LUFF ENTERPRISES LTD.
(formerly Ascent Industries Corp.)

Management's Discussion and Analysis
For the Year Ended December 31, 2020

(Stated in Canadian Dollars)

Dated April 21, 2021

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Preface

For purposes of discussion, "Luff", "Luff Brands", or "the Company" refer to Luff Enterprises Ltd. and all its subsidiaries.

The following Management's Discussion and Analysis and results of operations ("MD&A") focuses on significant factors that have affected the performance of the Company and that of its subsidiaries and such factors that may affect its future performance. This MD&A is provided as of April 21, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2020 and 2019. The results reported herein have been prepared with International Financial Reporting Standards ("IFRS"), as applicable for each reporting period specified in this MD&A, and as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, all currency amounts are in Canadian dollars.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Forward looking information

In the interest of providing the shareholders and potential investors of Luff Enterprises Ltd. with information about the Company, including management's assessment of the Company's future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may", "will", "should", "could", "anticipate", "expect", "project", "estimate", "forecast", "plan", "intend", "target", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Although these forward-looking statements are based on assumptions the Company considers to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company ("Management") in light of its experience and perception of historical trends, current conditions and expected future development and other factors that it believes are appropriate.

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) the regulatory climate in which the Company operates; (ii) the continued sales success of the Company's products; (iii) the continued success of sales and marketing activities; (iv) there will be no significant delays in the development and commercialization of the Company's products; (v) the Company will continue to maintain sufficient and effective production and research and development capabilities to compete on the attributes and cost of its products; (vi) there will be no significant reduction in the availability of qualified and cost-effective human resources; (vii) new products will continue to be added to the Company's portfolio; (ix) demand for hemp-based wellness products will continue to grow in the foreseeable future; (x) there will be no significant barriers to the acceptance of the Company's products in the market; (xi) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements; (xii) there will be adequate liquidity available to the Company to carry out its operations; and (xiii) the Company will be able to successfully manage and integrate acquisitions.

The Company's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, revenue fluctuations, nature of government regulations, economic conditions, loss of key customers, retention and availability of executive talent, competing products, common share price volatility, loss of proprietary information, product acceptance, internet and system infrastructure functionality, information technology security, cash available to fund operations, crop risk, availability of capital and, international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in this MD&A and the Company's other filings with securities regulators. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

Review and Approved by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the content of this MD&A on April 21, 2021.

Business Overview

Luff Enterprises Ltd. manufactures and distributes hemp based Cannabidiol ("CBD") wellness products in the United States through two brands on its innovative e-commerce platforms. The Company focuses on formulations leveraging unique cannabinoids, such as CBG and CBN; and boosts them with superfood ingredients. The Company believes the presence of these various compounds and unique cannabinoids work synergistically to heighten the effects of the products, making them superior to single-compound CBD products. Its products include tinctures, gummies, topicals, and capsules.

The Company's products are manufactured in the United States at its facility in Portland, Oregon. The Company adheres to stringent manufacturing guidelines to ensure each customer has an effective, flavorful and consistent experience with its brands.

The Company's hemp extracts are produced from hemp, which is defined in the 2018 Farm Bill as the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol ("THC") concentration of not more than 0.3 percent on a dry weight basis. The

Company does not produce or sell medicinal or recreational marijuana or products derived from high-THC Cannabis/marijuana plants. Hemp products have no psychoactive effects.

The Company was incorporated with the name Ascent Industries Corp. under the Business Corporations Act (British Columbia) on May 30, 2013. Its head office, principal and registered records office address is located at Suite 800 - 543 Granville Street, Vancouver, British Columbia V6C 1X8. The Company completed an amalgamation with Paget Minerals Corp. on August 9, 2018 and subsequently listed its common shares for trading on the Canadian Securities Exchange. Effective May 15, 2020, the Company changed its name to Luff Enterprises Ltd., to reflect its new business direction as a producer and distributor of branded industrial hemp derived CBD products in the United States.

Factors Affecting the Company's Performance

The Company's performance and future success depends on several factors, inherent risks and challenges. Some of these risks and challenges are discussed below.

