POTENT VENTURES INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

This management's discussion and analysis ("MD&A") discusses the activities and financial position of Potent Ventures Inc. (the "Company") for the year ended September 30, 2021. The following information should be read in conjunction with the consolidated financial statements of the Company for the year ended September 30, 2021 and the year ended September 30, 2020 and the related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in United States Dollars unless otherwise stated. For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Company, please see "Risk Factors". Additional information can be accessed through the SEDAR website at www.sedar.com. The Company trades on the CSE under the symbol POT. This report is dated – January 28, 2022.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward- looking statements that involve substantial known and unknown risks and uncertainties. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, use of proceeds, corporate vision, proposed acquisitions, partnerships, joint-ventures and strategic alliances and cooperation's, budgets, cost and plans and objectives of or involving the Company. Such forward- looking information reflects management's current beliefs and is based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. A number of known and unknown risks, uncertainties and other factors may cause the actual results or performance to materially differ from any future results or performance expressed or implied by the forward-looking information. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company including, but not limited to, the impact of general economic conditions, industry conditions and dependence upon regulatory approvals. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The Company does not assume any obligation to update or revise its forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws.

DESCRIPTION OF BUSINESS

Potent Ventures Inc.'s formula is to identify and aggregate great brands that are undervalued, deliver capital and expertise, grow and expand with a focus on building ubiquitous lifestyle brands.

Potent Ventures exists to serve people's desires for wellness and happiness by harnessing the properties of plant based products to develop quality products and create experiences that enhance our customers' lifestyles.

KEY DEVELOPMENTS DURING THE YEAR

On February 22, 2021, the Company closed a non-brokered private placement of 35,272,004 units at a price of CAD $0.0425 per unit, raising gross proceeds of $1,188,455 (CAD $1,499,060). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CAD $0.0575 for a period of 2 years from the issue date.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations. As of January 27, 2022, the extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated.

KEY DEVELOPMENTS SUBSEQUENT TO YEAR END

Closing of Private Placement

October 13, 2021, the Company has completed its first closing of a non-brokered private placement of up to $2,000,000 (the "Offering"). The Company accepted subscriptions for 15,430,000 units at a price of CDN $0.04 per Unit, raising gross proceeds of CDN$617,200. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CDN$0.05 for a period of 2 years from the issue date. All of the securities issuable in connection with the offering will be subject to a hold period expiring four months and one day after date of issuance.

Insiders participation in the offering was for an aggregate amount of CDN $27,000 comprising 675,000 Units representing 4% of the offering. Such participation is considered a related party transaction within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The related party transaction is exempt from minority approval and valuation requirements pursuant to the exemptions contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the securities to be issued under the Offering nor the consideration to be paid by the insiders exceeds 25% of the Company's market capitalization.

In connection with the closing of the private placement, the Company paid finder's fees of $30,416 in cash and issued 860,400 finder's warrants. The finder's warrants hold the same terms of the warrants issued as part of the Units. The proceeds will be used for general working capital and potential acquisitions.

Change Scope of Business

December 16, 2021, the Company has placed an initial purchase order with a Canadian based gummy manufacturer for the production of innovative better-for-you gummy products (the "Purchase Order").

"Within the multi-billion dollar gummy industry, we have identified a compelling, and early stage opportunity, focusing on plant-based better-for-you gummy products. The gummy and jelly industry is valued at over $20 billion (CAD) with significant upside and with the right branded products and our new manufacturing partner, we believe that we can enter and penetrate that market in a matter of months," said Potent President, CEO and Director, Mr. Charlie Lamb.

"Our initial line of products will be made with the highest quality, most sustainable plant-based ingredients in the world. Current consumer trends show that the world is adapting, and people are looking for sustainable and healthy alternatives to high sugar candy without sacrificing taste. The Company's long-term vision will be to develop and commercialize new products as new product categories emerge in the gummy and health and wellness industry," added Mr. Lamb.

(Expressed in United States Dollars unless otherwise stated)

Change of Business Name and Stock Symbol

December 22, 2021, the Company announced that the Company will change its name to "The Gummy Project", with a new stock symbol "GUMY".

