

# WIKILEAF TECHNOLOGIES INC.

MANAGEMENT DISCUSSION AND  
ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
("MD&A")

FOR THE THREE AND  
NINE MONTHS ENDED  
SEPTEMBER 30, 2020





## Management Discussion and Analysis

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The following management discussion and analysis (“**MD&A**”) of the results of the operations and financial position of Wikileaf Technologies Inc. (the “**Company**”, “**we**”, “**us**”, “**our**”) prepared for the three and nine months ended September 30, 2020 should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2019. All figures contained in this MD&A are presented in Canadian dollars. This MD&A contains information up to and including November 23, 2020.

### Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company’s future performance. All statements, other than statements of historical fact, may be forward-looking statements. The MD&A includes forward looking information with respect to our Wikileaf brand and its ability to capitalize on compelling opportunities in the future.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors, including, but not limited to:

- assumptions about the ability of the Company to raise necessary capital for its existing operations and expansion plans,
- the ability of the Company to retain key management personnel,
- assumptions related to our ability to attract and retain advertisers
- the ability of the Company to continue to increase organic user traffic on the Platform which in turn attracts dispensary and brand advertisers.

## Canadian Companies with US Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities* (the “Staff Notice”), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state’s regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

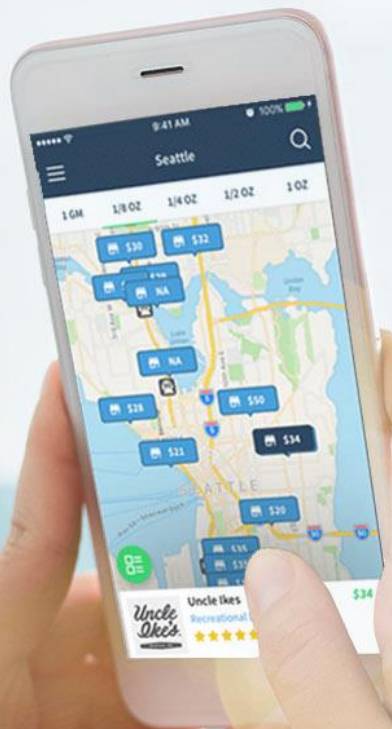
Such disclosure includes, but is not limited to, (i) a description of the nature of a reporting issuer’s involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the US; and (iv) a discussion of the reporting issuer’s ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have “ancillary industry involvement”, all as further described in the Staff Notice. At this time, the Company’s involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is “Ancillary” through direct control of a website that provides services to third parties who are involved in the US marijuana industry. In addition, the Company does not operate, nor control any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with any US state license. As a result of the Company having cannabis-related operations in the US, the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

### Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operations. To the best of the Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable US state. The Company is not aware of: (i) any noncompliance with respect to marijuana-related activities, or (ii) any notices of violation with respect to its marijuana-related activities by its respective regulatory authorities.

# Operational Overview

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## The Company

### Overview

The Company owns and operates Wikileaf.com (the “**Platform**”), a leading price comparison site to help cannabis consumers find location-based pricing information about individual marijuana strains and products – at the critical moment when they are deciding where to spend their money.

Each day, tens of thousands of cannabis consumers<sup>1</sup> use the Wikileaf website to find and interact with local dispensaries and brands to learn about and find the best prices for their desired cannabis strains and products. Dispensaries and cannabis brands in turn use our free digital listing services to engage with consumers as an additional point of consumer engagement. Our active database of over **9,500** licensed cannabis dispensaries and brands<sup>2</sup> attracts a vibrant community of cannabis users seeking information on pricing and cannabis strains.

### The Market Opportunity

- **Cannabis Consumers:** are unable to find real-time pricing for desired cannabis strains and brand products available to them within their vicinity.
- **Dispensaries and Brands:** are challenged to properly advertise their cannabis-based products, identify new customers and measure the effectiveness of their marketing efforts

Just as travelers use price comparison websites such as *Expedia* and *Trivago* to find the cheapest airline flights and hotels, consumers use Wikileaf to find the right cannabis strain at the best price in their immediate area. Wikileaf has quickly become one of the top cannabis price comparison sites, connecting marijuana buyers with licensed dispensaries and brands – in real time.