Regulation

The Company is subject to the local, state, and federal laws in the jurisdictions in which it operates. Outside of the United States, the Company's products may be subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and the retail sale of hemp-derived products. The 2018 Farm Bill became law on December 20, 2018. The 2018 Farm Bill removed hemp from the list of controlled substances under the Controlled Substances Act. The 2018 Farm Bill also redefined hemp to include its "derivatives, extracts, and cannabinoids", and accordingly removed popular hemp products, such as hemp-derived cannabidiol ("CBD") from the purview of the U.S. Drug Enforcement Agency (the "DEA"). Although the DEA no longer regulates hemp, the FDA retains its authority to regulate ingestible and topical products, including those that contain hemp and hemp extracts such as CBD. As a producer and marketer of hemp-derived products, the FDA governs the regulations applicable to manufacturing and marketing dietary supplements. These include regulations for food facility registration; current good manufacturing practice ("cGMPs") regulations; nutrition and allergen labeling and label claim regulations; rules for submission of received serious adverse event reports; and safety requirements, including, as applicable, new dietary ingredient ("NDI") and generally recognized as safe ("GRAS") regulations. The FDA has stated its concerns over drug claims being made about products that contain CBD, as well as the agency's position that under the Food, Drug and Cosmetic Act ("FD&C Act") CBD cannot be marketed in a dietary supplement because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the "IND Preclusion"). The Company believes there are significant arguments against this position in that all conditions of the applicable statute must be met before the IND Preclusion applies. Importantly, the FDA has acknowledged there are pathways for FDA to consider with regard to circumstances in which certain cannabis-derived compounds such as CBD might be permitted in a food or dietary supplement. The FDA has authority to issue a regulation that would allow these naturally occurring hemp compounds in a food, beverage or dietary supplement, and the FDA has indicated it is now engaged in a rule-making process to evaluate this issue.

Competition

The hemp-based CBD wellness product market is highly competitive, and therefore the Company will face competition from other companies, some of which may have longer operating histories, more financial resources, and experience than the Company. Increased competition by larger and well-financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require research and development, marketing, sales and support. The Company believes that with its proprietary manufacturing methods and unique formulations it will be able to remain competitive in the market.

Growth Strategies

The Company's future depends, in part, on Management's ability to implement its growth strategy including (i) product innovations; (ii)growth in retail, wholesale and distributor partnerships; (vii) growth in e-commerce distribution; and (iv) improvements in operating income, gross profit and operating expense margins. The ability of the Company to implement this growth strategy depends on, among other things, its ability to develop new products that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the markets, and identify and successfully enter new geographic areas and segments as well the ability to successfully navigate legislative and regulatory uncertainties.

Product Innovation and Consumer Trends

The Company's business is subject to changing consumer trends and preferences, which is dependent, in part, on continued consumer interest in new products. The success of new product offerings, depends upon a number of factors, including the Company's ability to (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and on a timely basis; and (vi) differentiate product offerings from those of competitors.

Completion of future acquisitions, divestitures or business combinations

The Company believes that it needs to actively identify and source future acquisition and partnership opportunities. The Company is actively pursuing strategic joint ventures and partnerships that will enable it to further broaden and diversify its product offerings, leverage current and future manufacturing and distribution facilities for new products, and expand its intellectual property portfolio.

Corporate Highlights

Chief Executive Officer Paul Dillman left the company Effective January 10, 2020 to pursue other opportunities. Mark Lotz assumed the role of Interim Chief Executive Officer while the board completed their search for a replacement.

On March 11, 2020, the Company's principal regulator, the British Columbia Securities Commission ("the Commission"), granted a management cease trade order ("MCTO"). Pursuant to the MCTO the CEO and CFO was not able to trade securities until such a time as the Company had filed all outstanding required continuous disclosure documents under National Instruction 51-102 – *Continuous Disclosure Obligations* and the Commission revokes the MCTO. The MCTO did not have an affect on the shareholders ability to trade their securities.

On May 11, 2020, the Company filed all outstanding required disclosure documents and on May 12, 2020 the Company received a revocation of the MCTO put into affect by the Commission on March 11, 2020.

The Company officially changed its name from Ascent Industries Corp to Luff Enterprises Ltd. on May 15, 2020, and also changed its stock symbol to "LUFF" from "ASNT". The company resumed trading under the new name and symbol on May 20, 2020 and has since seen its share price double.

Also, on May 15, 2020, the Company announced the appointment of Philip Campbell as Chief Executive Officer to lead the execution of the Company's new business plan. Mark Lotz stepped down from his position as Interim Chief Executive Officer but remained on to serve as CFO and Director until the Annual General Meeting.

On May 15, 2020, the Company announced its release and resolution of the CCAA process as well as plans to move forward with a new business plan as a producer and distributor of branded industrial hemp derived CBD products in the United States.