The Company expects the name change and ticker change to become effective upon the Canadian Securities Exchange ("CSE") approving the "listing statement" and the "change of business" being approved by shareholders (such date hereinafter referred to as the "Effective Date").

"The name and ticker change are necessary as part of the overall proposed rebranding process and to accurately reflect what we expect our primary business strategy to be moving forward and our portfolio of products", said Charlie Lamb, President and CEO of the Company.

The Company will continue to trade under the CSE stock symbol "POT" until the Effective Date

SELECTED ANNUAL FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The following table sets out selected financial information with respect to the Company's audited financial statements for the year ended September 30, 2020, and the year ended September 30, 2021. The following should be read in conjunction with the 2021 and 2020 Annual Financial Statements.

Summary of Operations	September 30 2021	September 30 2020	September 30 2019
Revenue	$ 47,297	$ 133,379	$ 7,144
Cost of goods sold	44,466	89,644	3,543
Gross margin	2,831	43,735	3,601
Gross margin %	6%	33%	50%
Total expenses	$ 1,752,305	$ 1,940,070	$ 7,056,328
Net loss for the year	(1,983,353)	(3,439,524)	(44,102,824)
Basic and diluted loss per share - continuing operations	(0.03)	(0.08)	(6.10)
Basic and diluted loss per share - discontinued operations	-	(0.02)	(0.15)

Balance Sheet Summary	September 30 2021	September 30 2020	September 30 2019
Current assets	$ 727,484	$ 934,240	$ 1,922,847
Total assets	888,374	1,140,169	3,214,433
Current liabilities	41,227	24,992	306,957
Non-current liabilities	25,910	42,709	-
Total liabilities	67,137	67,701	306,957
Working capital	686,257	909,248	1,615,890

Revenue for the year ended September 30, 2021 was $47,297 (2020 - $133,379). The revenues were primarily generated in Oklahoma from the sale of Wknd! and Orchard Heights branded products. Margins on branded products were 6% compared to 33% in the prior year. Revenue in the comparative period was earned in the Washington market upon the Company's initial launch and thus had a different margin profile.

During the year ended September 30, 2021 total expenses were $1,752,305 compared to $1,940,070 in the prior year. General and administrative expenses were $1,053,017 compared to $1,212,441, a decrease of 13%. Share-based compensation of $501,071 compared to $329,800, it was related to stock options granted during the period to retain consultants.

Working capital decreased primarily due to cash used in operating activities. No dividends were declared or paid during the prior three years.

Summary of significant Balance Sheet items

The primary factors affecting the changes to the balance sheet items were as follows:

- The Land in Northern BC was written down to the expected net realizable value of $70,803.
- Recorded an impairment charge of $44,906 in relation to the loan issued to a MDFD Holdings LLC upon a final settlement payment of $55,000.
- Cash used in operations was $1,260,364 compared to $1,619,140 in the comparative period of 2020.
- Cash proceeds of $1,188,455 from issuance of common shares.

Discussion of annual results – year ended September 30, 2021:

During the year ended September 30, 2021, the Company incurred a net loss from continuing operations of $1,983,354 or $0.03 per share (2020 - $2,770,107, $0.10 per share). The primary factors affecting the magnitude and variations of the Company's financial performance were as follows:

- Revenue for the period was $47,297 compared to $133,379 for the comparative period of the prior year. In the prior year revenues were primarily attributable to the Washington market. Oklahoma sales commenced in December 2019 and represented the majority of the sales for the prior period. The Company has now ceased operations in Washington therefore all sales were generated in Oklahoma.
- Cost of goods sold were $44,466 (2020 - $89,644) which yielded gross margin of $2,831 (2020 - $43,735) or 6% of revenue (2020 – 33%).
- Advertising, marketing, and brand development costs decreased to $3,736 from $274,903 in the comparative period. The Company carried out minimal brand development and advertising during the period.
- Professional fees of $173,028 (2020 – $344,481) were related to audit, tax, and legal and regulatory related charges related to the share split and annual general meeting.
- Share-based compensation of $501,071 (2020 – $329,800) include options granted for directors, officers, and consultants.

