INNOCAN PHARMA CORPORATION

Management's Discussion and Analysis
For the three months period ended March 31, 2020

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of InnoCan Pharma Corporation (the "**Company**").

The following information should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 and the notes to those financial statements and for the period ended March 31, 2020.

The date of this management's discussion and analysis ("**MD&A**") is May 27, 2020. The Company's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts are stated in United States dollars ("**USD**") unless otherwise indicated (for reference, "**CAD**" means Canadian dollars).

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “believes”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues”, “plans”, “aim”, “seek” or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company’s financial condition, results of operations, business strategy and financial needs.
Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see the section titled “Risks and Uncertainties” herein.

2. DESCRIPTION OF BUSINESS

Structure of the Company

InnoCan Pharma Corporation was incorporated under the *Canada Business Corporations Act* on May 31, 2018. The Company's registered office is 1015, 926 – 5 Avenue SW Calgary, Canada.

IPO, listing on the CSE and Share Exchange & Related Transactions

On October 4, 2018, the Company and InnoCan Pharma Ltd. ("**InnoCan**") entered into a share exchange agreement (the "**Share Exchange Agreement**").

Pursuant to the Share Exchange Agreement, InnoCan shareholders received common shares in the capital of the Company (the "**Common Shares**") in exchange for their InnoCan ordinary shares (the "**Ordinary Shares**"), on the basis of seven hundred and thirty-five (735) Common Shares for each one (1) Ordinary Share. As a result, the holders of Ordinary Shares received an aggregate of 120,888,390 Common Shares.

All of the issued and outstanding InnoCan Ordinary Share purchase warrants ("**InnoCan Warrants**"), by agreement among the Company, InnoCan and each InnoCan Warrant holder, became warrants of the Company, exercisable for Common Shares following the closing of the initial public offering of InnoCan (the "**Offering**" or the "**IPO**"), at a price equal to CAD 0.09 for a period of eighteen (18) months from the date of the closing of the Offering. As of December 31, 2019, two of the six investors exercised their warrants. As for the warrants that were not exercised as of this date, the aforementioned 18 months period following the date of the agreement has ended, therefore they were expired.

On September 25, 2019, the Company completed an IPO of 6,111,112 units of the Company at a price of CAD 0.18 per unit, for which it received gross proceeds of CAD 1,100,000. Each unit consists of one Common Share of the Company and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Unit Warrant**"). Each Unit Warrant entitles the holder thereof to acquire, subject to adjustment in certain circumstances, one Common Share in the capital of the Company (each, a "**Warrant Share**") at an exercise price of CAD 0.30 for a period of 24 months following the closing date of the Offering. On September 25, 2019, the Company commenced trading on the Canadian Securities Exchange (the "**CSE**"), following the IPO, under the name "InnoCan Pharma Corporation" with the trading symbol: INNO.

As a result of the completion of the Share Exchange Agreement, the former shareholders of InnoCan acquired control of the Company as they owned a majority of the outstanding shares of the Company upon completion of the transaction and InnoCan became a wholly-owned subsidiary of the Company.

Description of the Company's Principal Businesses and Operations

The Company, following the Share Exchange and the IPO, through its subsidiary, InnoCan (together: the "**Group**"), became a pharmaceutical company, at pre-clinical stage, which specializes in integrating cannabinoids with existing proven drugs to enhance their capabilities by harnessing the cannabinoids healing properties and interaction with the human body's endocannabinoid system, whose operations, research and development are currently based in Israel. On August 26, 2018, the Company, through its subsidiary, InnoCan, entered into a research and option agreement (the "**Option Agreement**") with Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. ("**Yissum**"). The Yissum agreement allows InnoCan to receive the research results of Yissum (the "**Research**") and grants InnoCan an exclusive option to enter into an agreement to license, on a worldwide basis, the results of the research (the "**Option**"). Under the Option Agreement, InnoCan paid an aggregate amount of USD 418,000 to finance the research over a period of 18 months in exchange for the Option. All rights in the Research, including any patent applications in connection with the Research that may be filed, shall be owned by Yissum unless an employee of InnoCan is properly considered an inventor of any patent application so filed, in which event such patent application shall be owned jointly by Yissum and InnoCan. As of December 31, 2019, the research was completed and on January 21, 2020, InnoCan exercised the Option and entered into a research and license agreement (the "Research & License Agreement") with Yissum (discussed below under " **Significant Financial Developments during the Period**").