The Company resolved all remaining outstanding costs and issues related to the closure of the Companies' Creditors Arrangement Act ("CCAA") by issuing a $438,000 convertible debenture to Mr. Drew Malcolm. The debenture is convertible into 17,520,000 common shares of the Company at the election of Mr. Malcolm at any time and/or by the Company's election during any period where the 20-day weighted average trading price is $0.10 or greater.

On June 11, 2020, the Company entered into a supplemental indenture with National Securities Administration Ltd (the "Transfer Agent") to amend the terms of certain outstanding warrants. Approximately 88,000,000 warrants were amended with a new expiration date, June 24, 2021, and a new strike price of $0.05.

On June 24, 2020 the Company held it's Annual General Meeting ("AGM") whereby it re-appointed Philip Campbell as CEO, and elected Jeremy South, Drew Malcolm and Philip Campbell as directors of the Company. The shareholders also voted in favor of approving the 2017 Incentive Stock Option Plan. The Company announced two key management appointments as support to focus its efforts on reactivation of operations in the United States. Elizabeth Coles, CPA, was appointed Chief Financial Officer and John Sweeney was appointed Chief Operations Officer.

The Company successfully completed a private placement funding on September 22, 2020, raising approximately $435,000 to support operations and provide working capital.

On December 22, 2020, the Company announced the closing of a $2,000,000 secured loan to support further capital growth and expansion of sales and marketing efforts of its ecommerce platforms. In connection with the loan the lenders received 12,000,000 warrants at $0.025 with an expiry of two years from the closing date of the financing.

Selected Financial Data

The following highlights selected financial information for the periods indicated:

	Year ended December 31,		
	2020	2019	2018
Revenue	**$ 20,080**	$ 744,040	$ 1,568,014
Gross Margin (Loss)	**16,533**	(1,004,928)	(1,683,258)
Operating Expenses	**4,114,130**	9,969,890	11,941,202
Other (Income) and Expense, net	**2,337,310**	11,419,413	4,158,899
(Loss) Income Before Taxes	**(6,434,907)**	(22,396,385)	(17,783,359)
Net Income (Loss)	**(6,438,047)**	(22,396,385)	(17,367,855)
EPS Basic	**(0.02)**	(0.07)	(0.05)
EPS Diluted	**(0.02)**	(0.07)	(0.05)

	December 31, 2020	December 31, 2019	December 31, 2018
Assets:			
Cash and cash equivalents	**$ 1,932,363**	$ 3,993,021	$ 1,339,027
Total assets	**11,549,796**	13,665,397	47,243,605
Liabilities:			
Current liabilities	**$ 2,602,494**	$ 413,888	$ 7,633,638
Long-term liabilities	**501,495**	49,479	3,897,403
Total liabilities	**3,103,989**	463,367	11,531,041

	Year ended December 31,		
	2020	2019	2018
Cash Flow:			
Net cash provided (used) by operating activities	**$ (3,398,963)**	$ (15,328,985)	$ (11,090,278)
Net cash provided (used) by investing activities	**(850,977)**	24,789,377	(14,106,234)
Net cash provided (used) by financing activities	**2,361,248**	(5,821,858)	23,935,192

The following highlights selected financial information for the periods indicated:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	**2020**	2019
Revenue	**$ 15,781**	$ 64,188	**$ 20,080**	$ 744,040
Gross Margin (Loss)	**23,106**	(541,222)	**16,533**	(1,004,928)
Operating Expenses	**495,811**	2,421,139	**4,114,130**	9,969,890
Other (Income) and Expense, net	**1,036,593**	10,857,839	**2,337,310**	11,419,413
(Loss) Income Before Taxes	**(1,509,298)**	(13,886,848)	**(6,434,907)**	(22,396,385)
Net Income (Loss)	**(1,509,312)**	(21,544,329)	**(6,438,047)**	(22,396,385)
EPS Basic	**(0.01)**	(0.07)	**(0.02)**	(0.07)
EPS Diluted	**(0.01)**	(0.07)	**(0.02)**	(0.07)

	December 31, 2020	December 31, 2019
Assets:		
Cash and cash equivalents	**$ 1,932,363**	$ 3,993,021
Total assets	**11,549,796**	13,665,397
Liabilities:		
Current liabilities	**$ 2,602,494**	$ 413,888
Long-term liabilities	**501,495**	49,479
Total liabilities	**3,103,989**	463,367

Results of Operations

The year ended December 31, 2020 was a transition and rebuilding year for the Company. Once the Company was released from CCAA in May 2020 it immediately started implementing a new business plan to focus its efforts in the CBD consumer-packaged goods ("CPG") segment capable of serving the food, drug, mass ("F/D/M") retailer channel, as well as nationally via e-commerce. The Company has focused on managing cash flow and operating expenses while making the necessary investments in management and infrastructure. This investment included a buildup of finished goods inventory beginning in Q4 2020 to meet anticipated consumer demand.

