the transaction, Terry Booth, a principal of ALPS, became CEO of the Company, taking over from Dr. Duke Fu, who was serving as Interim CEO since November 17, 2020. At the time of closing, Dr. Fu assumed the role of COO of the Company.

On March 23, 2021, the Company purchased 100% of the issued and outstanding membership interests in Green Therapeutics, LLC ("GT"), a licensed cultivator and producer of high-end medicinal and recreational marijuana in the state of Nevada. Prior to completing the acquisition, the parties agreed to settle a previously announced legal dispute regarding the original May 2020 transaction whereby the Company had acquired certain non-operational GT assets.

As of the date of the MD&A, the Company has the following subsidiaries:

Entity	Location	Percentage Ownership
Australis Capital (Nevada) Inc. ("ACN")	Nevada (USA)	100%
Australis Holdings LLP ("AHL")	Washington (USA)	100%
Rthm Technologies Inc. ("Rthm")	Ontario (Canada)	100%
Australis Perennial LLC	Nevada (USA)	100%
Australis Prosper LLC	Nevada (USA)	100%
Australis Terrain LLC	Nevada (USA)	100%
Cocoon Technology LLC ("Cocoon Technology")	Nevada (USA)	100%
Australis CA LLC	Nevada (USA)	100%
GT Acquisition LLC ("GTA")	Nevada (USA)	100%
GTintellectualprop LLC ("GTIP")	Nevada (USA)	100%
2750176 Ontario Inc. ("ALPS")	Ontario (Canada)	51%
ALPS Empco Inc.	Ontario (Canada)	51%
Larssen Ltd.	Ontario (Canada)	51%
ALPS (Ontario) Inc.	Ontario (Canada)	51%
ALPS B.V.	Netherlands	51%
Larssen GC Ltd.	Ontario (Canada)	51%
APIS Inc.	Ontario (Canada)	51%

VISION AND OBJECTIVES

Vision: To become a global player in the cannabis space, with focus on operations in North America and Europe

Objectives:

- Transition into an operating MSO: expand footprint into States with most attractive economics through acquisitions and licensing
- Expand consumer use of cannabis through geographic expansion and innovation of products and user experiences
- Execute on accretive financial strategies, with a focus on strong ROI, profitability, and cash flow
- Support efforts to create social equity in cannabis and reinvest in disenfranchised communities
- Optimize competitiveness for federally legal cannabis with intrastate shipping through asset efficient, brand focused investments
- Advocate for global legalization of cannabis and medical research into benefits of this powerful plant
- Enter the CBD derived from hemp market
- Delight our consumers through quality and innovation; utilize our operational excellence and efficiency

A Unique Strategy

Led by industry pioneer Terry Booth and a highly accomplished management team with proven industry track records, AUSA is building an MSO based on a unique and very difficult to imitate strategy. Secure access to low-cost but high-quality cannabis enables the Company to fuel expansion of its footprint across the US. Award winning brands and cultivars create strong resonance with the end consumer, thereby driving growth in each market and as the Company expands its footprint.

De-risked, low-cost operations

Through its majority ownership of ALPS, the Company is engaged with numerous cultivators in the cannabis space globally. ALPS, the world's premier cultivation facility design and services agency with a 30+ year track record, is known to deliver facilities that yield high-quality produce at exceptionally low operating costs.

With certain customers, AUSA is looking to secure supply arrangements whereby a certain percentage of the canopy space will be dedicated to growing AUSA's cultivars. AUSA, in turn, will buy the flower at a cost + arrangement.

To date, AUSA has such an arrangement with Belle Fleur, a brand powerhouse related to the California brand Rapper Weed. Under the agreement, AUSA will get 10% of Belle Fleur's canopy, with the flower bought back at cost plus 5%. This puts AUSA in a very strong competitive position as it does not have to carry the significant capital costs related to building a facility, it accelerates its market entry as licenses have already been granted to its partner, and the

Company will have significantly lower costs of goods sold (COGS) as compared to other companies relying on third party/white label products.

With very limited availability of high-end flower at competitive costs on the wholesale market in many states, as well as significant price volatility related to this scarcity, AUSA's model greatly de-risks operations, strengthens its competitive position, reduces operating cost and ensures the Company remains agile and nimble to pro-actively position itself ahead of anticipated changes in market dynamics and regulatory environment.

Award-winning brands

Having access to low-cost high-quality flower is the start. AUSA, in order to accomplish its mission of becoming a dominant MSO, has acquired Green Therapeutics (GT) and LOOS. GT is an award-winning brand, founded in Nevada by AUSA's current COO Dr. Duke Fu. The GT team brings exceptional experience in GMP production from the pharmaceutical industry, which has enabled the Company to deploy a science-based approach to product development. Products, marketed under the Provision and Tsunami brands have won multiple awards, including the Jack Herer Cup, High Times Cannabis Cup, and Las Vegas Cannabis Awards. GT's products can be found in over half of Nevada's dispensaries, with all products selling out rapidly.

LOOS is a California brand presently focused on the beverage segment. The first three products are THC infused shots (2 oz shot with 100mg of THC). LOOS was founded by savvy marketeers who were involved previously with market leading brands such as 710 Labs and PLUS Products. LOOS products have attracted significant attention and will be launched shortly in California with pre-sales already lined up through a number of dispensaries. AUSA intends to rapidly expand the LOOS product line, including CBD infused shots and drinks.

AUSA also owns the iconic West Coast brand Mr. Natural. Founded by Vietnam War veteran Bob (Mr. Natural) Luciano, Mr. Natural is one of the most respected legacy cannabis brands in existence, having been created to help veterans suffering from PTS.

Expanding Footprint

AUSA is rapidly executing on its expansion strategy. The Company is now operationalizing in Oklahoma and Missouri. In Missouri, the Company owns a 25% stake, upon final license transfer, of a manufacturing license. The operation has successfully passed its final inspection and has been granted the green light to operate. Products are anticipated to be on shelves in Missouri dispensaries shortly. In Oklahoma, the Company is operationalizing another manufacturing license, which will be market ready later in calendar 2021.

Through its majority owned subsidiary ALPS, the Company is active in numerous jurisdictions. In the cannabis sector, ALPS is active on cannabis projects in Massachusetts, Arizona, Australia, as well as other jurisdictions.

The Company is focused on expanding across the U.S. and internationally. Within the U.S., it is in advanced discussions on ALPS style supply arrangements and other partnerships and potential transactions in numerous jurisdictions, including Connecticut, California, New York, New Jersey, Pennsylvania, and others.

Jurisdiction	Cannabis (operational and/or supply arrangement)	Cannabis indirect (Investment in affiliated party or ALPS facility/APIS contract)	Non-Cannabis (ALPS facility contract)
Nevada	X	-	
California	X	-	X
Missouri	X	-	
Oklahoma	X	-	
Arkansas		X	
Maine			X
Arizona		X	
Massachusetts	X	X	
Europe			X
Australia		X	
Middle East			X
Asia			X

ALPS – A Global Player in the ESG Food Sector

ALPS has been around for over three decades and has over 100 million square feet of projects under its belt. One of the biggest brands in facility design and facility services, ALPS has a strong track record in both the food and cannabis industries. ALPS is specialized in developing high-yielding, low-cost, high-quality facilities that follow environmental objectives. Having established industry leading facilities from the Arctic to the Desert, the company is active globally and rapidly expanding. Reduction of carbon footprint is a strong driver in the food industry presently. This momentum is especially strong in regions where climate prohibits outdoor cultivation of crops, resulting in the reliance on imports, resulting in a high carbon footprint related to logistics. Furthermore, ALPS' IP is focused on the reduction of other scarce and/or expensive inputs, such as water, energy, and labor.