On January 13, 2020, the Company announced that test results of InnoCan's unique CBD loaded liposomal platform technology developed under the Company's funded research agreement with Yissum, demonstrated high loading of CBD, indicating the potential of a new way of administration by injection. The platform enables the delivery of cannabinoids by injection of hydrogel-cannabinoid-loaded liposomes into the bloodstream or to a specific body part. The controlled release of CBD (or other cannabinoids) from the liposomes may allow continuous exposure of the patient to the cannabinoid and decreases the variations of CBD concentration in the blood caused by food intake or other physiological conditions.

On January 16, 2020, after having filed a U.S. provisional patent application (62/696,341) in June 2018 and a Patent Cooperation Treaty ("**PCT**") patent application (PCT/IL2019/050776) in July 2019, the application was published and contains a patent pending integrated topical CBD pain relieving product derived from industrial hemp called Relief & Go. Relief & Go is designed with the intention of providing treatment for pain associated with muscle and joint pain, minor burns and back pain, and includes a combined cannabis and magnesium topical pain-relieving technology.

On January 22, 2020, the Company announced the appointment of Peter Bloch as a director of the Company, replacing Daryl Fridhandler who resigned from the position of Director and Corporate Secretary on January 22, 2020, and the appointment of Eyal Flom as Corporate Secretary of the Company on the same date. Mr. Bloch replaced Mr. Fridhandler on the Company's audit committee.

On January 28, 2020, the Company announced that InnoCan signed a distribution agreement with Active Therapeutics pursuant to which Active Therapeutics has agreed to distribute InnoCan's scientifically CBD based derma cosmetic products in the UK and Ireland.

On January 30, 2020, Innocan filed a U.S. provisional patent application entitled “Compositions for Hemorrhoid Treatment” (62/967,614). The patent application describes a special cannabis-based formula, to treat the pain, swelling and inflammation associated with hemorrhoids.

During February 2020, the Company registered its brand names 'SHIR' and 'R&G Relief & Go' as trademarks in Europe, Switzerland, UK and USA.

On March 25, 2020, InnoCan filed a U.S. provisional patent application entitled “Pain Relieving Otic Compositions” (U.S. provisional patent 62/994,360). This provisional patent claims pharmaceutical compositions comprising a cannabinoid and an additional analgesic agent. The additional agent may be an analgesic or an anesthetic and the composition may comprise a glycerin carrier, an oil such as olive oil and an emulsifier.

On March 26, 2020, after having filed a U.S. provisional patent on March 28, 2019 (62/825,316) entitled “Antipruritic Compositions”, Innocan filed an international patent application (PCT/IL2020/050364) claiming priority from the U.S. provisional patent. This international patent application makes claim of a topical pharmaceutical composition comprised of a cannabinoid and antihistamine to relieve pruritus. The composition comes in various forms, including liquid, gel, cream, foam, and ointment. The claims describe a formulation that contains various antihistamines, skin protectants and corticosteroids to effectuate the healing process.

The Coronavirus:

The world is currently experiencing an event with macroeconomic consequences, originating from the spread of coronavirus (COVID-19) in many countries around the world (hereinafter - the "**Coronavirus**" or the "**Event**"). Following the Event, many countries are taking significant measures to try to prevent the spread of the Coronavirus, such as restrictions on civilian movement, gatherings, transit restrictions on passengers and goods, closing borders between countries, etc. (hereinafter – the "**Measures**"). As a result, the Event and the actions taken by the various countries have significant implications on many economies worldwide.

InnoCan had commenced manufacturing and production of its topical product lines through contracts including supply of packaging materials via Chinese companies. As packaging materials are already delayed, the production of these products will likely be delayed for an unknown period which will create uncertainty as to the timing of when these products may be distributed and sold in the future. In addition, the Event and Measures taken by governments substantially influence the Group's marketing abilities, especially of a new brand. These Measures and general circumstances are expected to influence the ability of the Group to raise additional funds either privately or in the public markets in the future. These uncertainties shall affect the future cash flow and sales and revenue of the Group, the amounts of which cannot be determined at this time.