To support the necessary investments made during the year ended December 31, 2020, the Company increased liquidity through a private placement share offering for aggregate gross proceeds of approximately $435,000 on September 22, 2020. The Company closed a financing secured by property in Las Vegas, Nevada, for $2,000,000 on December 22, 2020. Management has also significantly reduced general and administrative costs to be able to free up cash flow for operational needs such as inventory buildup and equipment upgrades. All executives and directors agreed to significantly reduce their salaries as a way to preserve cash to support operations.

Recent public comments and reports from the FDA have been encouraging towards establishing regulatory oversight for hemp derived dietary supplements. A definitive timeline has not yet been provided. However, the sizeable hemp CBD wellness market opportunity remains intact and the Company believes it is well positioned to serve the market now and once a regulatory framework is established.

Financial Analysis

The Company's income statement for the periods December 31, 2020, 2019 and 2018 has been largely impacted by licensing issues that occurred in late 2018 in Canada and then entering into the CCAA protection process on March 1, 2019. As a result of these circumstances, the Company suspended all active business in Canada immediately after entering CCAA protection. This action, combined with entering CCAA on March 1, 2019, effectively prevented the Company's from generating revenue in both Canada and the United States, as can be seen by the significant drop in performance between 2018 and 2020.

The Company was officially released from the CCAA process in May 2020, and at that time cleared up any and all remaining costs associated with the process. New management was appointed in June 2020 that has since been focused on re-directing Luff Brands to be a leader in the CBD consumer packaged goods space, both in the e-commerce and F/D/M markets. Management's directive has been to reduce operating expenses, control costs, and ensure assets available to the Company are used effectively to achieve its goals and maintain/increase value to the Company's shareholders. To this end operating expenses have been reduced by approximately $6,000,000 from on an annual basis from 2019 to 2020, and approximately $2,000,000 comparing Q4 2020 to Q4 2019. The main factors contributing to the reduction in operating expenses can be seen in more detail in the operating expenses breakdown below.

Management spent the second half of 2020 preparing for the launch of products into the both e-commerce and F/D/M markets. This included buildup of finished goods inventory, branding and marketing exercises, website creation and hiring key members of the operations team. Total assets at December 31, 2020 includes approximately $145,000 of inventory (none at December 31, 2019), made up of both finished goods and work in process items. The Company has also created two customer facing brands to be sold first via e-commerce channels through each brand's website. Management believes its efforts have positioned the Company to begin generating revenue in H1 2021. Management is also exploring international distribution channels and is optimistic about its opportunities to expand beyond the United States.

In May 2020 the Company executed a $438,000 convertible debenture with a related party to cover costs that were paid on behalf of the Company during the CCAA process. The debenture has a three year term. This increased long-term liabilities when compared to December 31, 2019. On December 22, 2020, the Company closed a $2,000,000 financing with a 9-month maturity date, thus increasing current liabilities from the prior year. The Company implemented IFRS 16, Leases, on January 1, 2019, however had no right of use assets during that period. For the year ended December 31, 2020, the Company did have a right of use asset and related liability totaling $277,737 and $215,914, respectively.

Classification of Operating Expenses

The composition of the operating costs on the consolidated financial statements is as follows:

		Three months ended December 31,			Year ended December 31,	
		2020	2019		**2020**	2019
General and Administrative	**$**	**745,571**	$ 3,380,018	$	**3,825,729**	$ 9,595,157
Personnel		**146,351**	468,495		790,741	2,374,637
Professional service fees		**67,201**	1,393,700		1,313,983	4,317,179
Other operating expenses		**186,409**	1,122,320		766,390	1,901,097
Depreciation and amortization		**345,610**	395,503		954,615	1,002,244
Sales and Marketing	**$**	**94,130**	$ 48,921	$	**204,156**	$ 374,733
Advertising, promotions and selling costs		**64,530**	24,559		141,754	88,932
Personnel		**29,600**	24,362		62,402	285,801
Research and Development	**$**	**84,245**	$ -	$	**84,245**	$ -
Product development		84,245	-		84,245	-