ALPS has been highly successful in its endeavors and currently is active across the globe on large-scale cannabis projects along with non-cannabis horticultural projects in the U.S., Canada, Denmark Finland, Iceland, Germany, Netherlands, Bahrein, United Arab Emirates, Southeast Asia, Australia, as well as other jurisdictions.

ALPS also has developed a recurring revenue services model, APIS, which helps cultivators achieve food safety and GMP compliance. APIS also provides a very significant ROI through its Computer Managed Maintenance Solutions (CMMS), the leading industrial greenhouse management solution in the industry.

Belle Fleur

The Company has a partnership with the founders of California brand Rapper Weed. In Massachusetts, the Rapper Weed team, operating as Belle Fleur, have secured a Tier 11 license, which allows for the largest possible canopy in the state (up to 100,000 sq ft). Belle Fleur have engaged the services of ALPS to design and project manage the construction of their facility. Belle Fleur and AUSA have also signed a supply arrangement whereby Belle Fleur will dedicate 10% of its canopy for the cultivation of AUSA's proprietary cultivars, selling the flower products back to AUSA under a cost + 5% arrangement. The companies are also exploring opportunities to extend their collaboration into products, manufacturing, branding, and marketing. The Rapper Weed brand is inclusive and resonates strongly with the culture and lifestyle. Strongly linked to the music industry, its management team is affiliated with high profile artists, such as Machine Gun Kelly and many others. One of the founders, Irving Whitlow, himself is a Grammy award winning music industry executive.

KEY DEVELOPMENTS DURING THE FOURTH FISCAL QUARTER 2021

Green Therapeutics Acquisition

Green Therapeutics, LLC ("GT") is a licensed cultivator and producer of high-end medicinal and recreational marijuana in the state of Nevada. On January 4, 2021, the Company entered a non-binding term sheet with GT and the holders of the issued and outstanding membership interests of GT. Prior to completing the Revised GT Transaction, the parties agreed to settle a previously announced legal dispute regarding the original May 2019 asset acquisition transaction. On March 23, 2021, the Company purchased 100% of the issued and outstanding membership interests in GT. The transaction will be completed in two parts, the first being the acquisition of unregulated assets included the GT brands and certain ancillary agreements including brand licensing and management agreements. Subsequently, subject to regulatory approval, the Company will complete the acquisition of GT. As part of the Revised GT Transaction, the Company retained a management services contract with GT until such time as regulatory approval is received for the transfer of the GT license.

ALPS Acquisition

ALPS, formerly Aurora Larssen Projects, is a global leader in facility design, construction management and (post) commissioning services to the horticultural sector across a wide variety of commercial crops. On January 5, 2021, the Company and ALPS announced that they, along with the holders of the outstanding shares of ALPS, entered into a non-binding term sheet setting forth the terms on which the Company was to acquire 51% of the issued and outstanding shares of ALPS, with an option to purchase the remaining 49%. On February 24, 2021, the Company announced it has reached a definitive agreement with ALPS and their shareholders and closed the ALPS transaction on March 8, 2021.

3 Rivers Biotech

On March 3, 2021, the Company announced that it entered into a binding terms sheet concerning a joint venture ("JV") partnership with 3 Rivers Biotech Inc. ("3 Rivers"), a leading agricultural technology company specializing in commercial scale micropropagation, or plant tissue culture (PTC), for cannabis, hemp and traditional crops. The Company and 3 Rivers will own 15% and 85% of the JV, respectively. The intent of the JV is to jointly market the 3 Rivers' offerings to growers. Through the JV, 3 Rivers will provide access to its IP and innovative services, products and solutions to the Company's sourced clients. These innovations include all current 3 Rivers offerings as well as access to future products such as PTC-based auto-flowering genetics, which provides a clonal hemp or cannabis plant that will flower independent of day length. The Company will contribute sales and marketing capabilities and, through its industry network, the ability to generate new opportunities.

Rapid Cash

On February 1, 2021, RapidCash ATM Ltd. ("Rapid Cash") served the Company with notice of termination of a vendor agreement due to material breach and representation. On February 12, 2021, the Company responded, disputing those claims and rejected the unilateral termination of the agreement. On May 25, 2021, the parties agreed to settlement terms.

After giving effect to the acquisitions of ALPS and Green Therapeutics, the following unaudited Company pro forma revenues as if the Company had acquired them as of the start of fiscal year 2021 would be:

	Quarter Ending				Year Ended
Revenues	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2021
	$	$	$	$	$
Company (audited)	459,171	90,378	104,800	62,802	717,151
ALPS (March 9- March 31)	370,752	-	-	-	370,752
Company without ALPS	88,419	90,378	104,800	62,802	346,399
ALPS	691,197	570,886	398,083	188,077	1,848,243
Green Therapeutics	856,866	1,083,144	905,960	255,289	3,101,259
Pro Forma Revenues	1,636,482	1,744,408	1,408,843	506,168	5,295,901

Additional information regarding the Company can be found on the Company's SEDAR profile or at www.ausa-corp.com.

Q1 Fiscal 2022 Outlook

The Company anticipates that the unaudited preliminary consolidated revenues for the 1st quarter ended June 30, 2021, of fiscal year 2022 will be $1.7 million, an increase of 277% over the previous quarter thanks to having ALPS for the entire quarter along with 90% growth in ALPS revenues over the prior quarter. Pro forma unaudited revenues, which include Green Therapeutics, are $2.3 million, 39% over pro forma revenues from the quarter ended March 31, 2021. Trailing twelve month ("TTM") pro forma revenues are estimated at $7.1 million as of Q1 FY 2022.

RECENT DEVELOPMENTS (SUBSEQUENT TO MARCH 31, 2021) - Highlights

On June 22, 2021, the Company announced that going forward it will operate under the name Audacious Brands ("Audacious"). The Company's ticker symbol will remain AUSA on the CSE and AUSAF on the OTC. The Company will consolidate its brands under the new Audacious banner, as well intends to launch additional products lines under the new name. A full and official brand launch is anticipated in the coming months.

On June 22, 2021, it was also announced that the operation in Missouri, which the Issuer is acquiring as part of the Green Therapeutics transaction, has received its license to operate. Once the license transfer is complete, the Issuer will own 25% of a processing and manufacturing license.

On June 23, 2021, the Company announced it has entered into a supply agreement and, through its majority owned subsidiary ALPS, a facility engineering and design services contract with Belle Fleur Holdings LLC. The agreement furthermore includes ongoing APIS Compliance and Maintenance services. Under the supply arrangement, (subject to local licensing requirements), Belle Fleur LLC will dedicate a certain percentage of its canopy space for the cultivation of the Issuer's proprietary cultivars under a cost +5% agreement. The Issuer and Belle Fleur LLC have agreed to jointly explore opportunities for brand collaboration and further expansion in the U.S.

On June 25, 2021, the Company entered into a loan agreement with Belle Fleur whereby the Company will loan up to USD $5,000,000 in interim financing to Belle Fleur towards the construction costs of the Belle Fleur cultivation facility in Blanford Massachusetts at a rate of 15% for a term of 4 years with the option to be prepaid once Belle Fleur lines up other loans for the total cost of the construction project. As of August 19, 2021 Belle Fleur had drawn USD $472,498 on this loan.