### Our Value Proposition

We believe cannabis consumers research strain and product pricing when they intend to buy. Wikileaf puts dispensaries and brands in front of cannabis shoppers with immediate purchase intent.

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<sup>1</sup> Source: Google Analytics, Internal at September 30, 2020

<sup>2</sup> Internal Company data



### *Value Proposition for Users*

- **Price Transparency:** The customer specifies a desired strain or product and instantly views multiple price quotes from dispensaries located nearby.
- **Educational Tools:** Wikileaf has over **800,000** listed strains and products priced, more than **9,500** dispensary and brand profiles and thousands of customer reviews and pieces of content available to users to browse for free.

### *Value Proposition for Advertisers*

- **Large Audience:** Wikileaf has over 1 million organic visits per month<sup>(1)</sup> with approximately 95.5% of U.S. visits originating from legalized U.S. jurisdictions<sup>(1)</sup>.
- **Location-target advertising:** Dispensaries can understand the customer tastes based on their location-target advertising directly to cannabis users located nearby with digital advertising and tools.

With millions of inquiries on the Platform that are tied to specific geographical locations, Wikileaf endeavors to be able to provide an understanding of local customer behavioral trends and user psychographics to individual dispensaries and brands that will help inform their inventory purchasing, product stocking and strain cultivation decisions.

We intend to derive our revenue principally through brand advertising, data licensing and subscription fees from our prospective customers, who range from dispensaries and retailers to national cannabis brands, product manufacturers and licensed cannabis producers. Our revenue will be driven primarily by the number and types of our services to which our paying customers purchase.

Since inception, the Company has incurred operating losses. As at September 30, 2020, the Company has an accumulated deficit of \$19,151,182. The Company has not yet completed its efforts to establish a stabilized source of revenue sufficient to cover operating expenses and relies on support from its shareholders to cover such expenses. Based on the current level of expenditures and available liquidity, management estimates that the timeline to sustain the operations of the Company is limited to within the next three months of the date of issuance of these interim consolidated financial statements.

The Company is actively seeking to secure additional funding through: equity-based financing, debt financing or through other arrangements; however, there is no assurance that the Company will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

<sup>(1)</sup> Source: Google Analytics, Internal at September 30, 2020



## 2020 Highlights

### Company Restructuring

During the nine months ended September 30, 2020, our board implemented an organizational and strategic review to identify opportunities for monetization and to streamline the Company's cost structure. The objective of this initiative was to build sustainable value within changing market conditions and to improve the Company's expense profile. This restructuring exercise resulted in the following initiatives: (i) Downsizing the Seattle corporate office, the related termination of a month-to-month office lease, the reduction of the U.S. workforce by 81% (9 FTEs) and the elimination of certain other costs. (ii) downsizing of the Ottawa office, the related termination of a month-to-month office lease, the reduction of the Canadian workforce by 59% (10 FTEs) and the elimination of certain other costs.

### Management Transition

On January 20, 2020, Patrick Lalonde stepped down from his role as Chief Operations Officer. On January 16, 2020, the Company announced that Wikileaf founder, Dan Nelson, was stepping down as Chief Executive Officer ('CEO') and taking on the new role of Chief Growth Officer and that the board was appointing Derek Firth CEO. On June 9, 2020, the Company announced the departure of Mr. Firth. The Company's board of directors appointed Chair Connor Cruise as interim CEO. On June 19, 2020, Mr. Murray Hinz was appointed as independent director of the Company. Concurrently, Mr. Hinz assumed the role of Chair of the Company's Audit Committee

### Monetization Plan

The Company's board of directors established a Monetization Committee, which consists of a group of internal board members and external advisors who have specific domain experience, specifically in monetizing Internet traffic and platforms. On February 25, 2020 the Committee presented the FY2020 Monetization plan, which was approved and ratified by the Company's board of directors. Pursuant to this plan, the Company began testing various online revenue opportunities in late February 2020, with mediocre results. With the change in leadership, the Company began revising its business plan in Q3.