Across all operating expense categories management has been able to significantly reduce costs, which was a mandate of the new management team put in place in June 2020. The headcount has been kept as low as possible, only hiring key positions as needed, such as operators and sales team members. The executive team agreed to take significantly reduced salaries as a way to preserve cash and to be able to pay other positions at market rates. As the Company was only fully operating until March 1, 2019, most of the operating expenses incurred in that year were related to the CCAA process, notably professional fees for lawyers and the CCAA court-appointed monitor. Since being released from the CCAA process, executives of the Company have only maintained critical professional service relationships and kept use of these services to a minimum in order to preserve cash flow for the buildup of inventory and marketing.

Depreciation of Property and Equipment and amortization of Intangibles for the quarter ended December 31, 2020 and 2019 was $206,741 and $395,503, respectively. Depreciation of Property and Equipment and amortization of Intangibles for the year-to-date period ended December 31, 2020 and 2019 was $815,746 and $1,002,244, respectively. The decrease in depreciation and amortization is due to minimal capital expenditures and continued depreciation of existing assets. The Company did invest in key pieces of equipment in Q4 2020 to increase automation in its manufacturing processes.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements for any of the reporting periods considered in this MD&A.

Related party transactions

	Year ended December 31, 2020	2019
Key Employees (*management*)		
Salaries and benefits	$ 328,127	$ 200,000
Management fees paid to the previous CFO	49,833	200,046
Fees paid to Directors	115,500	-

These fees and transactions were in the ordinary course and on terms representative of arms. Shares issued were on terms pursuant to all participants in the private placements of the Company.

Upon the resignation of the former CEO in January 2020, the Company entered into an escrow and settlement agreement whereby $325,000 was placed into escrow to be paid to the former CEO in three installments as part of his resignation agreement. The last payment was made on January 1, 2021.

Liquidity and Capital Resources

The Company's primary liquidity and capital requirements are for capital expenditures, inventory, working capital and general corporate purposes. The Company had a cash balance of $1.9 million at December 31, 2020 and along with expected positive cash flows from operations, this will provide capital to support the growth of the business and for general corporate purposes.

The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance which will be affected by general economic, financial, regulatory, FDA, and other factors including factors beyond the Company's control (See "Risk Factors"). From time-to-time, Management reviews joint venture and business partnership opportunities and if suitable opportunities arise, may take selective action to implement the Company's business strategy.

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of amounts receivable, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities, including the purchase of property and equipment; and (iii) financing activities, including debt financing and the issuance of capital stock.

Cash used in operations during the year ended December 31, 2020 totaled $3.4 million, compared to $15.3 million for the same period in 2019. The decrease in cash used by operations is due primarily to the conclusion of the expensive CCAA process and significantly reducing operating expenses in order to pursue the Company's new business plan beginning in June 2020.

Net cash used in investing activities totaled $0.8 million for the year ended December 31, 2020 compared to $24.8 million provided by investing activities for the same period in 2019. Net cash used in investing activities for the year was primarily related to a short-term cash advance the Company gave to a strategic partner in January 2020. In 2019 the inflow of funds from investing was due to the sale of property located in Canada as part of the CCAA proceedings.

Net cash provided by financing activities totaled $2.37 million for the year ended December 31, 2020 compared to $5.8 used for the same period in 2019. The net cash provided by financing activities during the year ended December 31, 2020 resulted primarily from the proceeds of a financing completed in December 2020.

The cash position of the Company at December 31, 2020 ("cash and cash equivalents") was $1.9 million, compared to $3.9 million at December 31, 2019. Working capital decreased from $4.7 million as of December 31, 2019 to $1.3 million as of December 31, 2020.

During the year ended December 31, 2020, the Company generated an operating loss of $6.5 million, produced a total net loss of $6.5 million, and negative cash flow from operations of $3.4 million. The Company has shareholders' equity of $8.9 million and positive working capital of $1.3 million.

Proposed transactions

There are no proposed transactions at the date of this MD&A.

Critical accounting policies and estimates

Revenue Recognition

The Company recognizes revenue when products are shipped, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Freight revenue is generally exempt from state sales taxes. Sales tax collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the Consolidated Financial Statements.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Estimated useful lives and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

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

Share-based compensation

The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of share- based compensation. The following assumptions are used in the model: dividend yield; expected volatility; risk-free interest rate; expected option life; and fair value.