Significant Projects

Business Objective	Milestone[11]
I. Production of CBD Loaded Exosome	
	Mesenchymal Stem Cell Exosome (MSC-EXO) preparation and characterization
	Production of MSC-EXO loaded with CBD[1]
	In Vitro proof of concept[2]
	Animal model testing[3]
	Safety, toxicity, PK [4]
	Human testing[5] [6]
II. Yissum Agreement	
	Liposome technology animal proof of concept [7]
	Animal models at 4 different indications[8]
	Safety, toxicity, PK[9]
III. Branded Products	Post marketing study[10]

Notes:

(1) CLX Production – Production of the CBD loaded exosome at the designated MSC medium.

(2) In Vitro Proof of Concept – Show in vitro efficacy of the CLX on cell lines representing inflammatory damage at recognized models.

(3) Animal Model Proof of Concept – Test CLX on animal accepted lung inflammatory model to mimic COVID-19 disease mechanism.

(4) Safety – Check toxicity, distribution, pharmacokinetic (PK) parameters in order to establish the safety profile of the CLX.

(5) Regulatory IND submission – To receive approval to use the products on humans for compassionate treatment / Phase I/IIa.

(6) First in Human / Phase I/IIa – conducting the use of CLX on humans as compassionate treatment / Phase I/IIA.

(7) Liposome technology animal proof of concept – showing the ability of the liposome to contain therapeutic amount of CBD, to release the CBD to the tissue and blood at the control way and the ability to inject it at the organ.

(8) Animal Models at Four (4) Different Indications – Test the technology on different animal model indications, such as Pain Relief, Parkinson's Disease, Epilepsy and Multiple Sclerosis.

(9) Safety – Check toxicity, distribution, pharmacokinetic (PK) parameters in order to establish the safety profile of the liposome technology.

(10) The OTC monograph process which allows for OTC drugs to be sold without individual product licensing will allow Innocan to commence the manufacture and sale of the products in the U.S. market in all relevant distribution channels and to promote the products under the OTC monograph guidelines without further FDA approval. Management expects that post-marketing studies will be various clinical studies and will occur simultaneously with the launch of the products. Such studies will be conducted to enable production validation, brand recognition and market awareness, based on clinical review.

(11) The Company intend to use proceeds from cash on hand and from future fundraising activities towards achieving the milestones.

Significant Financial Developments during the Period

On January 21, 2020, InnoCan entered into the Research & License Agreement with Yissum. The Research & License Agreement grants InnoCan an exclusive license to make commercial use, in order to develop, manufacture, market, distribute or sell, on a worldwide basis, the results of the Research, for a period of twenty years, unless terminated earlier. As part of the Research & License Agreement, InnoCan agreed to finance additional research in a total amount of approximately USD 1.4 million, over a period of 18 months, in six installments. Between January 2020 and March 2020, InnoCan paid the first installment, in the amount of USD 233 thousands, as part of the Research & License Agreement. InnoCan has also agreed to pay Yissum royalties of 3-5% on sales of products sold under the Research & License Agreement and an annual license fee of USD 35 thousands.

Financial Review

The following financial data was prepared in accordance with IFRS and is presented for the three months periods ended March 31, 2020 and March 31, 2019.

	Three months period ended March 31, 2020 (USD in thousands)	Three months period ended December 31, 2019 (USD in thousands)	Three months period ended September 30, 2019 (USD in thousands)	Three months period ended June 30, 2019 (USD in thousands)
Selling and marketing expense	169	294	215	109
Research and development expense	340	114	113	31
General and administrative expense	382	446	1,193	181
Operating loss	891	854	1,521	321
Financial income	(622)	-	-	(26)
Finance expense	67	(1,765)	2,097	31
Loss (profit) before income taxes	(336)	(911)	3,618	326
Income taxes	-	-	-	-
Total comprehensive loss (profit)	**(336)**	**(911)**	**3,618**	**326**
Basic profit (loss) per share (*)	**(0.002)**	**0.01**	**(0.03)**	**(0.003)**
Diluted profit (loss) per share (*)	**(0.002)**	**(0.003)**	**(0.03)**	**(0.003)**