  Consulting fees of $468,895 (2020 - $259,705) related primarily to internal contractors and business development
- Management fees of $366,898 (2020 – $375,587) related to management and director fees.
- Travel and entertainment was $6,300 (2020 – $42,759). During the current year management reduced travel and entertainment expenses and was unable to travel extensively due to COVID-19.

- The Company recorded an impairment on loan receivable of $44,906 in relation to the early settlement of a loan with MDFD Holdings LLC. In the prior year the Company recorded impairment of loans receivable of $315,298.

- The Company recognized an impairment expense of $85,011 in relation to the sale of land which comprised the Company's Norther Lights Organics Hemp project. The Northern Lights Organics Hemp project was halted during the year ended September 30, 2020.

- The Company recorded impairment of inventory of $16,011 (2020 - $89,129) in relation to the remaining Weekend and Orchards Heights inventory held in Oklahoma. Subsequent to the year ended September 30, 2021 the Company announced plans to change business strategy to non-THC products therefore the inventory was rendered obsolete. The prior year impairment related to inventory specifically labeled for Washington State of which was no longer expected to be sold in fiscal 2021.

- The Company recorded an impairment of inventory deposits in the amount of $99,988 which was related to inventory which was indirectly acquired from a Company with a Common Director and officer, Brian Keane.

Discussion of fourth quarter results – three month period ended September 30, 2021:

During the three month period ended September 30, 2021, the Company incurred a net loss from continuing operations of $272,949 or $0.01 per share (three months ended September 30, 2020 - $876,111, $0.02 per share). The primary factors affecting the magnitude and variations of the Company's financial performance were as follows:

- Revenue for the period was $Nil compared to $38,871 for the comparative period of the prior year. In the prior year revenues were primarily attributable to the Washington market. Oklahoma sales commenced in December 2019 and represented the majority of the sales for the prior period. The Company has now ceased operations in Washington therefore all sales were generated in Oklahoma.

- Cost of goods sold were $Nil (three months ended September 30, 2020 - $26,704) which yielded negative gross margin of $Nil (three months ended September 30, 2020 - $12,167) or -Nil% of revenue (three months ended September 30, 2020 – 31%).

- Advertising, marketing, and brand development costs decreased to $934 from $120,547 in the comparative period. The Company carried out minimal brand development and advertising during the period.

- Professional fees of $21,048 (three months ended September 30, 2020 – $55,758) were related to audit, tax, and legal and regulatory related charges related to the share split and annual general meeting.

- Share-based compensation of $NIL (three months ended September 30, 2020 – $31,951) include options granted for directors, officers, and consultants.

- Management fees of $76,064 (three months ended September 30, 2020 – $180,959) related to management and director fees. The increase of $30,072 was due to changes in amounts paid to directors and officers as a result of numerous management changes as compared to the prior year.

- Travel and entertainment was -$Nil (three months ended September 30, 2020 – $3,009). During the current year management reduced travel and entertainment expenses and was unable to travel extensively due to COVID-19.

- The Company recorded impairment of inventory of $16,011 (2020 - $89,129) in relation to the remaining Weekend and Orchards Heights inventory held in Oklahoma. Subsequent to the year ended September 30, 2021 the Company announced plans to change business strategy to non-THC products therefore the inventory was rendered obsolete. The prior year impairment related to inventory specifically labeled for Washington State of which was no longer expected to be sold in fiscal 2021.

- The Company recorded an impairment of inventory deposits in the amount of $99,988 which was related to inventory which was indirectly acquired from a Company with a Common Director and officer, Brian Keane.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters with the figures for each quarter in United States Dollars:

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	$ -	$ 2,256	$ 16,698	$ 28,354
Net loss	(272,948)	(581,572)	(775,413)	(353,420)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Weighted average shares outstanding	81,566,088	81,566,088	52,210,366	45,039,684

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenue	$ 38,871	$ 68,197	$ 20,604	$ 5,707
Net loss	(876,111)	(894,061)	(1,162,573)	(506,779)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.01)
Weighted average shares outstanding	46,895,424	43,516,708	43,894,768	35,348,460

*The above has not been adjusted for discontinued operations.

Quarter ended September 30, 2021: The Company reported revenue of $Nil as the Company determined to pursue a new business strategy in plant based non-THC gummies. Net loss of $272,948 was primarily attributed to general and administrative expense of $154,934, professional fees of $21,048, impairment of inventory of $16,011, and impairment of inventory deposit of $99,988.