Changes to assumptions used to determine the grant date fair value of share-based compensation awards can affect the amounts recognized in the consolidated financial statements.

Taxes

In calculation of current and deferred income taxes, Management is required to make estimates and assumptions regarding the carrying values of assets and liabilities that are subject to accounting estimates inherent in those balances, the interpretation of tax legislation in various jurisdictions, expectations on future operating results, timing of reversal of temporary differences and possible audits by regulating tax authorities.

Changes in estimates or assumptions may result in changes to the current or deferred income tax balances in the consolidated financial statements.

Impairment of financial assets

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value. Expected credit losses are measured by making estimates and assumptions in regard to probability-weighted amounts, the time value of money, information regarding past events, current conditions and forecasts of future economic conditions.

IFRS 16 Leases

The application of IFRS 16 "Leases" requires significant judgements and certain key estimations to be made. Critical judgements required in the application of IFRS 16 include the following (i) identifying whether a contract includes a lease; (ii) determining whether it is reasonably certain that an extension or termination option will be exercised; (iii) determining whether variable payments are in-substance fixes; (iv) establishing whether there are multiple leases in an arrangement; and (v) determining the stand-alone selling price of lease and non-lease components. Key sources of estimation uncertainty in the application of IFRS 16 include the following: (i) estimating the lease term; (ii) determining the appropriate rate to discount lease payments; and (iii) assessing whether a right of use asset is impaired.

In January 2016, the International Accounting Standards Board ("IASB") issued a new International Financial Reporting Standard ("IFRS") on lease accounting effective for periods beginning on or after January 1, 2019. IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor.

The Company adopted the new standard on January 1, 2019 and Management has elected to apply IFRS 16 prospectively. The Company implemented IFRS 16, Leases, on January 1, 2019, however had no right of use assets during that period. For the year ended December 31, 2020, the Company did have a right of use asset and related liability totaling $277,737 and $215,914, respectively.

Outstanding Share Data

The Company has authorized capital of an unlimited number of common shares without par value. The table below represents the Company's capital structure as at the date of this MD&A and December 31, 2019:

	As at date of this MD&A	**December 31, 2019**
Common shares issued and outstanding	390,083,032	320,151,457
Share purchase options outstanding (average exercise price of $0.02)	4,000,000	-
Restricted stock units outstanding (issued in the context of the market)	15,000,000	-
Convertible debenture outstanding (convertible at market value)	17,520,000	-
Warrants outstanding (average exercise price of $0.05)	100,428,742	88,428,742

Internal Control over Financial Reporting

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the establishment and maintenance of Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR") is the responsibility of Management. The DCP and ICFR have been designed by Management based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to provide reasonable assurance that the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS.

Regardless of how well the DCP and ICFR are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to errors or fraud, if any.

Risks and Uncertainties

The risks and uncertainties described below are not exhaustive. Additional risks presently known or currently deemed immaterial may also impair the Company's business operations. If any of the events described in the following business risks actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected.

COVID-19 Pandemic

The Company's business could be materially and adversely affected by the outbreak of a widespread epidemic or pandemic or other public health crisis, including arising from the novel strain of the coronavirus known as "COVID-19."

A local, regional, national or international outbreak of a contagious virus, including the novel coronavirus, COVID-19 could cause staff shortages, reduced customer traffic, supply shortages, and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Company.

In late 2019, COVID-19 was first detected in Wuhan, China. Since then, the virus has spread to over 100 countries. During March 2020, many governments ordered all but certain essential businesses closed and imposed significant limitations on the circulation of the populace. Furthermore, certain illnesses may be transmitted through human or surface contact, and the risk of contracting such illnesses could cause employees and customers to avoid gathering in public places, as was the case in many places during February, March and April 2020 due to concerns about the coronavirus. The Company could be adversely affected if governments under which it or its suppliers operate impose mandatory closures, seek voluntary closures, or impose restrictions on operations., with the length of such closures directly related to the severity and materiality of the impact on the Company's business.

At the time this MD&A is prepared, the Company cautions that its business could be materially and adversely affected by the risks, or the public perception of the risks, related to the COVID-19 pandemic. The risk of a pandemic, or public perception of such a risk, could cause customers to avoid public places, including retail properties, and could cause temporary or long-term disruptions in the Company's supply chains and/or delays in the delivery of its products. Further, such risks could also adversely affect the Company's customers' financial condition, resulting in reduced spending for the products it sells. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees or contractors to avoid the Company's properties, which could adversely affect its ability to adequately staff and manage its businesses. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Company's operations, if employees or contractors who cannot perform their responsibilities from home are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID- 19, could also lead to the complete or partial closure of one or more of the Company's facilities or operations of its partners or suppliers.