### Merger & Acquisition Committee

On June 30, 2020, the Company's board of directors established a Mergers & Acquisition ('M&A') Committee, which consists of a group of internal board members and executives who have been given the mandate to evaluate possible merger candidates and/or analyze specific acquisition targets presented to the Company's board.



## Key Metrics

Management has identified **organic site traffic, unique users, dispensary locations and brands** as relevant to investors' assessment of our operational results.

### *Organic Site Traffic*

We calculate desktop and mobile user 'engagement' as the number of organic user sessions (traffic) as measured by *Google Analytics*. This traffic metric is a good indicator of our user's level of engagement with our desktop website, mobile website and mobile apps. This metric is solely our organic traffic and does not represent traffic acquired via our content partner sites, which display a Wikileaf widget for price comparison, deals and strain information.

### For the Three Months

#### Ended September 30, 2020 and 2019

(in thousands)

	2020	2019	2019 to 2020 % change
<b>Average Monthly Traffic - Total</b>	1,082.6	925.7	16.9%

We believe highly engaged users conducting price comparison and informational searches are more likely to be 'purchase-ready' consumers and therefore more sought-after by our prospective advertising clients.

We attribute the increase in our average monthly site traffic primarily to our various content expansion initiatives. These improvements were partially offset by a Google re-indexing<sup>1</sup> of the Wikileaf site which occurred in June, 2019.<sup>2</sup> We believe this re-indexing exercise was part of a larger effort by Google to favor more mainstream health & wellness websites (ex: Healthline, WebMD) for medical cannabis searches and inquiries, rather than cannabis specific sites such as Wikileaf. Several of the Company's competitors' sites were also negatively impacted by Google's re-indexing process in mid-2019.

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<sup>(1)</sup> Re-indexing is the process whereby Google re-evaluates webpages and scores resident content as more or less relevant

<sup>(2)</sup> <https://twitter.com/searchliaison/status/1135275028834947073?s=20>





## Unique Users

We calculate unique visitors as the number of individual ‘users’ as measured by *Google Analytics* who have visited our desktop, mobile website and mobile apps at least once in a given month, averaged over the reporting period.

Measuring unique visitors is important to us because our future revenue will depend in part on our ability to enable dispensaries and brands to connect with our users. We count a unique visitor the first time the individual accesses one of our mobile applications using a mobile device during a calendar month and the first time an individual accesses our website using a web browser in a calendar month.

### For the Three Months Ended September 30, 2020 and 2019 (in thousands)

	2020	2019	2019 to 2020 % change
<b>Average Monthly Unique Users</b>	798.2	675.9	18.1%

We attribute the increase in our average monthly unique users to our various content expansion initiatives. These improvements were partially offset by a Google re-indexing<sup>1</sup> of the Wikileaf site which occurred in June, 2019. <sup>2</sup> We believe this re-indexing exercise was part of a larger effort by Google to favor more mainstream health & wellness websites (ex: Healthline, WebMD) for medical cannabis searches and inquiries, rather than cannabis specific online sites such as Wikileaf. Several of the Company’s competitors’ sites were also negatively impacted by Google’s re-indexing process in mid-2019.

<sup>1</sup> Re-indexing is the process whereby Google re-evaluates webpages and scores resident content as more or less relevant.

<sup>2</sup> <https://twitter.com/searchliaison/status/1135275028834947073?s=20>



## Active Dispensary Locations

Active Dispensary Locations represents the cumulative number of licensed cannabis dispensaries and delivery services that are viewable on [Wikileaf.com](https://www.wikileaf.com) that have been actively engaged with the site over the previous 30 days. We define a dispensary location as each individual dispensary address or multi-site delivery operation operating legally within their respective jurisdiction with a free business listing on [Wikileaf.com](https://www.wikileaf.com) available to be viewed by our users.