On July 14, 2021, the Company entered into a binding term sheet to acquire all of the issued and outstanding shares of Gary Maverick Inc. operating under the brand name LOOS ("LOOS Co."), a cannabinoid infused shot beverage company based in Santa Cruz, California. Pursuant to the term sheet the Company will pay total consideration of USD $3,000,000 comprising USD $650,000 payable in 3,163,314 shares on closing, USD $350,000 in cash on closing to be towards working capital, and USD $2,000,000 in contingent payments payable in the Company's shares, subject to certain performance milestones being met by LOOS Co. through June 2023.

Other Subsequent Events

On April 15, 2021, the Company and Astound Group ("Astound") reached agreement on the true-up payment dispute whereby 3,166,198 common shares of the Company were issued to Astound.

On April 19, 2021, The Company announced, through its majority owned subsidiary ALPS, that it has entered into an agreement with Copperstate Farms Management, LLC, Arizona's largest cannabis wholesaler.

On April 29, 2021, The Company announced its majority owned subsidiary ALPS has signed a contract with Sigg in Finland, a nursery supplying 8 million plants per year to tomato and cucumber growers, for the provision of its APIS maintenance offering. Based on a computerized maintenance management system (CMMS), Sigg will utilize the new services module, which is proven to deliver significant operational costs savings.

On April 29, 2021, The Company announced Green Therapeutics had entered into a management agreement with a Nevada based cultivator and producer of premium cannabis products, whereby GT will operate the partner's cultivation facility, with products sold under the GT and Mr. Natural brands, with GT receiving a royalty on products sold. GT is pleased to report it has now taken over operation of the facility and has commenced first harvest with products anticipated for sale shortly. In addition, The Company and Green Therapeutics are consulting on the engineering and expansion of its partner's indoor facility, further increasing capacity and expanding GT product availability.

On April 29, 2021, the Company announced that it has established a Diversity & Inclusion Advisory Board, headed by Melissa Rolston, CEO of JADA, a highly regarded cannabis industry pioneer, to advise senior management on implementing measures to ensure that diversity and inclusion are at the core foundation of the company as it continues to grow.

On April 29, 2021, the Company settled a severance dispute with a former Chief Operating Officer ("COO") whereby 1,450,000 common shares of the Company were issued to the former COO.

On April 30, 2021, the Meridian Property was sold, and the Company received total proceeds of approximately USD $1.8 million.

From April 30, 2021, to July 20, 2021, the Company sold 836,564 shares of Body and Mind ("BaM") stock on the open market at an average net price of $0.443 per share. The remaining 18,106,549 shares held for sale have a fair value of $10,863,929 based on the closing price of $0.60 per BaM share as of August 25, 2021, a 11.8% decline since March 31, 2021.

On May 18, 2021, the Company reached agreement with its Chief Executive Officer to payoff $747,115 in funds advanced to ALPS by the CEO in exchange for 2,716,782 common shares of the Company.

On May 25, 2021, amended August 19, 2021, the Company and Rapid Cash reached a mutually agreeable solution to settle their dispute whereby Rapid Cash paid the Company $791,700 for 2,262,000 BaM shares held by Rapid Cash and the Company returned 25 kiosks to Rapid Cash. As a result of the settlement, the Company recorded a $1,892,622 loss on settlement and impaired the Rapid Cash deposit by that amount in the year ended March 31, 2021.

On May 26, 2021, the Company announced its majority owned subsidiary ALPS has completed an agreement with the University of Alberta to provide a business case and feasibility study to establish a state-of-the-art R&D greenhouse to be used by the Faculty of Agricultural, Life Environmental Sciences.

On April 29 and May 26, 2021, the Company announced ALPS had entered into agreements with two vegetable growers (in Finland and the Middle East) for the implementation of an APIS Maintenance system with ongoing services.

As of June 7, 2021, GT completed the acquisition of and secured the last remaining water rights for a 23-acre plot of land in Sandy Valley, Clark County, Nevada, which is intended to become a hub for multiple operators covering the industry value chain from cultivation to extraction and manufacturing (subject to land use and regulatory approvals). In addition, the Issuer has acquired the last remaining water rights in this area, providing a substantial advantage in securing partners for development of this envisaged project. The land was acquired on June 3, 2021, for $1,100,000 USD, paid with 4,516,207 shares. The water rights were secured on June 7, 2021, for $390,000 USD, paid with 1,662,141 shares.

On August 19, 2021, the Company and Toro Pacific Management Inc. ("TPMI") reached an agreement whereby the Company will sell to TPMI and its assignees 9,900,000 restricted BaM shares for $2,970,000 by September 30, 2021. The Company agreed it would not sell any additional BaM shares until after that date and give TPMI the right of first refusal of any subsequent sales for two years until September 30, 2023. After this sale, the Company holds 8,206,549 BaM shares, less restrictive since the Company will own less than 10% of BaM. The Company intends to sell these shares in an orderly fashion to redeploy funds into its own operations and acquisition/licensing/growth opportunities.

UPDATE ON COVID-19 PANDEMIC

The Company continues to monitor guidance issued by state and federal authorities in response to the novel coronavirus, "COVID-19" pandemic. The Company implemented "social distancing" measures in the first fiscal quarter, as recommended by these authorities and the Centers for Disease Control, by restricting non-essential travel by employees and permitting staff to work remotely, who can do so. These measures are evolving as new guidelines are issued by appropriate authorities.

In connection with Nevada State Directives, beginning March 20, 2020, dispensaries in the state of Nevada were limited to delivery only services, with curbside pick-up available beginning May 1, 2020, and reopening later in May, subject to the dispensaries submitting and receiving approval from the state of a plan to address social distancing guidelines for in-store sales. The Company has modified its operations, most significantly through its Cocoon Platform, and deployed the first Cocoon Technology kiosks in Q2 FY 2021.

As of the date of issuance of this MD&A, there have been no changes to capital investment plans or corporate objectives of the Company, as a result of the pandemic.

GOING CONCERN

These consolidated financial statements have been prepared on the assumption that the Company will be able to continue operating as a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Company has a history of losses and negative cash flows from operating activities. As at March 31, 2021, the Company had positive working capital of $16,420,002 (March 31, 2020 - $19,840,126), which includes $12,803,638 of marketable securities which have declined in value subsequent to year end, and an accumulated deficit of $52,937,270 (March 31, 2020 - $27,676,380). These circumstances represent a material uncertainty that cast substantial doubt on the Company's ability to continue as a going concern and ultimately the appropriateness of the use of going concern assumption.

Subsequent to March 31, 2021, the Company initiated a capital raise in progress to support the growth and investment in its recent acquisitions of GT and ALPS. The Company also announced a term sheet to acquire the LOOS beverage companies (see Note 29). The Company is pursuing several other accretive acquisition opportunities. The Company is growing through additional contract awards at ALPS, the launch of the ALPS APIS service line, and growth that can come once the GT license transfer is approved by regulators. In addition, the Company is shifting focus away from fintech operations with negative cash flows as well as reducing certain non-productive corporate expenses.