The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect the Company's business, financial condition and results of operations.

Industry Competition

The markets for businesses in the CBD and hemp extracts industries are competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies that offer similar products to the Company. Some of the Company's current and potential competitors may have longer operating histories, greater financial and marketing resources and larger customer bases.

Given the rapid changes affecting the global, national and regional economies generally and the CBD industry, in particular, the Company may not be able to create and maintain a competitive advantage in the marketplace. The Company's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. The Company's success will depend on its ability to compete in an environment when many competitors do not adhere to FDA and/or other federal, state and international rules, law and/or guidelines. The Company's success will also depend on its ability to respond to, among other things, changes in the economy, market conditions, and regulatory and competitive pressures. Any failure to anticipate or respond adequately to such changes could have a material adverse effect on the Company's financial condition, operating results, liquidity, cash flow and operational performance.

Key Officers and Employees

The Company's success and future growth will depend, to a significant degree, on the continued efforts of the Company's directors and officers to develop the business and manage operations, and on their ability to attract and retain key technical, scientific, sales, and marketing staff or consultants. The loss of any key person or the inability to attract and retain new key personnel could have a material adverse effect on the business. Competition for qualified technical, scientific, sales, and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that the Company will be able to attract or retain key personnel in the future. The Company's inability to retain and attract the necessary personnel could materially adversely affect the business and financial results from operations.

Domestic Supply Risk

The Company uses only hemp products with full compliance under federal and state regulations to be sold across the United States, and on a limited basis Internationally. The regulation of third-party suppliers may have a significant impact upon the business. Any state or federal enforcement activity or any additional uncertainties which may arise in the future, could cause substantial interruption or cessation of the business, including adverse impacts to the Company's supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including the Company's ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies, products or services. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

United States tax residence of the Company

The Company, which is and will continue to be a Canadian corporation as of the date of this MD&A, generally would be classified as a non- United States corporation (and, therefore, as a non- United States tax resident) under general rules of United States federal income taxation. Section 7874 of the United States Tax Code, however, contains rules that can cause a non- United States corporation to be taxed as a United States corporation for United States federal income tax purposes. The rules described in this paragraph are relatively new, their application is complex and there is little guidance regarding their application. Under section 7874 of the United States Tax Code, a corporation created or organized outside the United States (i.e., a non- United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non- United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80.0% (by vote or value) of the shares of the non- United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non- United States corporation's expanded affiliated group does not have substantial business activities in the non- United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "Inversion Conditions"). For this purpose, "expanded affiliated group" means a group of corporations where (i) the non- United States corporation owns stock representing more than 50.0% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50.0% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50.0% (by vote and value) of the interests of the partnership.

If the Company is treated as a United States corporation for United States federal income tax purposes under section 7874 of the United States Tax Code (which is considered likely, although no definitive determination of this matter has been reached, and no tax ruling has been sought or obtained in this regard), the Company would be considered a United States tax resident and subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the United States Tax Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, if the Company is considered a United States corporation under section 7874, the Company would be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations. In addition, any distributions paid by the Company to a holder of Common Shares may be subject to United States withholding tax as well as any applicable Canadian withholding tax. A Non- United States Holder may also be subject to United States tax, including withholding tax, on disposition of its Common Shares.

Global Economic Uncertainty

Demand for the Company's products and services is influenced by general economic and consumer trends and regulatory environments beyond the Company's control. There can be no assurance that the Company's business and corresponding financial performance will not be adversely affected by general regulatory economic or consumer trends. In particular, global economic conditions are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, such economic conditions have produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continue, the Company might experience reductions in business activity, increased funding costs and funding pressures (as applicable), a decrease in the market price of its shares, a decrease in asset values, additional write-downs and impairment charges and lower profitability.

Additional Financings

If the Company is not able to sustain profitability or if it requires additional capital to fund growth or other initiatives, it may require additional equity or debt financing. There can be no assurances that the Company will be able to obtain additional financial resources on favorable commercial terms or at all. Failure to obtain such financial resources could affect the Company's plan for growth or result in the Company being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the business, results of operations and the financial condition of the Company.