	As at		
	September 30, 2020 and 2019		
	2020	2019	2019 to 2020 % Change
<b>Active Dispensary Locations</b> <sup>(1)</sup>	6,827	4,655	46.7%

At September 30, 2020, our active dispensary location count represented approximately 88.6% U.S. market presence based on dispensary count statistics provided by *Cannabiz Media* (CNB Media, LLC) and our own internal calculations based on site issued dispensary licenses. Wikileaf only lists licensed operators on its website and endeavors to remove any dispensary location operating unlicensed and illegally within its individual state's regulatory regime.

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<sup>(1)</sup> Source: Internal Company Data as at September 30, 2020



## Brands

The Brands category is represented by national cannabis branded products, licensed producers and processors. Brands use Wikileaf to promote their unique products, strains and services as well as to amplify their visibility and reach.

As at

### September 30, 2020 and 2019

(in thousands)

	2020	2019	2019 to 2020 % change
<b>Brands</b> <sup>(1)</sup>	2,708	117	2,215%

According to a study by Nielsen the number of cannabis product brands in the U.S. have multiplied 16-fold from 2014 to 2018.<sup>2</sup> This increase can be attributed to the Company's customer service personnel actively signing up cannabis brands to the site during the third and fourth quarters of 2019. There are over 72,000 product manufacturers and cultivators globally<sup>3</sup>. Site users can use Wikileaf to locate their favorite strain, product or brand at a dispensary nearby for the cheapest price.

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(1) Source: Internal Company Data as at September 30, 2020

(2) Nielsen, (July 26, 2019). Brace For Impact: U.S. CPG Cannabis Sales To Rise By The Billions.

(3) Cannabiz Media Intelligence + Insights



## Growth Strategy

Our objective is to further extend our position as a leading provider of price transparency and informational tools for cannabis users. To accomplish this, we intend to:

*Improve our User Experience.* Our mission is to empower the cannabis consumer. To that end, we provide real time price comparison of cannabis strains and brands based on a user's location. In addition, we provide informational tools such as strain and brand profiles, dispensary reviews, instructional videos and news content. We intend to continue developing technology offerings to meet the ever-changing expectations of today's cannabis consumers, with the goal of earning consumers' preference for the Wikileaf site features.

*Grow our Audience and Increase User Engagement.* We intend to expand our content distribution, targeted marketing and advertising programs, public relations and social media initiatives to efficiently increase consumer awareness for our brand. We also intend to increase our user footprint via international expansion with language specific offerings. We have over 8,000 dispensaries, retailers and brands from across the United States and Canada with detailed profiles on Wikileaf. As cannabis legalization initiatives continue to proliferate worldwide, the Company intends to take advantage of the opportunity to scale its Platform globally.

*Grow the number of Dispensaries and Brands on Wikileaf.* We intend to promote our niche valuation proposition to dispensaries and brands who are severely hindered from advertising online and would benefit from a highly targeted, purchase intent audience.

*Deepen and Expand our Services to Dispensaries and Brands.* We intend to deepen and expand our Platform beyond advertising services for dispensaries and brands through the development ancillary services as it pertains to pre-ordering facilities, affiliate programs, cannabis delivery and eCommerce opportunities.

*Leverage our Data.* With millions of pricing inquiries on our Wikileaf Platform that are tied to specific geographical locations, our Platform is able to provide an understanding of local customer behavioral trends and user psychographics to individual dispensaries and brands aiming to properly service local customers in addition to multi-state operators seeking to understand state/local market dynamics based on user search queries.

## Subsequent Events

There were no subsequent events to the nine months ended September 30, 2020.

# Financial Overview

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## Selected Financial Information

The following table highlights certain information and financial data of the Company for each of the three-month period end dates respectively. Information set forth below should be read in conjunction with the Company's audited consolidated financial statements for year ended December 31, 2019. The following tables highlights certain information and financial data of the Company for each of the three-month period end dates respectively. Certain prior period amounts have been adjusted to reflect the correct financial data for the period disclosed. Information set forth below should be read in conjunction with the Company's audited consolidated financial statements for year ended December 31, 2019.