The ability of the Company to continue operating as a going concern depends on its ability to raise sufficient additional funds to finance acquisition activities and/or its ability to achieve profitable operations. These financial statements do not reflect adjustments (if any) to the recorded amounts and classification of assets and liabilities, which could be necessary if the use of the going concern assumption is ultimately determined to be inappropriate. Such adjustments, if any, could be material. While there is no certainty management's plans described above will be successful or that sufficient financing will be available on terms acceptable to the Company, based on the circumstances described above, the financial statements are prepared on the assumption that the Company is a going concern.

NON-GAAP MEASURES

Adjusted EBITDA and Adjusted EBITDA per share

The Company has additionally determined the adjusted EBITDA and adjusted EBITDA per share. The Company believes these measures to be more representative of ongoing operations without non-recurring one-time charges; however, these performance measures have no standardized meaning. As such, there are likely to be differences in the method of computation when compared to similar measures presented by other issuers. Management believes that, in addition to conventional measures prepared in accordance with GAAP, some investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

	Three months ended March 31,		Year ended March 31,	
	2021	2020	2021	2020
Adjusted EBITDA				
Loss from operations	(3,686,155)	(3,509,201)	(14,035,426)	(14,397,786)
Share-based payments	998,651	1,128,322	1,390,158	5,339,280
Depreciation and amortization	99,531	167,933	595,886	601,245
One-off legal and investor relations costs due to proxy battle	734,200	-	3,176,315	-
Accrued severance costs pertaining to changes in management	-	-	2,291,578	-
Adjusted EBITDA	(1,853,773)	(2,212,946)	(6,581,489)	(8,457,261)
Adjusted EBITDA per Share	(0.01)	(0.01)	(0.04)	(0.05)

SUMMARY FINANCIAL INFORMATION

The following selected financial information has been derived from, and is qualified in its entirety by, the financial statements of the Company for the year ended March 31, 2021, and the notes thereto:

Income Statement	For the year ended March 31, 2021	For the year ended March 31, 2020
	$	$
Revenue	717,151	221,482
Gross profit (loss)	(202,891)	221,482
Operating expenses	13,832,535	14,619,268
Loss from operations	(14,035,426)	(14,397,786)
Net loss attributable to shareholders	(25,260,890)	(23,342,148)
Net loss attributable to shareholders per share	(0.14)	(0.14)
Adjusted EBITDA	(6,581,489)	(8,457,261)
Adjusted EBITDA per share	(0.04)	(0.05)

Balance Sheet	March 31, 2021	March 31, 2020
	$	$
Current assets	23,842,400	23,715,598
Total assets	82,454,979	63,700,339
Total liabilities	15,759,926	5,934,315
Shareholder's equity	66,695,053	57,766,024

OVERALL PERFORMANCE

The net loss increased to $25,260K due to $13,062K in impairments, change in investment values and other non-operating costs from the legacy business. Without these one-off costs, the net loss would have been $12,198K, well below the $23,342K net loss from the prior year.

Current assets are consistent with prior year. A decrease in cash was offset by a reclassification of marketable securities that are held for sale. Cash decreased by $12,801K during the year, primarily from the $9,466K cash burn from operations without any additional cash raised during the year, along with $1,408K spent on construction in progress on the North Las Vegas land. Cash as of March 31, 2021, was $3,531K. Liabilities increased due to the contingent consideration and deferred tax obligations from the ALPS acquisition as well as accruals for severance costs pertaining to the changeover in prior management after the dissident battle.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected quarterly financial information from the financial statements:

	Quarter Ending							
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
	$	$	$	$	$	$	$	$
Revenue	459,171	90,378	104,800	62,802	52,348	49,779	52,926	66,429
Cost of goods sold	(435,508)	(256,426)	(220,920)	(7,188)	-	-	-	-
Gross profit (loss)	23,663	(166,048)	(116,120)	55,614	52,348	49,779	52,926	66,429
Operating expenses								
Wage and benefits	801,390	3,451,617	708,731	936,770	1,410,237	1,238,825	1,064,580	1,103,855
Share-based payments	998,651	(1,263,126)	732,982	921,651	1,128,322	957,129	1,387,773	1,866,056
Selling general and administrative	1,810,246	2,557,961	1,032,553	547,223	855,057	807,733	1,748,905	449,551
Depreciation and amortization	99,531	152,341	171,250	172,764	167,933	167,040	164,303	101,969
	3,709,818	4,898,793	2,645,516	2,578,408	3,561,549	3,170,727	4,365,561	3,521,431
Loss from operations	(3,686,155)	(5,064,841)	(2,761,636)	(2,522,794)	(3,509,201)	(3,120,948)	(4,312,635)	(3,455,002)
Gain (loss) on investments	3,235,433	(1,223,902)	(303,662)	(747,605)	(4,772,240)	(1,938,345)	(1,334,735)	(447,780)
Gain (loss) on impairments, settlements	3,676,862	(12,935,065)	(2,641,312)	-	(1,266,385)	-	-	-
Recognition of deferred gain	-	-	-	-	-	266,200	61,533	1,954,408
Other income (expense)	(213,611)	(198,280)	(108,571)	(42,326)	(1,009,661)	(1,036,305)	(77,690)	656,638
	6,698,684	(14,357,247)	(3,053,545)	(789,931)	(7,048,286)	(2,708,450)	(1,350,892)	2,163,266
Net income (loss) before tax	3,012,529	(19,422,088)	(5,815,181)	(3,312,725)	(10,557,487)	(5,829,398)	(5,663,527)	(1,291,736)

DISCUSSION OF QUARTERLY RESULTS

Revenue

Total revenues for the three months ended March 31, 2021, and 2020 were $459K and $52K, respectively. These amounts include revenues from ALPS (acquired in March 2021), operations of Cocoon Technology (which launched in September 2020) and consulting revenues from the Company's contract with BaM. Revenues for the quarter ended March 31, 2021, consisted mostly of revenues from ALPS, even though only owned the last 3.5 weeks in the quarter.

Cost of Sales

Cost of sales for the three months ended March 31, 2021, was $436K (nil, three months ended March 31, 2020), and is comprised largely of labor costs from ALPS, the ongoing development and maintenance of the Cocoon Platform, and costs of inventory, specifically the self-service kiosks. As operations commenced in fiscal 2021, no costs of sales were recorded in the prior fiscal year.

Wages and Benefits

Wages and benefits for the three months ended March 31, 2021, and 2020 were $801K and $1,410K, respectively. The decrease is due to lower personnel levels and wages from changes in senior management after the dissident battle.

Share-based Payments

Share-based payments for the three months ended March 31, 2021, and 2020 were $999K and $1,128K, respectively. The drop from the prior year is from forfeitures of options and Restricted Share Units of the prior management and board members who left after the dissident battle.

Selling General and Administrative

SG&A expenses for the three months ended March 31, 2021, and 2020 were $1,810K and $855K, respectively. The increase from prior year is due primarily to higher legal, professional fees and board of director fees.

Operating Loss

The operating loss was $3,686K for the three months ended March 31, 2021, compared to $3,509K for the three months ended March 31, 2020. Higher SG&A costs more than offset lower personnel related expenses.

Other Expenses

Total other income/(expenses) for the three months ended March 31, 2021, and 2020 were $6,699K and $(7,048K), respectively. The current year total includes a $3,616K increase in value of the BaM holdings, a $501K decrease in value of the Quality Green investment, $1,492K in adjustments in the value of land holdings (mostly Nevada) and $1,657K in gain from remeasurements/renegotiations of settlements. The prior year total includes several losses and impairment charges including $1,281K reduction to value of the Quality Green investment, $1,194K impairment on Folium, $1,266K impairment on Mr. Natural and $1,389K loss on exchange of shares for the Wagner Dimas machine.