	Three months period ended March 31, 2019 (USD in thousands)	Three months period ended December 31, 2018 (USD in thousands)	Three months period ended September 30, 2018 (USD in thousands)	Three months period ended June 30, 2018 (USD in thousands)
Selling and marketing expense	77	70	44	66
Research and development expense	110	472	19	26
General and administrative expense	117	113	211	67
Operating loss	304	655	274	159
Financial income	(3)	-	(7)	-
Finance expense	1	15	17	1

Loss before income taxes	302	670	284	160
Income taxes	-	-	-	-
Total comprehensive loss	**302**	**670**	**284**	**160**
Basic and diluted loss per share (*)	**(0.003)**	**(0.007)**	**(0.003)**	**(0.002)**

(*) After giving effect to the Share Exchange.

	Three months period ended March 31, 2020	**Year ended December 31, 2019**
	(Unaudited)	**(Audited)**
Total current assets	1,634	2,487
Total non-current assets	85	95
Total current liabilities	436	1,131
Total non-current liabilities	30	38

Three Months Period Ended March 31, 2020, compared to the Three Months Period Ended March 31, 2019

Selling and Marketing Expenses

For the three months period ended March 31, 2020, Selling and marketing expenses amounted to USD 169,000 compared to USD 77,000 for the three months period ended March 31, 2019. Out of the total increase of USD 92,000, an amount of USD 48,000 was attributed to share-based compensation expense, which is a non-cash item and does not influence the cash flows of the Company. The remaining of the increase in selling and marketing expenses in the three months period ended March 31, 2020 was mainly as a result of increase in the activity of the Company, compared to the first quarter of 2019. During the three months period ended March 31, 2020, the Company continued to develop its marketing materials and has prepared to launch its first product line.

Research and Development Expenses

For the three months period ended March 31, 2020, research and development expenses amounted to USD 340,000 compared to USD 110,000 for the three months period ended March 31, 2019. Out of the total increase of USD 230,000, an amount of USD 22,000 was attributed to share-based compensation expense, which is a non-cash item and does not influence the cash flows of the

Company. The remaining of the increase in research and development expenses in the three months period ended March 31, 2020 was mainly as a result of increase in research expense, due to the new Research & License Agreement signed with Yissum, in January 2020 (discussed above under "Significant Financial Developments during the Period")

General and Administrative Expenses

For the three months period ended March 31, 2020, general and administrative expenses amounted to USD 382,000 as compared to USD 117,000 for the three months period ended March 31, 2019. The increase in general and administrative expenses compared to the same quarter in 2019 was mainly attributed to the following:

- Share-based compensation expense, which is a non-cash item and does not influence the cash flows of the Company, which has increased by USD 102,000 (none in the first quarter of 2019).
- Professional services and legal fees increased by a total of USD 76,000, as a result of the increase in its operations, and the Company becoming and operating as a public company.
- Travel & salary and related expenses increased by a total of USD 27,000, due to the increase in activity of the Company, compared to the first quarter of 2019.

Finance Expense (income)

For the three months period ended March 31, 2020, net finance income amounted to USD 555,000, as compared to USD 2,000 for the three months period ended March 31, 2019. The increase in net finance income in the three months period ended March 31, 2020 was mainly as a result of a decrease in fair value of warrants, and a decrease in valuation finance expense as a result, which is a non-cash item, and does not include cash receipts by the Company.

3. LIQUIDITY AND CAPITAL RESOURCES

On September 25, 2019, following the execution of the Share Exchange Agreement, the Company completed the IPO. The proceeds of the Offering were used for the funding of the research, development and commercialization of the Company's technology and marketing activity. Should the Company be unable to continue to obtain outside financing and or commence earning revenue to sustain a commercial operation, the Company may be unable to continue as a going concern.