	Three Months Ended:				
	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Revenue	34,140	8,074	13,824	2,545	-
Net loss	(613,330)	(987,232)	(1,308,787)	(2,433,777)	(1,610,566)

	as at				
	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Cash	854,081	1,454,193	2,321,588	3,562,858	5,738,132
Total assets	868,628	1,533,215	2,407,608	3,721,960	5,839,754
Total shareholders' equity (deficiency)	(2,327,697)	(1,795,114)	(966,346)	506,651	2,104,256

### Revenue

The Company's revenue was \$34,140 and \$0 during the three months ended September 30, 2020 and 2019 respectively and \$56,038 and \$390 for the nine months ended September 30, 2020 and 2019 respectively. Revenue was derived primarily from a data licensing agreement with a digital marketing agency.

The Company's management made the decision to not commence comprehensive commercialization initiatives until Wikileaf had achieved a significant market presence with regards to user traffic and engagement as well as the total number of U.S. dispensaries and brands resident on the website.

Based on the current trajectory for these key metrics, the Company initiated comprehensive monetization initiatives in the second quarter of 2020 and will begin marketing advertising, data licensing and subscription services in the fourth quarter of 2020.

### Operating Expenses

Operating expenses during the three months ended September 30, 2020 and 2019 totaled \$647,470 and \$1,610,566 respectively and \$2,965,387 and \$6,218,725 the nine months ended September 30, 2020 and 2019 respectively. The significant decrease in operating expenses for the nine months ended September 30, 2020 can be attributed primarily to transaction costs related to the Company's reverse takeover in the comparable period ended September 30, 2019. Additional decreases in the three and nine months ended September 30, 2020 is a result of the Company's workforce restructuring in the first quarter of 2020 as well as a decrease in professional fees as a result of the reverse takeover transaction in 2019. It is anticipated that operating expenses will increase in subsequent quarters, with sales and marketing initiatives related to the Company's monetization strategy.

### Marketing Expenses

	Three Months ended September 30,		2019 to 2020 % change
	2020	2019	
Marketing & Entertainment	22,106	54,958	(59.7%)

Marketing expenses during the three months ended September 30, 2020 and 2019 totaled \$22,106 and \$54,958 respectively. The decrease in marketing expenditures period-to-period is a result of a delayed expenditures on the marketing of new monetization initiatives due to the COVID-19 pandemic. We anticipate this expense item to increase with advertising and marketing related expenditures as we recommence commercialization initiatives.

	Nine Months ended September 30,		2019 to 2020 % change
	2020	2019	
Marketing & Entertainment	46,048	84,677	(45.6%)

Marketing expenses during the nine months ended September 30, 2020 and 2019 totaled \$46,048 and \$84,677 respectively. The decrease in marketing expenditures period-to-period is a result of a delayed expenditures on the marketing of new monetization initiatives due to the COVID-19 pandemic. We anticipate this expense item to increase with advertising and marketing related expenditures as we recommence commercialization initiatives.



*Professional Fees*

	<b>Three months ended September 30,</b>		<b>2019 to 2020 % change</b>
	<b>2020</b>	<b>2019</b>	
Professional Fees	140,509	493,641	(71.5%)

Professional fee expenses during the three months ended September 30, 2020 and 2019 totaled \$140,509 and \$493,641 respectively. The decrease period-to-period can be attributed to legal and audit expenses related to the Company’s reverse takeover in the comparable period ended September 30, 2019 that were not incurred in the three month period ended September 30, 2020.

	<b>Nine months ended September 30,</b>		<b>2019 to 2020 % change</b>
	<b>2020</b>	<b>2019</b>	
Professional Fees	922,863	1,410,108	(34.5%)

Professional fee expenses during the nine months ended September 30, 2020 and 2019 totaled \$922,863 and \$1,410,108 respectively. The decrease period-to-period can be attributed to legal and audit expenses related to the Company’s reverse takeover in the comparable period ended September 30, 2019 that were not incurred in the nine month period ended September 30, 2020.

*Salaries and Benefits*

	<b>Three months ended September 30,</b>		<b>2019 to 2020 % change</b>
	<b>2020</b>	<b>2019</b>	
Salaries and Benefits	338,071	558,551	(39.5%)

Salaries and benefits expense during the three months ended September 30, 2020 and 2019 totaled \$338,071 and \$558,551 respectively. The decrease in salaries and benefits can be attributed the Company’s workforce restructuring in the first quarter.