DISCUSSION OF ANNUAL RESULTS

Revenue

Total revenues for the years ended March 31, 2021, and 2020 were $717K and $221K, respectively. These amounts include revenues from ALPS (acquired in March 2021), operations of Cocoon Technology (which launched in September 2020) and consulting revenues from the Company's contract with BaM. ALPS made up over half of the fiscal year 2021 revenues, even though only owned for the last three weeks of the fiscal year.

Cost of Sales

Cost of sales for the year ended March 31, 2021, were $920K (nil, year ended March 31, 2020), and is comprised largely of labor costs from ALPS, the ongoing development and maintenance of the Cocoon Platform, and costs of inventory, specifically the self-service kiosks. As operations commenced in fiscal 2021, no costs of sales were recorded in the prior fiscal year.

Wages and Benefits

Wages and benefits for the years ended March 31, 2021, and 2020 were $5,899K and $4,817K, respectively. Personnel costs were higher in the current year due to increases in personnel and raises prior to the changes in management from the dissident battle before changes in personnel in the 4th quarter, along with ALPS personnel costs in March, 2021.

Share-based Payments

Share-based payments for the years ended March 31, 2021, and 2020 were $1,390K and $5,339K, respectively. The change from prior year is due to lower personnel levels and forfeitures of options and Restricted Share Units due to the departure of prior management and board members.

Selling General and Administrative

Selling general and administrative expenses for the years ended March 31, 2021, and 2020 were $5,947K and $3,861K, respectively. The increase from prior year is due primarily to higher legal and professional fees related to the changeover in the board and management and higher board of director fees.

Operating Loss

The operating loss was $14,035K for the year ended March 31, 2021, compared to $14,398K for the year ended March 31, 2020. The Company had lower share-based payments due to revised equity incentive plans for the new management and board along with forfeitures of equity incentives by the prior management and board. These savings were offset partially by higher personnel costs prior to the management changes in late 2021 and extra legal and investor relations costs incurred with the changes in board and management personnel.

Other Expenses

Total other expense was $11,502K for the year ended March 31, 2021, compared to $8,944K for the year ended March 31, 2020. The current year total includes a $7,685K impairment of various intangibles, $2,368K losses on settlements and $758K in write-downs on the value of real estate held for sale. The Company believes these adjustments are sufficient and does not anticipate any further impairment in the next year for these items. The prior year expenses included $5,977K in reductions in values of investments, primarily the stock in BaM, which increased in valued during the year ended March 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred operating losses over the past fiscal years and currently has limited sources of operating cash flow. To date, the Company has financed its operations and met its capital requirements through equity financings. The Company believes that it has sufficient cash and resources to fund its business objectives for the next twelve months. The Company is not exposed to any externally imposed capital requirements.

Working capital as of March 31, 2021, was $16,420K as compared to $19,840K as at March 31, 2020 resulting in a decrease to working capital of $3,420K. The decrease was primarily attributable to a decrease in cash of $12,801K with no capital raised during FY 2021 aside from stock option exercises.

Operating Activities

During the twelve months ended March 31, 2021, and 2020, cash used in operating activities was $9,466K and $8,323K, respectively. The increase is due to additional operating expenses in conjunction with the changes in the board and management.

Investing Activities

During the twelve months ended March 31, 2021, and 2020, cash flows used in investing activities were $2,915K and $2,102K, respectively. Cash used in the current year included $1,951K for the purchase of ALPS and $1,478K for the purchase of property, plant, and equipment, partially offset by $638K of proceeds from selling a portion of the common shares held in BaM. Cash used in the prior year included $6,397K to increase the investment in BaM, partially offset by proceeds from repayment of the Company's loan to BaM of $5,340K.

Financing Activities

During the twelve months ended March 31, 2021, cash flows used in financing activities were $305K compared to cash flows provided by financing activities of $2,272K for the twelve months ended March 31, 2020. The change was due primarily to $2,502K raised through the exercise of warrants in FY 2020.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following transactions with related parties during the three and twelve months ended March 31, 2021, and 2020:

	For the year ended	
	March 31, 2021	March 31, 2020
	$	$
Wages and benefits	994,377	2,155,049
Directors' fees	503,415	2,002,058
Share-based compensation	86,670	2,304,597

Wages and benefits include payments to the Company's key management personnel that have the authority and responsibility for planning, directing, and controlling the activities of the Company and consist of the Company's management team. The Company's directors' fees include one-time compensation paid to the Special Committee member in August 2020, compensation paid to the Executive Chairman of the Board and share-based compensation for the directors. Settlements were in Q2 of FY 2021 regarding unwinding the proposed acquisition of Passport Technology and the resignation of the former CEO and board member of ACI connected with Passport.

Related party balances

The following related party amounts were included in related party advances payable, provisions and in receivables as of March 31, 2021, and March 31, 2020:

	March 31, 2021	March 31, 2020
	$	$
Due to officer and shareholder	1,792,809	617,275
Other receivables	115,100	76,460
Due from officers	-	28,374
Provisions	-	855,423

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include the fair value measurements for financial instruments and assumptions used in the Company's period end impairment assessments. The most significant judgments applied to the Company's consolidated financial statements as a whole include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. These measures have caused material disruption to businesses in United States, Canada and globally resulting in an economic slowdown. The duration and impact of COVID-19 continues to be unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the company in future periods. To date, the Company has not experienced material changes in its business as a result of COVID-19, however, there is no certainty this will continue going forward. Accordingly, there is inherently more uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the interim consolidated financial statements. It is not possible to forecast with certainty the extent to which the economic impact of COVID-19 will affect the Company's operations and financial results in the near term and long-term.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, annuity receivable, marketable securities, accounts payable and accrued liabilities, contingent consideration payable, and advances payable. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at March 31, 2021 due to the relatively short-term maturity. The carrying value of the Company's annuity receivable – SubTerra approximates its fair value. The Company's investments in marketable securities of Quality Green is in a private company where relevant observable inputs are not available and is classified as Level 3. The Company's investment in marketable securities of BaM has a quoted market price in the public market and is classified as Level 1. The Company's provision payable is calculated based on the agreement with Astound and is classified as Level 3. The fair value of contingent consideration payable is classified as Level 3 and is based upon management's best estimate of the probability and timing of achieving the milestones to which the obligation is tied to.

There have been no transfers between fair value levels during the period.

The following table summarizes the Company's financial instruments as at March 31, 2021:

	Amortized Cost	Fair Value through profit or loss	Total
	$	$	$
Cash	3,531,357	-	3,531,357
Accounts receivable	1,696,656	-	1,696,656
Annuity receivable - SubTerra	739,068	-	739,068
Marketable securities - BaM	-	12,803,638	12,803,638
Derivative financial instrument - NCI call option	-	7,320,630	7,320,630
Accounts payable and accrued liabilities (excluding related parties)	4,869,979	-	4,869,979
Contingent consideration payable	-	3,698,980	3,698,980
Advances payable - related parties	1,045,695	-	1,045,695

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring, and approving the Company's risk management processes:

Financial instruments risk

(i) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its receivables. The risk exposure is limited to the carrying amounts of the Company's receivables at the statement of financial position date. Credit risk arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

As at March 31, 2021, the Company has the following contractual obligations:

	Total	<1 year	1 -3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	4,869,979	4,869,979	-	-
Provisions	1,029,014	1,029,014	-	-
Contingent consideration payable	3,622,990	-	3,622,990	-
Advances payable - related parties	1,045,695	1,045,695	-	-
Lease liability	1,146,086	459,895	686,191	-

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market related factors, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

a) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At March 31, 2021, the Company held cash and other financial instruments denominated in Canadian and U.S. dollars. The Company's main risk is therefore associated with fluctuations in the U.S. dollar. Assets and liabilities are translated based on the Company's foreign currency translation policy. The Company has determined that a 10% increase or decrease in the U.S. dollar against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately $252,240 to net and comprehensive loss for the year ended March 31, 2021.