Since inception, the Company has not generated any revenues and expects to continue financing itself in the foreseeable future, through the issuance of equity. The Company has generated an accumulated deficit of USD 4,946,000 since inception. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. These uncertainties have been largely addressed by a Tamar InnoVest USD 2,000,000 private placement in April 2019 and other arrangements with Tamar InnoVest and additionally with the IPO (as mentioned above).

On March 31, 2020, the Company had working capital of USD 1,198,000, compared with USD 1,356,000 on December 31, 2019, which consisted of current assets of cash and cash equivalents and other receivables and current liabilities of other accounts payable, accrued liabilities and a derivative liability.

As of the date of this report, the Company expects to raise additional capital in a public offering, in order to have sufficient resources to support its operations for at least the next 12 months, including the payment of current and non-current liabilities, as they fall due (discussed below under "**Subsequent Events**").

Three Months Period Ended March 31, 2020, compared to the Three Months Period Ended March 31, 2019

During the three months period ended March 31, 2020, the Company's overall position of cash and cash equivalents has decreased by USD 946,000.

This decrease in cash can be mainly attributed to the following:

- The Company's net cash used in operating activities during the three months period ended March 31, 2020 was USD 869,000 as compared to USD 219,000 for the three months period ended March 31, 2019. The increase in net cash used in operating activities in the three months period ended March 31, 2020 is mainly due to the signing of the new Research & License Agreement with Yissum on January 21, 2020 (discussed above under "**Significant Financial Developments during the Period**"), and an increase in the Company's activity, compared to the three months period ended March 31, 2019.
- The effects of exchange rate changes caused the Company's overall position of cash and cash equivalents to decrease by USD 72,000.

4. OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

5. TRANSACTIONS BETWEEN RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following table sets forth information concerning the total compensation paid to the named executive officers (the "**Named Executive Officers**") of the Company for the three months period ended March 31, 2020, the year ended December 31, 2019 and the year ended December 31, 2018.

Principal position	Year	Salary (USD in thousands)	Share based compensation (USD in thousands)	All other compensation (USD in thousands)	Total compensation (USD in thousands)
CEO	2020	52	45	-	97
	2019	219	113	52	384
	2018	54	57	54	165
VP Business development	2020	36	25	-	61
	2019	173	64	52	289
	2018	74	-	-	74
Board of directors Chairman	2020	24	25	-	49
	2019	114	64	52	230
	2018	63	-	-	63
CFO	2020	-	4	7	11
	2019	-	11	30	41
	2018	42	-	-	42

The Company has transactions with key management personnel.

	As of March 31, 2020 (USD in thousands)	**As of December 31, 2019 (USD in thousands)**
Balances owing to the CEO	4	1
Balances owing to the VP Business development	3	5
Balances owing to the Board of directors Chairman	3	4
Balances owing to the CFO	2	2

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Company's financial instruments consist of cash and cash equivalents and, unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that the Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in Israel, and the Company's functional and presentation currency is the USD. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company (the "**Board of Directors**") approves and monitors the risk management process. The overall objectives of the Board of Directors are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

- ***Credit Risk –*** The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.
- ***Liquidity Risk –*** The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of March 31, 2020, the Company had a USD 1,198,000 working capital balance (December 31, 2019 - USD 1,356,000), and the Company has little exposure to liquidity risk, as it will balance expenditures with available working capital.
- ***Market Risk –*** Competitive Conditions – The pharmaceutical industry is characterized by extensive research efforts, rapid technological change and intense competition. Competition can be expected to increase as technological advances are made and commercial applications for pharmaceutical products increase. Competition in the pharmaceutical industry is based primarily on the following: product performance, efficacy, safety, ease of use and adaptability to various modes of administration, patient compliance, price, acceptance by physicians, marketing and distribution.