	<b>Nine months ended September 30,</b>		<b>2019 to 2020 % change</b>
	<b>2020</b>	<b>2019</b>	
Salaries and Benefits	1,442,462	1,207,117	19.5%

Salaries and benefits expense during the nine months ended September 30, 2020 and 2019 totaled \$1,442,462 and \$1,207,117 respectively. The increase in salaries and benefits can be attributed primarily to executive compensation and employee severance payments pursuant to the Company's workforce restructuring in the first quarter. This was partially offset by the Company's reduced salary expense due to workforce restructuring following the first quarter. On March 27, the Government of Canada announced the Canadian Emergency Wage Subsidy ('CEWS') to assist businesses during the COVID-19 pandemic. Under this program, qualifying businesses can receive up to 75% of their employees' wages, up to a maximum of \$847 per week per employee. The Company received a Canadian government grant pursuant to the CEWS in the amount of \$43,748 which provided for an offset to Salaries and benefits.

### **Outstanding Share Data**

As of the date of this MD&A, 113,715,484 common shares are issued and outstanding.

<b>Share Capitalization</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Common shares	113,715,484	113,715,484

### **Loss per share**

Basic and diluted loss per share for the three months ended September 30, 2020 and 2019 was (\$0.01) per share and (\$0.02) respectively. The decrease in loss per share is a result of the decrease in operating expenses from period-to-period, related primarily to a decrease salaries and benefits due to workforce restructuring in Q1 2020 and a decrease in professional fees associated with the Company's reverse take over, partially offset by the increase in the weighted average number of shares outstanding.

Basic and diluted loss per share for the nine months ended September 30, 2020 and 2019 was (\$0.03) per share and (\$0.07) respectively. The decrease in loss per share is a result of the decrease in operating expenses from period-to-period, related primarily to professional fees and transaction costs related to the Company's reverse take over, partially offset by the increase in the weighted average number of shares outstanding.



## Stock Options

As of the date September 30, 2020, 12,147,900 stock options have been granted and outstanding.

Stock options on January 1, 2020	13,960,356
Issuance of stock options	3,635,000
Forfeited stock options	(5,447,456)
Stock options on September 30, 2020	12,147,900

As of the date of this MD&A, 12,147,900 stock options were outstanding.

## Restricted Stock Units

As of the date September 30, 2020, 1,750,000 restricted stock units ('RSU's) have been granted and outstanding.

	<b>No. of RSUs</b>
RSUs on January 1, 2020	-
Issuance of RSUs	1,750,000
Forfeited RSUs	-
RSUs on September 30, 2020	1,750,000

As of the date of this MD&A, 1,750,000 RSUs were outstanding.

## Liquidity and Capital Resources

	<b>Three Months Ended September 30, 2020</b>	<b>2019</b>
Net cash used in operating activities	(585,890)	(1,244,932)
Net cash from investing activities	-	5,661,936
Net cash from financing activities	-	854,251

As at September 30, 2020, the Company had a cash balance of \$854,081 (December 31, 2019: \$3,562,858). The Company had current liabilities of \$3,196,325 (December 31, 2019: \$3,215,309).



The Company's net cash used in operations for the three months ended September 30, 2020 and 2019 was (\$585,890) and (\$1,244,932) respectively.

The decrease was largely attributed to decreased operating expenditures from the prior year period. The Company anticipates a negative cash flow from operations for the foreseeable future.

The Company's cash from investing for the three months ended September 30, 2020 and 2019 was \$0 and \$5,661,936 respectively. The significant decrease can be attributed to cash received pursuant to the reverse takeover transaction in the comparable period ended September 30, 2019. The Company does not anticipate any material capital expenditures in the foreseeable future.

The Company's cash from financing for the three months ended September 30, 2020 and 2019 was \$0 and \$854,251 respectively. The decrease can be attributed to no advances being received from the parent in the nine month period ended September 30, 2020.