At March 31, 2021, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b) Price risk

Price risk is the risk of unfavorable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in Canada and U.S. cannabis and from derivatives linked with such. The Company manages this risk by routinely monitoring and assessing the performance and outlook of its investments; however, this still exposes the Company to a moderate amount of price risk. The Company has determined that a 10% increase or decrease in the fair value of these financial assets would result in an increase or decrease of approximately $1,280,000 to net and comprehensive loss for the year ended March 31, 2021.

(iv) Concentration risk

Concentration risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency.

The Company's operations and investments in predominately U.S. cannabis expose the Company to a certain amount of concentration risk.

ISSUER'S INVOLVEMENT IN THE U.S. CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-532 (the "Staff Notice"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company currently has ancillary involvement (as defined in the Staff Notice), is currently indirectly involved, or expects to be indirectly or directly involved in the upcoming year, through its operations and investments in the cannabis industry. The Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

The Company holds investments in entities, specifically our investment in BaM, that cultivate and/or distribute marijuana in the states of Nevada, Ohio, Arkansas and California. In addition, the Company owns certain cannabis operating assets in the state of Nevada, including licenses, permits, brand names, and production equipment, for use in cultivating and producing marijuana, but has not itself commenced cultivation or distribution operations. The Company has ancillary involvement in the U.S. Cannabis industry through its subsidiary Cocoon Technology, which provides a cloud-based, self-service fulfillment platform to cannabis dispensaries. The Cannabis industry has been legalized in certain states such as the above-listed four, but remains illegal under U.S. federal law, and enforcement of federal law remains a significant risk to operators in the industry. The Company, through its investments and ownership of certain cannabis assets, is exposed to risk of significant decline in investment and asset value as a result. The Company's current carrying value of its investment in BaM is $12,803,638 (inclusive of amounts held for sale).

U.S. Federal Overview

In the U.S., thirty-eight states have legalized medicinal marijuana and nineteen have legalized recreational, or adult-use, marijuana. At the federal level however, marijuana remains classified as a Schedule I controlled substance under the U.S. Controlled Substances Act (the "CSA"). As a Schedule I drug, the Federal Drug Enforcement Agency considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the U.S.; and a lack of accepted safety for use of the drug under medical supervision.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act (Canada), cannabis is largely regulated at the state level in the United States. State laws regulating cannabis conflict with the CSA, which makes marijuana use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal. Strict compliance with state and local laws with respect to cannabis may neither absolve operators of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against them.

Numerous bills have been introduced in Congress in recent years to decriminalize aspects of state-legal marijuana trades, to provide protections for marijuana-related businesses in states with medical and adult-use marijuana laws, and to provide protections for financial institutions that offer banking services to State-legal marijuana businesses. For example, the MORE Act removes marijuana from the list of scheduled substances under the Controlled Substances Act and eliminates criminal penalties for an individual who manufactures, distributes, or possesses marijuana[1]. The CARERS Act removes restrictions on, and creates new protections for, conduct and activities related to medical marijuana that are authorized by state law[2]. The REFER Act limits restrictions on and penalties for certain cannabis-related activities that are authorized by state or local law[3]. While there are different perspectives on the most effective route to end federal marijuana prohibition, the Company anticipates that the federal government will eventually repeal the federal prohibition on cannabis, leaving the states to decide regulations on cannabis cultivation, production and sale. For the time being, cannabis remains a Schedule I controlled substance, and illegal at the federal level.

In the absence of a uniform federal policy, numerous United States Attorneys with state-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. Unless and until the U.S. Congress amends the CSA with respect to cannabis, there is a risk that federal authorities may enforce current federal law.

Compliance

With respect to the Company's ancillary involvement in the U.S. Cannabis industry, the Company is not aware of non-compliance of its customers, with applicable license requirements and regulatory framework enacted by the applicable U.S. State.

State Law Overview

Nevada

Nevada's medicinal use cannabis program launched in June 2013 with the passing of Senate Bill 374, authorizing and regulating the registration of medical marijuana dispensaries in the state. In November 2016, adult-use cannabis was legalized when Nevada voters passed the Regulation and Taxation of Marijuana Act (Ballot Question 2), legalizing the purchase, possession and consumption of recreational marijuana for adults 21 years of age and older, subject to limits established by law. The Nevada market is divided into five license classes: dispensaries, cultivators, distribution, product manufacturing, and testing. The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments until July 1, 2017, when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation. In June 2020, Nevada legislature passed Nevada Assembly Bill 533, which authorized the formation of the Cannabis Compliance Board (the "CCB") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada. The CCB formed in July 2021.

[1] https://www.congress.gov/bill/116th-congress/senate-bill/2227
[2] https://www.congress.gov/bill/116th-congress/house-bill/127?s=1&r=8
[3] https://www.congress.gov/bill/116th-congress/house-bill/1455?q=%7B%22search%22%3A%5B%22x%22%5D%7D

California

California was the first state to legalize medical marijuana when voters passed the Proposition 215 ballot initiative in 1996, allowing patients with a valid doctor's recommendation to possess and cultivate cannabis for personal medical use. In October 2015, the Medical Cannabis Regulation and Safety Act ("MCRSA") was signed into law, providing a regulatory framework around the medical cannabis industry. In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act ("AUMA"), which legalized adult-use cannabis in the state. The Medicinal and Recreational Cannabis Regulation and Safety Act, an integration of MCRSA and AUMA passed in June 2017, creates the general framework for the regulation of commercial medicinal and adult-use cannabis in California. Three state agencies are responsible for licensing and regulating each aspect of the industry: the Bureau of Cannabis Control regulates retailers, distributors, testing labs, microbusinesses, and temporary cannabis events; the Manufactured Cannabis Safety Branch, a division of the California Department of Public Health, regulates manufacturers of commercial cannabis for both medical and nonmedical use; and CalCannabis Cultivation Licensing, a division of the California Department of Food and Agriculture, regulates cultivators of medicinal and adult-use cannabis.

Missouri

On November 6, 2019, Missouri voters approved Amendment 2, legalizing the use of medical marijuana for qualified patients with a physician's certification. The law went into effect in December 2018. In December 2019, the Department of Health and Senior Services awarded 62 cultivation licenses (with each license capped at 30,000 square feet of canopy). In January 2020, DHSS awarded 84 manufacturing licenses as well as 192 dispensary licenses. The state has no current plans to award any additional licenses. As of Q1 of 2020, there were nearly 100k medical marijuana patients registered in Missouri. It is anticipated that Missouri voters will approve an adult-use cannabis program in December 2022.