Insurance coverage

Due to the Company's involvement in the industrial hemp industry, it may have a difficult time obtaining the various insurances at normal industry rates that are desired to operate the business, which may expose the Company to additional cost, risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurances in the future, or that the cost will be affordable. If the Company is forced to go without such insurances, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Risks Related to the Regulatory Environment

Changes to Laws and Regulations Pertaining to Hemp

As of the date hereof, approximately forty seven states authorized hemp programs pursuant to the 2014 Farm Bill. Additionally, a handful of states and Native American tribes have had hemp regulatory plans approved under the 2018 Farm Bill. These new plans supplant any prior programs for hemp in these jurisdictions. Continued development of the hemp industry will be dependent upon new legislative authorization of hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress altogether in this space. While progress within the hemp industry is currently encouraging, growth is not assured. Growth may be slowed by business failures of individuals or companies involved in supply and/or demand chains. Additionally, while there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where the Company has business interests or transports raw material to various processing centers for final product production. Any one of these factors could slow or halt use of hemp, which could negatively impact the business up to possibly causing the Company to discontinue operations as a whole.

Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), also represent significant risks concerning the Company's business activities. Possible risks include, but are not limited to:

- positions asserted by the FDA concerning products containing derivatives from Hemp;
- uncertainty surrounding the characterization of cannabinoids as a dietary ingredient by the FDA; and
- enforcement activities by state and/or local law enforcement and regulatory authorities under the auspice of individual state law, regardless of any potential conflict thereby with federal law.

If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, the Company may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures, any of which could adversely affect the Company's business and financial results.

Costs Associated with Numerous Laws and Regulations

The manufacture, labeling and distribution of the Company products is regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell products in the future. The FDA regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company is subject to regulation by the federal government and other state and local agencies as a result of its CBD products. The shifting compliance environment and the need to build and maintain robust systems to comply with different compliance in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations, any of which could adversely affect the ability to operate the Company's business and its financial results.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Company's advertising is subject to regulation by the Federal Trade Commission ("FTC") under the Federal Trade Commission Act. In recent years, the FTC has initiated numerous investigations of dietary supplement products and companies. Additionally, some states also permit advertising and labeling laws to be enforced by private attorney generals, who may seek relief for consumers, seek class-action certifications, seek class-wide damages and product recalls of products sold by the Company. Any actions against the Company by any governmental authorities (Domestic or International) or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Uncertainty Caused by Potential Changes to Legal Regulations

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the FDA and the extent to which Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, such may have an adverse effect upon the introduction and availability of the Company's products in different markets.

Regulatory Approval and Permits

The Company may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are licensed, although the Company does not currently anticipate that such approvals will be necessary in both the US and International markets. There can be no assurance that the Company will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Company's ability to conduct its business, and could have an adverse effect on the business, financial condition and results of operations.

Data Security Breaches

The Company or its third-party service providers collect, process, maintain and use sensitive personal information relating to its customers and employees, including customer financial data (e.g., credit card information) and their personally identifiable information, and rely on third parties in connection with the operation of ecommerce and for the various social media tools and websites used as part of the Company's marketing strategy. Any perceived, attempted or actual unauthorized disclosure of customer financial data (e.g., credit card information) or personally identifiable information regarding the Company's employees, customers or website visitors could harm its reputation and credibility, reduce its e-commerce sales, impair its ability to attract website visitors, reduce its ability to attract and retain customers and could result in litigation against the Company or the imposition of significant fines or penalties.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, the Company may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

The Company's on-line activities, including its e-commerce websites, also may be subject to denial of service or other forms of cyber-attacks. While the Company has taken measures to protect against those types of attacks, those measures may not adequately protect its on-line activities from such attacks. If a denial-of-service attack or other cyber event were to affect the Company's e-commerce sites or other information technology systems, its business could be disrupted, it may lose sales or valuable data, and its reputation may be adversely affected.

Additional information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Corporation information

Registered Office:	Suite 800 – 543 Granville Street, Vancouver, BC V6C 1X8
Directors:	Jeremy South Philip Campbell Drew Malcolm
Senior Officers:	Philip Campbell, Chief Executive Officer Elizabeth Coles, Chief Financial Officer John Sweeney, Chief Operating Officer
Auditor:	Kingston Ross Pasnak LLP Suite 1500, 9888 Jasper Avenue NW Edmonton, Alberta, T5J 5C6
Transfer Agent:	National Securities Administrators Ltd. 702 – 777 Hornby Street Vancouver, BC, V6Z 1S4