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash used in operating activities	(2,701,338)	(2,751,858)
Net cash from investing activities	4,512	5,947,809
Net cash from financing activities	-	2,320,330

The Company's net cash used in operations for the nine months ended September 30, 2020 and 2019 was (\$2,701,338) and (\$2,751,858) respectively. The decrease was largely attributed to decreased operating expenditures. The Company anticipates a negative cash flow from operations for the foreseeable future.

The Company's cash from investing for the nine months ended September 30, 2020 and 2019 was \$4,512 and \$5,947,809 respectively. The decrease can be attributed to cash received pursuant to the reverse takeover transaction in the comparable nine month period ended September 30, 2019. The Company does not anticipate any material capital expenditures in the foreseeable future.

The Company's cash from financing for the nine months ended September 30, 2020 and 2019 was \$0 and \$2,320,330 respectively. The significant decrease can be attributed to the difference in no advances being received the from the parent in the nine month period ended September 30, 2020.



Since inception, the Company has incurred operating losses. As at September 30, 2020, the Company has an accumulated deficit of \$19,151,182. The Company has not yet completed its efforts to establish a stabilized source of revenue sufficient to cover operating expenses and relies on support from its shareholders to cover such expenses. Based on the current level of expenditures and available liquidity, management estimates that the timeline to sustain the operations of the Company is limited to within the next three months of the date of issuance of these interim consolidated financial statements.

The Company is actively seeking to secure additional funding through: equity-based financing, debt financing or through other arrangements; however, there is no assurance that the Company will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

The Company entered into a related party transaction with its parent company Nesta Holding Co. ('Nesta') The arrangement required the Company to pay a fee of US\$60,000 (US\$60,000 in 2019) per quarter to Nesta for management services rendered. For management fees for February 2020, the Company negotiated a reduced amount of US\$12,000 for one month. Then, as of March 1, 2020, the previous arrangement was terminated and a new arrangement was entered into, requiring the Company to pay a fee of \$5,650 per month for management services rendered. As at September 30, 2020, there is an amount of \$859,346 (\$5,650 and US\$640,000) (US\$660,000 as at December 31, 2019) of management fees accrued.

The amount included in expenses for the three and nine month periods ended September 30, 2020 is \$16,950 (\$79,238 (US\$60,000) in 2019) and \$82,687 (US\$32,000 and \$39,550) (\$239,236 (US\$180,000) in 2019) respectively.

In addition, unsecured promissory notes and advances were issued to Nesta and a company exercising significant influence over the Company. As at September 30, 2020, the outstanding balance of notes payable to Nesta is \$487,067 (US\$365,145) (\$474,250 (US\$365,145) as at December 31, 2019). The notes bear interest at prime rate plus 1% (4.25%; 5.75% as at December 31, 2019).



As at September 30, 2020, there is \$167,114 (US\$125,282) of interest payable accrued from the notes payable to Nesta (\$146,240 (US\$112,596) as at December 31, 2019) of which \$105,709 (US\$79,247) is payable to Nesta and \$61,405 (US\$46,035) is payable to the company exercising significant influence (\$86,450 (US\$66,561) and \$59,790 (US\$46,035) as at December 31, 2019, respectively.)

For the three and nine month periods ended September 30, 2020, there is an amount of \$5,207 (US\$4,896) (\$7,836 (US\$5,934) in 2019) and \$17,178 (US\$8,770) (\$23,659 (US\$17,801) in 2019) included in expenses.

The note payable to Nesta and related interest, as well as advances from Nesta for operations, are all due upon demand. The management fees are due as the services are rendered and at the latest upon a change in control of the Company. Nesta has provided acknowledgement that it will not seek repayment of any of these amounts until the Company has revenue of \$2,500,000 or on the occurrence of a significant financing of over \$5,000,000 or by conversion of these amounts into common shares at the applicable trading price of the shares on the CSE at the discretion of Nesta.

## **Risk Factors**

The Company's business is subject to a number of risk factors which are described under the heading 'Risk Factors' in our Listing Statement filed on September 25, 2019. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

### *COVID-19 Pandemic*

The Company is closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of its business. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020. COVID-19 has had a major impact on the global economy and the financial markets. The Company is prepared to adjust their strategies in order to minimize the impact and due to the online nature of the Company's operations, the business has still been able to operate. As a result of additional losses due to the pandemic, the Canadian federal government granted the Company a wage subsidy of \$43,748 for the period ended September 30, 2020. This crisis may cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations.