Quarter ended June 30, 2021: The Company reported revenue of $2,256 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of $581,572 was attributed to general and administrative expense of $230,524, professional fees of $29,723, and share-based compensation of $294,667.

Quarter ended March 31, 2021: The Company reported revenue of $16,698 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of $775,413 was attributed to general and administrative expense of $500,704, professional fees of $62,640, and share-based compensation of $206,404.

Quarter ended December 31, 2020: The Company reported revenue of $28,354 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of $353,420 was attributed to general and administrative expense of $166,855, professional fees of $58,265, impairment of loan receivable of $45,000, and impairment of assets held for sale of $85,011.

Quarter ended September 30, 2020: The Company reported revenue of $38,871 primarily related to sales of Orchard Heights products in Oklahoma. Net loss of $876,111 was attributed to general and administrative expense of $373,139, professional fees of $32,140, impairment of property and equipment of $309,573, and impairment of inventory of $89,129.

Quarter ended June 30, 2020: The Company reported revenue of $68,197 primarily related to sales of Orchard Heights products in Oklahoma.. Net loss of $894,061 was attributed to general and administrative expense of $699,670, professional fees of $64,973, and impairment of loan receivable of $200,000

Quarter ended March 31, 2020: The Company reported revenue of $20,604 primarily related to sales of Orchard Heights products in Oklahoma and Washington. Net loss of $1,162,573 was attributed to general and administrative expense of $362,033, professional fees of $158,594, share based compensation of $326,285, impairment of loan receivable of $93,863, and impairment of property and equipment of $332,856.

(Expressed in United States Dollars unless otherwise stated)

Quarter ended December 31, 2019: The Company reported revenue of $5,707 primarily related to sales of Orchard Heights products in Oklahoma and Washington. Net loss of $506,779 was attributed to general and administrative expense of $344,007, professional fees of $94,252, and share based compensation of $35,466.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition, organic growth and contractual obligations. The Company monitors its liquidity primarily by focusing on working capital.

As at September 30, 2021, the Company had working capital of $686,257 (September 30, 2020 – $909,248). The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021 the Company had sufficient cash to settle current liabilities.

The table below highlights the Company's cash flows during the year ended:

Net cash provided by (used in)	September 30 2021	September 30 2020
Operating activities	$ (1,260,364)	$ (1,619,140)
Investing activities	150,803	764,502
Financing activities	1,194,109	767,964
Effect of exchange rate on cash	(6,729)	(97,289)
Cash, beginning	638,982	822,945
Cash, end	716,801	638,982

As at September 30, 2021 the Company's total liabilities were $67,137 (September 30, 2020 - $67,701).

The Company has limited cash flow from operations and may require additional capital to expand its operations to achieve profitable scale of operations. The Company has minimal financial obligations at this time and expects its liquidity to be sufficient for the following year.

There are no sources of financing arranged but not yet used by the Company. There are no commitments for capital expenditures.

OUTSTANDING SHARE DATA

Details of the Company's capitalization are as follows:

	September 30, 2021	Date of MD&A
Common shares	81,566,088	97,853,230
Warrants	43,819,804	59,249,804
Stock options	16,192,000	16,192,000

The Company has an unlimited number of common shares authorized for issuance.

(Expressed in United States Dollars unless otherwise stated)

USE OF ESTIMATES, ASSUMPTIONS, AND JUDGEMENTS

See Note 3 to the year end September 30, 2021 consolidated financial statements.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals.

During the year ended September 30, 2021, the Company entered the following key management transactions:

Key Management Remuneration:		**September 30, 2021**		**September 30, 2020**
Charlie Lamb - CEO, Director	$	162,891		84,782
Robert Payment - CFO, Director		132,108		42,391
Brian Keane - Director		45,000		30,000
Michael Young - Former Director		26,900		5,000
Chris Backus - Former CEO, Director		-		184,346
Michael Hopkinson - Former CFO		-		2,975
David Parchomchuk - Former Director		-		18,593
Kevin Ernst - Former Director		-		7,500
Total	$	366,899	$	375,587

- Share-based compensation of $134,653 (2020 - $87,994) was related to directors, officers, and a former officer.