  The availability of patent protection in the pharmaceutical market, including the United States, the European Union, Canada and other jurisdictions of commercial interest and the ability to obtain governmental approval for testing, manufacturing and marketing are also important factors. The Company faces competing forces in each of its markets, however, owing to their sheer size, each market provides ample opportunity for a new player offering novel solutions to consumers of said market, to carve out a foothold, which it can use as a springboard for capturing additional market share and for extending into other related markets.
- ***Interest Rate Risk –*** The Company has no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors its cash activity and is satisfied with the credit ratings of its banks.
- ***Foreign Currency Risk –*** The Company is exposed to foreign exchange risk as its operations are conducted primarily in US dollars.
- ***Fair Values –*** The carrying values of other receivables approximate their fair values due to their short terms to maturity. The cash is valued using quoted market prices in active markets.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements to which this MD&A applies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Below is a list of the critical accounting estimates and judgments applied in this MD&A which may have a significant effect on the figures recognized in the financial statements.

Derivative Fair Value Measurement

During April 2019, InnoCan entered into various arrangements with Tamar InnoVest. As part of these arrangements, InnoCan issued warrants to Tamar InnoVest.

The warrants were recorded as a derivative financial liability and will be re-measured each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as at March 31, 2020 amounted to USD 23,000.

During September 2019, the Company issued 6,111,112 units (discussed above under "**IPO, listing on the CSE and Share Exchange & Related Transactions**"), as part of the Offering. Each unit consists of one Common Share (each, a "**Unit Share**") and one-half of one Common Share purchase warrant (each whole common share purchase warrant, a "**Warrant**").

The warrants were recorded as a derivative financial liability and will be re-measured each reporting date, with changes in fair value recognized in finance expense (income), net. The derivative financial liability as at March 31, 2020 amounted to USD 16,000.

The fair value of the derivatives was obtained using a structural approach. This approach is based on the Black Scholes (1973) and Merton (1974) models, which imply that all corporate securities may be analyzed as a contingent claim on the Company assets, and therefore, their value may be modeled as financial derivative contracts.

8. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

None

9. FINANCIAL COMMITMENTS

As of March 31, 2020, there is a restricted deposit in the amount of USD 24,000, which has been pledged as security to an Israeli bank to secure a credit line from the bank. In addition, deposits in the amount of USD 7,000 and USD 19,000 ware paid to secure rent and car leases obligations, respectively. The Group is currently disputing the amounts invoiced by its former legal counsel in December 2019. As of the approval date of the reports, no legal claims have been filed and partial

amounts have been paid by the Group. The Group has included an accrual for the disputed amounts in its financial statements.

10. OTHER INFORMATION

The following details the Common Shares and warrants outstanding as of the date of this MD&A:

Common Shares – As of March 31, 2020, 143,866,169 Common Shares were issued and outstanding.

Share Purchase Warrants

Investors	Number Of Warrants	Exercise Price	Exercisable at November 27, 2019	Expiry Date
Tamar InnoVest A Warrants	13,981,916	USD 0.125[(2)]	13,981,916	April 15, 2021 [(1)]
Tamar InnoVest B Warrants	2,000,000	USD 0.175[(3)]	2,000,000	August 15, 2021 [(2)]
Unit Warrants	3,666,667	CAD 0.30	3,666,667	September 25, 2021[(3)]

Notes:

(1) Exercisable at a price of USD 91.875 per share, or USD 0.125 (based on a 1:735 Share Exchange Agreement ratio between InnoCan and the Company) for a period of 24 months from April 15, 2019, subject to an accelerated exercise expiry at any time following April 15, 2020, should the weighted average volume trading price over a consecutive 30 day period exceed USD 138.696 or approximately CAD 0.27 (based on a 1:735 Share Exchange Agreement ratio between InnoCan and the Company) in Common Shares following the Closing.

(2) Exercisable at a price of USD 128.63 per share, or USD 0.175 (based on a 1:735 Share Exchange Agreement ratio between InnoCan and the Company) for a period of 28 months from April 15, 2019, subject to an accelerated exercise expiry following July 31, 2020, should the weighted volume trading price over a consecutive 30 day period exceed USD 183.75 or approximately CAD 0.35 (based on a 1:735 Share Exchange Agreement ratio between InnoCan and the Company) in Common Shares following Closing.

(3) Each Unit Warrant entitles the holder thereof to acquire one Common Share at an exercise price of CAD 0.30 for a period of 24 months following September 25, 2019, subject to acceleration in certain cases.

Following the IPO, several shareholders invested an additional amount of USD 4,000 in the Company.

