LUFF ENTERPRISES LTD.
(formerly Ascent Industries Corp.)

Interim Management's Discussion and Analysis
Quarterly Highlights
For the Third Quarter Ended September 30, 2021

(Stated in Canadian Dollars)

Dated November 29, 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 Interim 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 November 29, 2021 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2020 and the unaudited interim consolidated financial statements and related notes for the quarterly period ended September 30, 2021. 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.ca.

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 November 29, 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

On January 14, 2021, the Company announced the launch of its online sales platform *shop.luffbrands.com* ("ShopLuff") and also that it had completed its first B-to-B sales. The ShopLuff store is a frictionless direct-to-consumer website where customers can shop the Company's line of high-quality CBD products. Sales have continued via this platform throughout Quarter 2 2021.

On March 31, 2021, the Company announced a private labeling ("White label") program featuring a portfolio of product offerings that are focused on industrial hemp-based CBD products rich in novel cannabinoids. The White label program will allow wholesale customers access to large scale manufacturing and custom filling and labeling options through the Company's assets while being able to focus on their own brands. In addition, the Company announced that it had entered into a licensing and manufacturing agreement with Shade Media Inc (Shade). Under the agreement the Company will product several Shade branded products for immediate distribution into Shade's established channels.

The Company has also entered into a definitive sales agreement to sell its property and licenses located in Las Vegas, Nevada. Net proceeds, after the repayment of the Company's short-term loan, would be approximately $4,000,000 CAD. The sale is expected to close by end of year 2021 upon approval by the state's regulatory authorities. Approval was received by authorities on November 16, 2021. Due to the delay in closing this sale, the Company had to extend its short-term loan by six months. It is now due in March 2022.

The Company close a non-brokered private placement on November 1, 2021, for a total of 27,656,000 units issued and gross proceeds of $580,776. One unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at a price of $05, expiring 36 months from the date of issuance.

On November 2, 2021, the Company announced an exclusive wholesale distribution agreement with Alkannoli Lda, a soon to be licensed producer and seller of medical cannabis products in Germany and Portugal. The Company is excited to bring its products into the European market and feel Alkannoli is a strong partner to take advantage of the immense growth in both the German and Portugal markets.

Selected Financial Data
The following highlights selected financial information for the periods indicated:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Revenue	**$ 567,690**	$ -	**$ 847,237**	$ 5,019
Gross Margin (Loss)	**373,331**	(4,927)	**476,815**	(6,573)
Operating Expenses	**799,890**	455,991	**3,011,382**	3,618,319
Other (Income) and Expense, net	**379,665**	(107,741)	**531,253**	1,300,717
(Loss) Income Before Taxes	**(806,224)**	(353,177)	**(3,065,820)**	(4,925,609)
Net Income (Loss)	**(805,676)**	(353,806)	**(3,080,722)**	(4,928,735)
EPS Basic	**(-0.00)**	(-0.00)	**(0.01)**	(0.01)
EPS Diluted	**(-0.00)**	(-0.00)	**(0.01)**	(0.01)

	September 30, 2021	December 31, 2020
Assets:		
Cash and cash equivalents	**$ 178,358**	$ 1,932,363
Total assets	**9,000,505**	11,549,796
Liabilities:		
Current liabilities	**$ 2,413,466**	$ 2,602,494
Long-term liabilities	**432,983**	501,495
Total liabilities	**2,846,449**	3,103,989

	Nine months ended September 30,	
	2021	2020
Cash Flow:		
Net cash provided (used) by operating activities	**$ (1,745,050)**	$ (3,200,324)
Net cash provided (used) by investing activities	**(61,552)**	(727,925)
Net cash provided (used) by financing activities	**57,102**	(1,047,293)

Results of Operations

The third quarter of 2021 was focused on improving the Company's ecommerce sales platform and scaling operations to support sales. The Company has been working with marketing groups to support these efforts through a cost per acquisition sales model. Both of these goals were successfully achieved as the Company had its best quarter yet with approximately $568,000 in revenue during the three months ended

September 30, 2021 ($847,000 in the nine months ended September 30, 2021). The Company also saw a healthy gross margin of 67% at the end of Q3. Inventory build out continued, and the Company started its own in-house fulfillment, which dramatically reduced costs and increased margin. The Company's margin doubled between Q2 and Q3 2021, which was expected with the addition of in-house fulfillment. The Company is exploring different customer service options as well in an attempt to reduce costs and increase margin.

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 enormous 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 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. Since that time, Management has been focused on reducing operating expenses, controlling costs, and ensuring assets available to the Company are used effectively to achieve its goals and maintain/increase value to the Company's shareholders. The Company began to ramp up operations in late 2020, and when comparing Q3 2020 to Q3 2021, you do see an increase in operating expenses due to the Company having sustainable revenue streams and a full staff to support that.