Other related party transactions include:

- The Company recorded an impairment of inventory deposits in the amount of $99,988 which was related to inventory which was indirectly acquired from a Company with a Common Director and officer, Brian Keane.
- Included in accounts payable is $10,000 owing to Robert Payment for consulting fees.
- In February 2020, the Company advanced Love Hemp Group Plc ("LHG") an unsecured demand loan of $116,347 (CAD $140,000) bearing interest of 5%. LHG was considered a related party due to a common director of each Company (Note 6).

PROPOSED TRANSACTIONS

None.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting policies

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements

SUBSEQUENT EVENTS

Subsequent to September 30, 2021 the Company completed the following transactions:

- October 13, 2021, the company has completed a first closing of a non-brokered private placement of up to $2,000,000 (the "Offering"). The Company accepted subscriptions for 15,430,000 units at a price of CDN $0.04 per Unit, raising gross proceeds of CDN$617,200. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share for CDN$0.05 for a period of 2 years from the issue date. All of the securities issuable in connection with the offering will be subject to a hold period expiring four months and one day after date of issuance

- December 22, 2021, the Company announced that the Company will change its name to "The Gummy Project", with a new stock symbol "GUMY". The Company expects the name change and ticker change to become effective upon the Canadian Securities Exchange ("CSE") approving the "listing statement" and the "change of business" being approved by shareholders (such date hereinafter referred to as the "Effective Date"). The Company will continue to trade under the CSE stock symbol "POT" until the Effective Date..

- December 22, 2021, The Company issued 428,571 common shares of the Company to two separate consultants, for an aggregate total of 857,142 common shares, pursuant to each of their existing contracts with the Company. The common shares are being issued at a deemed value $0.035 per common share.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair representation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash is carried at fair value using a level 1 fair value measurement. The recorded values of receivables, loans receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and loans receivables. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. Receivables consists of amounts due from the Government of Canada in which management believes the credit risk to be minimal. The Company does not have significant credit risk with respect to customers. The Company's remaining loans are considered to have a low risk of default. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company regards liquidity risk to be low as it has sufficient working capital to for at least the next year.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at September 30, 2021, the Company had cash, receivables, accounts payable and accrued liabilities, denominated in Canadian Dollars. A 10% fluctuation in the foreign exchange rate between the USD and Canadian Dollar would have a $90,000 impact on profit or loss for the year. The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

RISK FACTORS

Readers should carefully consider the following risk factors in addition to the other information contained in this Management's Discussion and Analysis. The risks and uncertainties below are not the only ones related to the Company. There are additional risks and uncertainties that the Company does not presently know of or that the Company currently considers immaterial which may also impair the Company's business operations. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

The Company is subject to significant regulatory risks with respect to its operations in the United States. See "Risk Factors Related to the United States Regulatory System."

GENERAL RISK FACTORS OF THE COMPANY'S OPERATIONS

The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.

The Company has a very limited history of operations, is comprised of several newly acquired subsidiaries, and is in the early stage of development and must be considered a start up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the Company's early stage of operations.

Shareholders should consider and evaluate the Company's operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that the Company may not have sufficient capital to achieve its growth strategy;
- risks that the Company may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that they Company's growth strategy may not be successful;
- risks that fluctuations in the Company's operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

There is no assurance that the Company will generate a profit or generate revenues.

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

Uncertainty about the Company's ability to continue as a going concern.

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the adult use and medical cannabis industry and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. It is expected that external financing, predominantly by the issuance of equity and debt, will be required to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Limited Operating History.

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company has a history of losses, may incur significant losses in the future and may not achieve or maintain profitability.

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

The Company had negative cash flows since inception

To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

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

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

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

Under applicable Canadian and U.S. regulations, there are restrictions on the type and form of marketing that can be undertaken with respect to cannabis products, which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada, and U.S. regulatory authorities. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. The regulatory environments in which the Company operates may in the future also further restrict the type and form of marketing which could limit the Company's ability to compete for market share. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The legal adult use and medical cannabis industry are relatively new in Canada and the U.S., and this industry may not continue to exist or grow as anticipated.