Incentive Stock Options

The Company has adopted a stock option plan (the "**Plan**"), which is intended to provide an incentive to retain, persons of training, experience, and ability, to attract new employees, officers, directors, consultants and service providers, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase Common shares of the Company pursuant to the Plan.

The following table reflects the activity with respect to options of the Company from December 31, 2019, to March 31, 2020:

	Number of Options	Weighted Average Exercise Price (CAD)
Balance outstanding December 31, 2019	12,106,477	0.18
Granted – exercise price CAD 0.14	100,000	0.14
Balance outstanding March 31, 2020	**12,206,477**	**0.18**
Exercisable options	7,977,241	0.18

During the three months period ended March 31, 2020, the Company recorded an expense in the amount of USD 172,000.

SUBSEQUENT EVENTS:

1. On April 17, 2020, InnoCan entered into a sponsored research agreement (the "Ramot Research Agreement") with Ramot at Tel Aviv University Ltd ("Ramot"). The Ramot Research Agreement allows InnoCan to receive the research results of Ramot in respect of the development of Cannabidiol loaded exosomes (the "CLX Research") and grants InnoCan an exclusive option to enter into an agreement to license, on a worldwide basis, the results of the CLX Research (the "Option"). Under the Ramot Research Agreement, InnoCan will provide financing for the CLX Research in amount of USD 446,000 over a period of 18 months in exchange for the Option. InnoCan may exercise the Option at any time during the Research until the date that is thirty days from InnoCan's receipt of the final report in respect of the CLX Research (which is due during the fourth quarter of 2021) by notifying Ramot in writing ("Option Exercise Notice"). Upon the Option Exercise Notice, InnoCan will negotiate with Ramot the terms and conditions of a license agreement.
2. On April 19, 2020, the Company granted 400,000 options to a director of the Company, each exercisable for one common share of the Company at an exercise price of CAD 0.16 per share. The options are fully vested at the grant date and expires 5 years following the grant date.

3. On April 27, the Company issued 1,437,661 common shares to Green Times Consulting Ltd, a consultant of the Company, as consideration for consulting fees rendered in the amount of approximately CAD 250,000.
4. On May 11, 2020, the Company filed and was receipted for a preliminary short form prospectus with the securities regulatory authorities in all provinces of Canada (except Quebec) in connection with a marketed best-efforts public offering (the "**Short Form Prospectus Offering**") for gross proceeds of up to CAD 10,000,000 in units plus a 15% over-allotment option to be co-led by Mackie Research Capital Corporation and Canaccord Genuity Corp. (the "**Lead Agents**") together with a syndicate that includes Haywood Securities Inc. and PI Financial Corp. (together with the Lead Agents, the "**Agents**"). The Company has agreed to pay the Agents a cash fee equal to 8% of the gross proceeds of the Short Form Prospectus Offering (reduced to between 2.5% and 4% for certain purchasers on the president's list) and issue to the Agents compensation options to purchase an amount equal to 8% of the number of units offered on the Short Form Prospectus Offering (reduced to between 2.5% and 4% for certain purchasers on the president's list) at the Short Form Prospectus Offering price (collectively, the "**Agents' Fee**"). In addition to the Agents' Fee, the Company shall pay the Lead Agents certain advisory fees issuable in units depending on the amount of gross proceeds raised on the Short Form Prospectus Offering all of which such advisory fees are disclosed in the prospectus.
5. On May 14, 2020, the Company announced that it had priced the Short Form Prospectus Offering at a price of CAD 0.20 per unit. Each unit shall be comprised of one common share and one warrant. Each warrant is exercisable into one common share at an exercise price of CAD 0.25 for a period of 36 months following completion of the Short Form Prospectus Offering subject to a warrant acceleration clause.
6. On May 21, 2020, InnoCan entered into a letter of intent (**LOI**) with Adva Biotechnology Ltd. ("**ADVA**"). The LOI sets out the indicative terms of an exosome production and development agreement which the parties intend to negotiate and conclude within 120 days from the date of the LOI. The services to be provided by ADVA will be provided in three stages with stage 1 being immediately binding on the parties.