Management also continued with the buildup of finished goods inventory, branding and marketing exercises in Q3 2021. Inventory was $nil at September 30, 2020 and there is approximately $330,000 of inventory at September 30, 2021. This scale up in operations has decreased our cash and cash equivalents on hand when comparing Q3 2021 to Q3 2020. In Q3 2020 the Company began to shift its efforts from the discharge of CCAA to scaling up operations. It had begun marketing and branding efforts that have continued into 2021. Management is also exploring international distribution channels and is optimistic about its opportunities to expand beyond the United States, signing an exclusive wholesale distribution agreement with partners in Germany and Portugal.

This increase in current liabilities as at September 30, 2021 when compared to September 30, 2020 is due to the Company closing a $2,000,000 financing with a 9-month maturity date in December 2020. Long-term liabilities decreased from our previous quarter as the loan proceeds under the Paycheck Protection Program (PPP) the Company received on February 16, 2021, in the amount of $130,607 USD ($164,238 CAD) was forgiven on June 14, 2021. This event is not taxable.

Classification of Operating Expenses

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
General and Administrative	**$ 602,611**	$ 1,321,429	**$ 2,333,836**	$ 3,044,810
Personnel	**233,420**	310,305	**968,257**	620,610
Professional service fees	**42,264**	801,093	**249,740**	1,602,185
Other operating expenses	**96,828**	208,388	**438,678**	416,775
Depreciation and amortization	**230,099**	202,620	**677,161**	405,240
Sales and Marketing	**$ 197,279**	$ 17,518	**$ 677,546**	$ 17,518
Advertising, promotions and selling costs	**178,229**	17,518	**603,799**	17,518
Personnel	**19,050**	-	**73,747**	-
Research and Development	**$ -**	$ -	**$ -**	$ -
Product development	-	-	-	-

When comparing Q3 2021 to Q3 2020, general and administrative expenses have declined across all categories except personnel and depreciation and amortization. The Company was still incurring legal fees in Q3 2020 related to the closing of the CCAA process. Since the Company was fully operational in Q3 2021, it incurred higher sales and marketing expenses with lower general and administrative expenses, which explains the decline in other operating expenses and increase in sales and marketing. Personnel expenses have increased as the Company hired the necessary employees in 2021 to ensure it could fully operate from both a management and manufacturing perspective.

Depreciation of Property and Equipment and amortization of Intangibles for the quarter ended September 30, 2021 and 2020 was $230,099 and $202,620, respectively. The slight increase is due to new equipment purchased in Q2 2021 that began depreciating in Q3.

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Key Employees (*management)*				
Salaries and benefits	$ **166,094**	$ 91,615	**700,103**	185,040
Management fees paid to the previous CFO	**-**	-	**-**	41,666
Fees paid to Directors	**27,000**	9,000	**81,000**	27,000

Fees paid to related parties were in the ordinary course of business and agreed to by the Board. 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 under this agreement 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 approximately $178,000 at September 30, 2021. This balance, along with expected cash flows from operations and the net proceeds from the sale of the Nevada property, will provide enough capital to support the growth of the business and for general corporate purposes. If for some reason the sale of the Nevada property does not close in December 2021 as expected, the maturity date of the $2,000,000 loan the Company has been extended for 6 months.

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 period ended September 30, 2021, was $1,745,050 and $3,200,324 for the same period in 2020. The decrease in cash used by operations is due primarily to being released from the CCAA process and significantly reducing operating expenses.

Net cash used in investing activities totaled approximately $61,552 for the period ended September 30, 2021 compared to $728,000 provided by investing activities for the same period in 2020. Net cash used in investing activities in 2020 was related to a short-term loan the Company gave to a strategic partner in January 2020. In 2021 cash used in investing was for the purchase of capital equipment.

Net cash provided by financing activities totaled $57,000 for the quarter ended September 30, 2021, compared to $1 million used for the same period in 2020. The net cash provided by investing in 2021 is due to cash received for issuance of shares related to a private placement the Company announced on August 31, 2021.

The cash position of the Company as at September 30, 2021 ("cash and cash equivalents") was approximately $178,000 compared to $645,000 at September 30, 2020. Working capital is negative $1.5 million at September 30, 2021. This is due to the timing of the closing of the sale of the Nevada property and paying off the Company's short-term loan. The Company expects to have positive working capital by December 31, 2021 after the sale is closed and the loan is paid in full.

During the three months ended September 30, 2021, the Company generated an operating loss of approximately $426,000, produced a total net loss of approximately $1.9 million, and negative cash flow from operations of $1.7 million. The Company has shareholders' equity of $5 million.

Proposed transactions

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

Critical accounting policies and estimates

Please refer to the annual audited consolidated financial statements for the year ended December 31, 2020.

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 September 30, 2020:

	As at date of this MD&A	September 30, 2020
Common shares issued and outstanding	429,639,032	390,083,032
Share purchase options outstanding (average exercise price of $0.02)	1,500,000	-
Restricted stock units outstanding (issued in the context of the market)	3,600,000	-
Convertible debenture outstanding (convertible at market value)	17,520,000	17,520,000
Warrants outstanding (average exercise price of $0.04)	39,656,000	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

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