The Company will be operating its business in the relatively new cannabis industry. In addition to being subject to general business risks, the Company's business involves an agricultural product and a regulated consumer product and therefore the Company will need to build brand awareness in this industry through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all. Competitive conditions, consumer preferences, patient requirements and spending patterns in this new industry are relatively unknown and may have unique circumstances that differ from existing industries.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the cannabis industry and market could have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in Laws, Regulations, and Guidelines

The *Cannabis Act* came into force on October 17, 2018 and was subsequently amended on October 17, 2019. However, uncertainty remains with respect to the implementation of the *Cannabis Act* and federal regulations thereunder, as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. The implementation of the legislative framework pertaining to the Canadian cannabis market remains everchanging and uncertain. The impact of new laws, regulations, and guidelines on the business of the Company, including increased costs of compliance and other potential risks, cannot be predicted, and accordingly, the Company may experience adverse effects.

There is no assurance that the Company will obtain and retain any relevant licenses.

State licenses in the U.S. are subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

Further, the Company's ability to grow, store and sell cannabis in Canada is dependent on the ability of the Company to obtain a license to do so from Health Canada. The Company does not currently hold a license from Health Canada and there can be no assurance that the Company will receive such a license in a timely manner, or at all. The licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company may be unable to attract or retain key personnel with sufficient experience in the cannabis industry and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success.

The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of a key management personnel or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. The Company does not currently maintain key-person insurance on the lives of any of its members of management.

Risks relating to Reliance on Management.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While formal agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Conflicts of interest may arise between the Company and its directors and officers as a result of other business activities undertaken by such individuals.

The Company may be subject to various potential conflicts of interest because of the fact that some of its directors and executive officers may be engaged in a range of business activities. In addition, the Company's directors and executive officers may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company and subject to any contractual restrictions restricting such activities. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with business interests that interfere with their ability to devote time to the Company's business and affairs, which could adversely affect Company operations. These business interests could require significant time and attention of the Company's executive officers and directors.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and policies of the Company. For example, a director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it and absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. In accordance with applicable laws, the directors of the Company are required to act honestly and in good faith with a view to the best interests of the Company.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

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

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, unreliability of delivery and other related risks.

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

The Company may compete for market share with other companies, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company.

The Company does and expects to continue to face intense competition from other companies operating in the same industry, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, there is potential that the Medical Cannabis and Recreational Cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and product offerings that are greater than those of the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed on terms it considers acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's business, financial condition and results of operations.

As well, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of cannabis for medical purposes in some form or another. Increased international competition and/or limitations placed on the Company by Canadian regulators may lower the demand for the Company's products on a global scale.

The Company may seek to expand its business and operations into jurisdictions outside of Canada and the U.S. and there are risks associated with doing so.

The Company may in the future expand its operations and business into jurisdictions outside of Canada and the U.S. There can be no assurance that any market for the Company's products will develop in any such foreign jurisdiction. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit the Company's capability to successfully expand its operations and may have a material adverse effect on the Company's business, financial condition and results of operations.

Unfavourable publicity or consumer perception.

The legal cannabis industry in the United States, Canada, and internationally is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and recreational cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, Medical Cannabis as opposed to legalization in general).

The Company believes its business will be highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of cannabis products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for cannabis products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

The Company's ability to gain and increase market acceptance of its proposed cannabis business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing.

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. Holders of Common Shares will have no pre-emptive rights in connection with such further issues of equity securities and the Board will have the discretion to determine if an issuance of equity securities is warranted, the price at which such issuance is effected and the other terms of issue.

If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Ability to Access Private and Public Capital.

The Company has historically relied entirely on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely almost exclusively on the capital markets to finance its business in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. legal cannabis industry have been successful in raising substantial amounts of private and public financing. However, there is no assurance the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company. The Company's involvement in the medical and recreational cannabis industry may be illegal under the applicable federal laws of the United States and may be illegal under other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the assets of the Company.

The Company may be subject to litigation in the ordinary course of its business.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of the Company, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Risks related to volatility in Currency exchange rates.

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business revenue could be earned in U.S. dollars but that a substantial portion of its operating expenses incurred in Canadian dollars. The depreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Company's U.S. operations and materially adversely affect the results presented in the Company's financial statements. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results.