### *Risks related to the U.S. Regulatory System*

The Company's involvement in the US cannabis industry is limited and its industry involvement of cannabis activities is "Ancillary" through direct control of a website that provides services to third parties who are involved in the US cannabis industry. The online advertising of cannabis is considered illegal under U.S. Federal Law and it is possible that the Company could be found to be violating laws relating to cannabis. While the Company is not directly or indirectly involved in the cultivation, manufacture or distribution of cannabis or cannabis-related products, the Company's business partners are directly or indirectly engaged in the medical and recreational cannabis industry in the United States where local State law permits such activities.

Further, the distribution, possession, and consumption of cannabis remains illegal under U.S. Federal Law. As a result, it is possible that the Company could be found to be violating laws relating to cannabis.

### *Risk related to Third Party Service Providers*

The Company relies on a number of third party service providers such as independent software developers, point-of-sale and compliance software providers and website hosting providers, as well as its own facilities, including internal technology to host and deliver its products and services. Any interruptions or delays in services from these third parties could impair the delivery of the Company's products and services, thereby harming the Company's business and reputation. The Company hosts its products and services on multiple third-party data facilities. While the Company operates through these facilities, the Company does not control the operation or service level requirements of these facilities. These service providers could be subject to cyber-attacks, break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. A natural disaster or an act of terrorism, a decision to close the services providers' facilities without adequate notice, capacity limitations at the facilities, and other unanticipated problems could result in lengthy interruptions in availability of the Company's products and services, which could adversely affect the Company's reputation and its revenue.

### *Reliance on Key Personnel*

The Company's future success depends, to a significant extent, on the continued service of its key technical and management personnel and on our ability to continue to attract and retain qualified employees. The loss of the services of our employees or a failure to attract, retain and motivate qualified personnel could have a material adverse effect on our business, financial condition and results of operations. We do not have "key man" insurance on any of our personnel.

### *Requirements for Further Financing*

The Company may need to obtain further financing, whether through debt financing, equity financing or other means. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current operations, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost. The raising of equity funding would also result in dilution of the equity of the Company's shareholders.

### **Financial Risk Factors**

The Company's financial instruments consist of cash, trade accounts receivable and trade and other payables. Management has disclosed the impact of interest rate, credit, liquidity and foreign currency risk below and in the unaudited interim condensed consolidated financial statements.

#### *Interest rate risk*

The Company has notes payable from its Parent Company subject to variable interest rates.

#### *Credit risk*

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is subject to credit risk due to its trade accounts receivable and cash. The credit risk is considered negligible since the counterparties are reputable financial institutions with high quality external ratings.

#### *Liquidity risk*

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company manages its liquidity needs by forecasting cash inflows and outflows due in day-to-day business. The Company's objective is to maintain cash to meet its liquidity requirements on a monthly basis. The Company considers expected cash flows in assessing and managing liquidity risk, in particular its cash resources.

### *Foreign exchange risk*

Foreign exchange risk is not considered significant as the majority of the Company's cash is in Canadian dollars, however some expenses are settled in U.S. dollars. Currency risk results from the Company's expenses denominated in U.S. dollars.

## **Critical Accounting Policies and Estimates**

The Company has prepared the accompanying audited consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRS**”). Significant accounting policies and estimates are described in Notes 4 and 5 of the Company's consolidated financial statements as at December 31, 2019 and 2018, except for the following:

### **Government grant income**

Government grants are recognized when they have been earned and there is reasonable assurance that the grants will be received. Government grants are recognized as a reduction of the related expenses.

The preparation of consolidated financial statements according to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Significant accounting estimates:

- The valuation of share options issued.

Significant accounting judgments:

- The evaluation of the Company's ability to continue as a going concern.
- The extent to which the deferred tax assets can be recognized and utilized based on the assessment of the probability of the Company's future taxable income.