11. RISKS AND UNCERTAINTIES

Risks Related to Our Business and Industry

Going Concern

The Company has financed itself by the issuance of Common Shares. Following the execution of the Share Exchange Agreement, the Company has completed the IPO. The consideration raised will continue to fund the research, development and commercialization of the technology and marketing activity until reaching sufficient operating profit. Should the Company be unable to continue to obtain outside financing and or commence earning revenue to sustain a commercial operation, the Company may be unable to continue as a going concern.

Since inception, the Company has not generated any revenues and expects to continue to finance itself through raising adequate funds in the foreseeable future. In addition, it has incurred a net loss of USD 336,000 for the three months period ended March 31, 2020 and generated an accumulated deficit of USD 4,946,000 since inception. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability

to continue as a going concern. These uncertainties have been largely overcome by a Tamar InnoVest USD 2,000,000 private placement in April 2019 and other arrangements with Tamar InnoVest and additionally with the IPO (as mentioned above).

Regulatory risks

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing its licenses. The impact of regulations in the jurisdictions where the Company is looking to operate or sell its products, such as the compliance regimes under the Food and Drug Administration, European Medicines Agency, and Health Canada, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company 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 in restrictions on the Company's operations. In addition, 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, financial condition and operating results of the Company.

Change in laws, regulations and guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of pharmaceutical products but also including laws and regulations relating to drug, controlled substances, health and safety, the conduct of operations and the protection of the environment at the territories the Company is looking to be active. While to the knowledge of management, other than routine corrections that may be required by health authorities in the U.S., Canada and European Union from time to time, the Company is currently in compliance with all such laws. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

The Company endeavors to comply with all relevant laws, regulations and guidelines in the countries that the Company is looking to be active. To the Company's knowledge, it is complying or is in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

Medical research of phytocannabinoids

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids remains in their early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated phytocannabinoids. The statements made in this MD&A concerning the potential medical benefits of cannabinoids are based on published articles and reports with details of research studies and clinical trials, including

those shown in the list of third-party studies summarized in the Company's IPO. As a result, the statements made in this MD&A are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

We rely on management and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our management team and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

Factors which may prevent realization of growth targets

The Company is currently in the expansion stage from early development stage. There is a risk that expansion and development will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these Risks and Uncertainties and the following:

1. failure or delays in obtaining, or conditions imposed by, regulatory approvals;
2. environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
3. breakdown, aging or failure of equipment or processes;
4. contractor or operator errors;
5. operational inefficiencies;
6. labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
7. major incidents and/or catastrophic events such as fires, explosions, or storms.

As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises.

Additional financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the

shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flow. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Research and development and product obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third party commitments The Company's failure to develop new technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Transportation risks

Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third party transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and operating results of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

We may be subject to unfavourable publicity or consumer perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical 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 medical 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 the Company's 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 legally, appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage

against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of 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 of the products produced by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company 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 operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on suppliers and skilled labour

The Company is dependent on various suppliers for inputs for its commercial products, in particular, the availability of CBD will vary in various target markets, depending on national regulations and supply levels.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis pharmaceutical industry in North America and Europe. A failure in the demand for its products to materialize as a result of competition, technological change or other factors 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 has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is 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.

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 of the Company 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 of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

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

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

We are subject to environmental regulations and risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the business, financial condition and operating results of the Company.

Government approvals and permits are current and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Third party reputational risk

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. This may impact the Company's ability to retain current partners, such as its banking relationship, or source future partners as required for growth or future expansion in Canada or the United States. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Changes to safety, health and environmental regulations could have a material effect on future operations

Safety, health and environmental legislation affects nearly all aspects of the Company's operations including product development, working conditions, waste disposal and emission controls. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed or sold to third parties. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred:

(a) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.;
(b) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity;
(c) political instability, social and labour unrest, war or terrorism; and
(d) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Information systems security threats

The Company has entered into agreements with third parties for hardware, software,

telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Additional information:

The Company files annual and interim financial reports and MD&A information circular, and other information with certain Canadian regulatory authorities. The documents filed with Canadian securities regulatory authorities are available at www.sedar.com.

May 27, 2020