The Company intends to continue to expand operations globally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place. However, in the future, it may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

Anti-Money Laundering Laws and Regulations.

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act* of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

The Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Product Liability.

The Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

Product Recalls.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company intends to have detailed procedures in place for testing finished products, there can be no assurance that any problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of the brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Environmental and Employee Health and Safety Regulations.

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

Operating Risk and Insurance Coverage.

The Company carries insurance to protect its assets, operations and employees. While the Company believes insurance coverage can adequately address all material risks to which it may be exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Uninsurable Risks.

The medical and adult use cannabis business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Management of Growth.

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Enforcement of Legal Rights.

In the event of a dispute arising from the Company's U.S. operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Success of Quality Control Systems.

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Inability to Obtain or Renew Material Leases.

The Company may be unable to obtain, renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Company's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Company's leases, the Company may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Company's operations could have an adverse effect on its financial condition and results of operations.

Inability to Protect Intellectual Property.

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

Risks Concerning Banking.

The U.S. federal prohibitions on the sale of cannabis may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. The Company is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Company. Additionally, similar risks are associated with potentially large amounts of cash at its business locations. These locations require heavy security with respect to holding and transport of cash.

The guidance provided in the FinCEN Memo may change depending on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Company's access to banking services. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

The Company is reliant on third-party suppliers, manufacturers and contractors.

The Company intends to maintain a full supply chain for the provision of products and services to the adult use and medical cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

International operations will result in increased operational, regulatory and other risks.

The Company may in the future expand into other geographic areas, which could increase operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. We may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with our existing operations.

RISKS RELATED TO THE COMPANY'S SECURITIES

Limited Market for Securities.

There can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

The market price of the Common Shares may be subject to wide price fluctuations.

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

It is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future.

The Company will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including earnings, operating results, financial condition, current and anticipated cash needs, and restrictions in financing agreements.

RISK FACTORS RELATED TO THE UNITED STATES REGULATORY SYSTEM

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities* ("CSA Notice 51-352"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved. In accordance with CSA Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

United States federal overview.

In the U.S., 33 states and Washington D.C. have legalized Medical Cannabis, while 10 states and Washington D.C. have also legalized adult-use Recreational Cannabis. At the federal level, however, cannabis currently remains a

Schedule I controlled substance under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of accepted safety for the use of the drug under medical supervision. As such, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

While technically illegal, the U.S. federal government's approach to enforcement of such laws has trended toward non-enforcement. The Company expects President Biden's administration to view cannabis in a more favourable manner; however, no immediate changes to federal law or policy are expected.

Some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law.

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company intends to manufacture, distribute and sell adult use and/or medical cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, and aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.

Should the federal government in the U.S. begin prosecuting those dealing in medical or other cannabis under applicable law, there may not be any market for the Company's products and services in the U.S.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the Tax Code.

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business expenses, the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. The Company's current financial plans include federal tax payable on gross profit rather than is typical in other jurisdictions on earnings before tax.

There is uncertainty surrounding the new U.S. Presidential Administration and its influence and policies in respect of the cannabis industry as a whole.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Biden administration will change the current enforcement policy in respect of federal laws, notwithstanding indications of support. The Company intends to actively monitor the new Biden administration for developments with respect to federal law and policy.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. In the event the Company expands into other U.S. jurisdictions, it plans to undertake no cross-border commerce related to THC products between states until the federal regulatory environment permits such commerce to occur.

Banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the *U.S. Bank Secrecy Act*. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA.

U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company's business operations may come under additional scrutiny by governmental and non-governmental agencies.

The cannabis industry may come under scrutiny or further scrutiny by the United States Food and Drug Administration (the "**FDA**"), the U.S. Securities and Exchange Commission, the United States Department of Justice, the Financial Industry Regulatory Advisory or other federal, the State of California or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The property of the Company may be seized and the operations of the Company shut down.

The U.S. federal government, through both the DEA and IRS, has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Company's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have a material adverse effect on the Company's business, operating results and financial condition.

Regulatory Risks.

The U.S. cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The U.S. cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future growth uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of the Company and which cannot be reliably predicted.

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's business would be materially and adversely affected. U.S. federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Company.