Oklahoma

Oklahoma has had a legal medical marijuana program since voters approved State Question 788 in 2018. At nearly 370k registered medical marijuana patients as of January 2021, Oklahoma has the largest number of registered patients per capita in the U.S. However, with no restrictions on the number of available licenses, it also has the largest number of overall medical cannabis licensees (over 10,000 registered medical cannabis businesses). Applications for medical marijuana licenses in Oklahoma can be submitted at any time (there are no set application periods).

New York

In July 2014, Governor Andrew Cuomo signed legislation permitting the use of cannabis for medical purposes. There are only 10 vertically integrated medical marijuana businesses in the state of New York, with each licensee allowed to open up to 4 dispensary locations. There were more than 140,000 registered medical marijuana patients in the state in January 2021. At the end of March 2021, the New York legislature passed a bill legalizing adult-use marijuana in the state, which Governor Andrew Cuomo signed into law. Applications for 10 different types of adult use licenses are expected to become available before the end of 2021, adult use sales are not expected to begin until Q2 of 2022.

New Jersey

New Jersey became the 14th state to allow medical marijuana when the New Jersey Compassionate Use of Medical Marijuana Act (N.J.S>A 24:61-1 et seq) was passed by the state legislature on January 11, 2010 and was signed into law by Governor Jon Corzine on January 18, 2010. Since that time, the New Jersey Department of Health has issued vertically integrated licenses to 12 Alternative Treatment Centers. Each ATC is entitled to cultivation, manufacturing, and 3 dispensary locations. In 2019, the Department of Health opened applications for 24 additional medical marijuana licenses (4 vertical and 20 stand alone licenses) but these licenses have yet to be awarded. As of Q1 2021, there were approximately 104,229 registered medical marijuana patients in the state. In November 2020, New Jersey overwhelmingly approved a ballot initiative allowing for adult use, sales of which are expected to begin by the end of this year. A round of applications for adult use licenses is also expected by year's end with a focus on social equity applicant ownership.

Arizona

Proposition 203 legalized medical cannabis in the State of Arizona in 2010. As of Q1 of 2021, there were 299,054 registered medical marijuana patients in Arizona. Adult-use sales began in Arizona in January 2021, with the state reporting $3M in sales in the first 10 days. A lottery to issue 13 vertically integrated licenses in eight underserved counties drew 377 applications. These licenses were issued in April. The state plans to issue another 26 vertically-integrated adult-use licenses to applicants that are majority owned by social equity applicants before the end of 2021.

Ohio

House Bill 523, effective in September 2016, legalized the use of medical marijuana in Ohio for people with certain medical conditions and who receive a recommendation from an Ohio-licensed physician certified by the State Medical Board. The Ohio Department of Commerce is responsible for overseeing cultivation, processing, and testing. The State of Ohio Board of Pharmacy is responsible for overseeing retail dispensaries. The State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana. The first dispensaries opened in January 2020.

Arkansas

Arkansas voters approved the Arkansas Medical Marijuana Amendment ("AMMA") in November 2016, allowing seriously ill patients to obtain and consume medical marijuana with a doctor's approval and establishing licenses for state cultivation facilities and dispensaries. The state's medical marijuana program is regulated by the Arkansas Department of Health ("ADH"), which issues medical marijuana cards for patients and caregivers. The Alcoholic Beverage Control Division ("ABCD") regulates dispensaries and issues regulations for dispensing and cultivation activities. The Arkansas Medical Marijuana Commission regulates licensing of dispensaries and cultivation facilities and supports the ABCD in implementing regulations.

Ability to Access Capital and Restricted Access to Banking

Although the Company is currently, only indirectly involved in the cannabis industry, the Company is still impacted by certain restrictions placed on capital access and banking in the cannabis industry. Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States cannabis companies. Specifically, as financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with Financial Crimes Enforcement Network ("FinCEN") guidance and do so at their own risk.

On September 26, 2020, the U.S. House of Representatives passed the Secure and Fair Enforcement Banking Act of 2020 (commonly known as the "SAFE Banking Act"), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act is currently being reviewed by the U.S. Senate Banking Committee.

The Company has established banking relationships for deposits and making payments to its vendors and employees, however, as the FinCEN guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice or other federal regulators, many banks in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, and the Company's existing relationships may be rescinded as a result. The limitation in the Company's ability to open or maintain bank accounts may make it difficult for the Company to operate and conduct its business efficiently.

With respect to access to capital, the Company has relied on both private and public capital markets to support the development and growth of its business in the past. The Company does not plan to rely upon traditional bank financing in the near-term, and instead expects to rely on both private and public capital markets as needed, as well as funds from future revenues, to support growth and expansion of Company operations going forward.

RISK FACTORS

The following list of risks and uncertainties relate to the business of ACI. The list is not exhaustive and additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also adversely affect the Company's business. These risks and uncertainties should be carefully considered in conjunction with all of the other information included in the Company's condensed, interim consolidated financial statements, this MD&A, and the Company's consolidated annual financial statements and related MD&A. Management takes those actions necessary to mitigate these risks to the extent possible.

Risks Related to the Company's Business

Nevada License Approvals

With respect to the cannabis segment of the Company's business, approvals of new license issuances and license transfers were halted, pending the assembly of the CCB and transfer of regulatory responsibilities for the State of Nevada's cannabis industry from the Department of Taxation to the CCB. The CCB was formed in July 2021. Transfer of the Company's previously acquired cultivation and production licenses from GT to the Company is pending application and approval from the CCB and involving in part, the production and cultivation assets and licenses. The Company cannot consolidate the results of Green Therapeutics cultivation and production operations until such time as the license transfer is complete.

U.S. Cannabis Related Assets

The Company is currently engaged indirectly in the medical and adult-use cannabis industry in the United States, through its investment in BaM, through its holding of certain cannabis related assets, and through the ancillary services provided by Cocoon Technology, where only state law permits such activities. As such, the Company has an indirect exposure to the impacts of enforcement of federal law on the cannabis industry. Investors are cautioned that in the United States, cannabis is largely regulated at the state level. Although legal in each state in which BaM operates, certain cannabis assets are held and ancillary services are provided, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions and criminal charges, including, but not limited to, cessation of business activities or divestiture. Despite current protections under the Rohrabacher-Farr Amendment through September 2021, which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws, there is no guarantee that the federal government will not seek to prosecute cases involving adult-use cannabis businesses, or medical use cannabis businesses following expiration of the current Amendment. The risks associated with operating in the U.S. cannabis industry, may have an indirect, material adverse effect on the Company's financial results through a decline in its investment and asset values, as well as on future revenues and results of operations, if strict enforcement of federal law occurs.

Future Acquisitions or Dispositions and Management of Growth

The Company's success will largely depend on its ability to grow its business in response to the demands of consumers and other providers within the cannabis industry. In some cases, the Company may determine to do so through the acquisition of complementary business rather than through internal development. Material acquisitions, dispositions and other strategic transactions anticipated in the growth and development of the Company's business, involve a number of risks including (i) risks surrounding the allocation and deployment of the Company's liquid assets and (ii) risks that the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected. Additionally, the Company may issue additional common shares which would dilute the current shareholders' holdings in the Company. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Integration of Acquired Businesses

The Company expects to grow by acquiring businesses. The integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses. The procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully complete such acquisitions, and even if the Company completes such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

Dependence on Key Personnel

The success of the Company depends on the expertise, abilities, judgment and good faith of its senior management team, as well as the Company's ability to attract and retain highly skilled and qualified personnel. Failure to attract and retain members of senior management, technical personnel, and sales and marketing personnel, could adversely affect the Company's business, results of operations and future growth.

Competition

The cannabis industry is relatively new to the United States and has experienced significant growth and regulatory change in its years of existence. As the industry expands and more states permit the use of medicinal or adult-use cannabis, the Company will likely face increasing competition from other companies, some of which can be expected to have longer operating histories and more financial resources than the Company. Increased competition may hinder the Company's success in launching its product and service offerings and expanding operations in the future.

Financial Liquidity

The Company currently has limited sources of operating cash flow and has incurred operating losses over the past fiscal years. To date, the Company has financed its operations and met its capital requirements through equity financings and believes that it has sufficient cash and resources to fund its business objectives for the next three quarters. The Company expects to rely on future revenue streams, as well as additional equity financing if and when needed, to support on-going operations and capital expenditures for growth going forward. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable to management and shareholders.

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

Operating Risks

The Company's growth strategy contemplates expansion of its current operations and distribution capabilities. There is a risk that the expansion of operations will not be achieved on time, on budget, or at all, as it can be adversely affected by a variety of factors, including some that are discussed elsewhere in these Risk Factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals.
- facility design errors.
- breakdown, aging or failure of equipment or processes.
- contractor or operator errors and delays.
- delays in securing necessary facilities and equipment.
- operational inefficiencies.
- labor disputes, disruptions or declines in productivity; inability to attract enough qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms or an outbreak of a public health crisis including epidemics, pandemics or outbreaks of new infectious diseases or viruses, as well as related events that can result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and services or goods.

Intellectual Property Risks

The Company's ability to compete in the future depends in part, on the superiority and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties in conjunction with its Cocoon Technology Platform. To the extent possible, the Company will rely on trademark, copyright and trade secret laws, and confidentiality agreements with its employees and third parties to protect the Company's intellectual property and technology. Any loss of intellectual property protection may have an adverse effect on the Company's business, results of operations or prospects.

The Company's Products

As a relatively new industry, there are not many established players in the 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 Common Shares to the point investors may lose their entire investment.

The Company expects to commit resources 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.

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend resources in order to successfully develop and generate revenues from new products. The Company may not be successful in developing new products, bringing such products to market or gaining market acceptance for its products, which together with expenditures made in relation to such product development, may have a material adverse effect on the Company's business, financial condition and results of operations.

Licensing Risks

The Company's ability to operate its business is dependent on the ability of the Company to retain its licenses. Licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company. There is also no assurance of new licenses or approvals from various states.

The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing, documentation and periodic reporting that may be required by governmental authorities. Any delays in obtaining, or failure to obtain or retain the necessary regulatory approvals will significantly delay the development of the Company's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

Product Risks

Companies 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. Product recalls may be self-imposed or imposed by regulators. 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 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 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 regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

With products designed to be ingested by humans, 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 manufacture and sale of the Company's products 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 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 our 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 enough 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.

Investment in Growth, Regulatory Compliance and Operations

The Company expects to incur significant ongoing costs and obligations related to its investment in growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of its shares may significantly decrease.

The Company is also working with its legal, accounting and financial advisors to identify areas in which changes should be made to the Company's financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure holders of Company's shares that these and other measures that the Company might take will be enough to satisfy the Company's obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that the Company might incur, the timing of such costs or the impact that management's attention to these matters will have on the Company's business.

Performance Not Indicative of Future Results

The Company has a limited operating history upon which investors may base an evaluation of potential, future performance. There can be no assurance that the historical investment and operational performance of the Company will be indicative of future performance.

Profitability

There is no assurance as to whether the Company will be profitable, earn significant revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and operation of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends.

Managing Growth and Operations

If the Company implements it business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, rigorous control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the equity.

Intellectual Property Rights

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company can do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;
- another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend upon, among other things, the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

Litigation Risk

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Dependence on Key Inputs, Suppliers and Skilled Labor

The cannabis business is dependent on several key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier were to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

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 labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

The Company is reliant on third-party suppliers to develop and manufacture its products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the operations of the Company. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the business and operational results of the Company.

Accuracy and Availability of Market Data

Since the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Industry Changes

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in different ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

Insurance Coverage

The Company's business is subject to risks and hazards, including adverse environmental conditions, accidents, labor 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. 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.

The Company believes that it and its subsidiaries currently have insurance coverage with respect to directors and officers, workers' compensation, general liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Information Technology Systems

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Officers and Directors Conflicts of Interest

Although certain officers and board members of the Company are expected to be bound by anticircumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. If such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Company Reputation

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition of the Company.

Adverse publicity reports or other media attention regarding the safety and quality of cannabis in general, or the Company's products specifically, or associating the consumption of 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. Although the Company believes that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business, thereby having a material adverse impact on the financial condition and results of operations of the Company.

Environmental Laws and Employee Health and Safety

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company incurs ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to obtain an environmental compliance approval under applicable regulations or otherwise comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Use of Funds by the Company

The Company cannot specify with certainty the uses of available funds. Management has broad discretion in the application of available funds. Accordingly, a shareholder of the Company will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all the available funds in ways that the Company's shareholders might not desire, that might not yield a favorable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the proceeds in a manner that does not produce income or that loses value.

Currency Fluctuations

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results.

Anti-Bribery Laws.

The Company is subject to the Corruption of Foreign Public Officials Act (Canada) ("CFPOA") and the United States Foreign Corrupt Practices Act ("FCPA"), which generally prohibit companies and company employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. The CFPOA and the FCPA also require companies to maintain accurate books and records and internal controls, including at foreign controlled subsidiaries. In addition, the Company may become subject to other anti-bribery laws of any nations in which it conducts business that apply similar prohibitions as the CFPOA and FCPA (e.g. the Organization for Economic Co-operation and Development Anti-Bribery Convention). The Company's employees or other agents may, without the Company's knowledge and despite the Company's efforts, engage in prohibited conduct under the Company's policies and procedures and the CFPOA, the FCPA or other anti-bribery laws to which the Company may be subject for which the Company may be held responsible. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on the Company's business, financial condition and results of operations.

General Economic and Political Risks

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, high rates of inflation or unemployment, consumer trends and spending and an outbreak of a public health crisis including epidemics, pandemics or outbreaks of new infectious diseases or viruses, as well as related events that can result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and services or goods. Changes in medicine and agricultural development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Risk of Public Health Crises

Public health crises, pandemics and epidemics, including the novel coronavirus (COVID-19), could adversely impact the Company and its customers. Accordingly, these events could have a material adverse effect on the Company's business, financial conditions and cash flows. The Company is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, customers and stakeholders.

Internal Controls and Procedures

Management of the Company has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the financial statements of the Company do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented thereby, and (ii) the financial statements of the Company fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented. However, as a venture issuer, the certifying officers of the Company filing such financial statements do not make any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis disclosure controls and procedures, and internal controls over financial reporting, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

OUTSTANDING SHARE DATA

As of August 25, 2021, the Company had the following securities issued and outstanding:

	Units Outstanding
Issued and outstanding shares	268,395,972
Options	32,123,446
Warrants	22,628,751
Restricted Stock Units	135,367
Total	323,283,536

ADDITIONAL INFORMATION

The Company's continuous disclosure documents and additional information are available on SEDAR at www.sedar.com.