New Leaf Ventures, Inc.

Management Discussion and Analysis

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANLAYSIS

This management discussion and analysis ("MD&A") of the financial condition and results of New Leaf Ventures Inc. (formerly known as "1166858 B.C. Ltd.") (the "Company") is provided to assist our readers to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the year ended December 31, 2020 compared with the year ended December 31, 2019. The information in this MD&A is current as of May 28, 2021 and should be read in conjunction with the consolidated financial statements as at December 31, 2020 and December 31, 2019, and the 2019 Annual MD&A. All dollar figures included therein and in the following M&DA are quoted in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such forward-looking statements include, among others, statements relating to the provision of consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder (as defined below) and completion of additional financings.

This MD&A contains forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. For a description of the assumptions upon which the forward-looking statements are based, along with a description of the risk factors that could cause such forward-looking statements to vary, see refer to the MD&A for the year ended December 31, 2019, as well as the risk factors described under the heading "Risks and Uncertainties".

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Except as required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. During the period ended December 31, 2020, New Leaf successfully closed transactions that included public listing on the Canadian Securities Exchange under the symbol "NLV" and concluded two offerings that raised aggregate gross proceeds of approximately $1.9M. Concurrently, the Company completed an acquisition transaction for 100% of the shares of New Leaf USA Inc. (and its subsidiaries) which provides certain administrative services and back-office functions, marketing, physical and intellectual property, production equipment and related services to a Washington-based Tier 3 Producer/Processor focused on industrial-scale agronomy, processing, packaging, and distributing cannabis and cannabis related products.

Since closing the acquisition transaction, New Leaf Ventures, through its subsidiaries in the US, has commenced several programs to develop new products, enhance existing products, equipment upgrades and process efficiencies. To date these efforts have included:

Product Brand Updates

- Developed the Goodies brand intended as umbrella branding for the company's edibles product lines.
- Developed and introduced a caramels product line, including hard and soft caramels.
  - Developed and introduced four new flavors of hard candies.
  - Developed and bringing to market a new edible called "Space Balls" a chewy candy with a crunchy shell in several flavors including strawberry margarita and passion orange guava (POG)
  - We are in the final phase of development and branding of a new beverage line. This will be a low dose THC and CBD craft beverage. This product line will be sold in the legal THC markets and also has the ability to be sold nationally as a CBD only product.
  - Finalizing brand upgrade of the DAMA and WEED brands with new logo designs and packaging.
  - Launched new marketing efforts alongside brand upgrade and new "Goodies" brand which includes advertising efforts, apparel, and brand promotions.
  - Launch of the "DAMA Hemp" brand. CBD only products slotted for distribution through e-commerce site. Products included Tinctures, Capsules, Topicals, and Gummies.

Cultivation Facility Upgrades

- Higher efficiency lighting with increased light output. The operator expects a 25-35% increase in production volume of usable material based on initial tests of the new lighting configuration.
- Installed dehumidification and environmental control systems resulting in increase in quality of produced biomass and reduction of loss due to plant pathogens.
- Upgraded environmental controls in the company's greenhouse to increase utilization during winter.
- Upgraded air circulation and temperature controls.

Processing Upgrades

- The Company has also advanced changes to the drying and curing process that will result in increases in quality of flower production.
- Purchased automated trimmer and sorter, increasing processing capacity to 500 lbs of flower per week.
- Purchased automated pre-roll tamper and sifter which is increasing production capabilities by approximately 100%

Commercial Kitchen Upgrades

- Purchased a large set of commercial kitchen equipment and supplies at a highly favorable liquidation cost.
- Purchased a depositor and a batch cooker to increase product output capacity of the caramels and hard candy lines.
- Completing construction build out of commercial kitchen. Installed floor drains, epoxy coated floors, insulated ceilings, New Paint, and needed sinks and clean areas.

Process Improvements

- Development of newly branded, structured, and responsive marketing approach across Dama and Weed brand variations allowing for consumer feedback to aid faster time-to-market development of new product lines aligned to market trend data.
- Introduction of dynamic supply processes and an ability to react to market forces within a coherent pricing structure ensures scalable efficiency and effective product COGS to support expansion.
- New Leaf USA has authorized the implementation of an integrated software system for scheduling, managing, and tracking cultivation operations. This system has increased efficiencies in the cultivation cycle, improve the ability to identify issues, implement corrective measures and improvements (such as the introduction of new strains), and facilitate inter-departmental communication in support of lean manufacturing processes.

Sales Enhancements

- Expansion of sales team to include dedicated field representatives to support relationship building, sample distribution and merchandising.
- Aggressive distribution of samples to retailers, with structured follow-up and incentive closing protocols.
- Introduction and training to introduce sales team to impact of new dynamic supply processes and the need to capture timely market and trend data in order to effectively respond to achieve or grow category leadership.
- Engaged Fire Creative Marketing Co. and founder Jessica Ivey do lead the Marketing efforts for the company. Jessica worked for the licensed company New Leaf Enterprises as marketing director from 2014 – 2016 and played an intracell role in the success of the DAMA brand in the early days of the company's birth.

The Company is continuing to look ahead with focused investment targeting the efficiency of the facility and effectiveness of its brands in the marketplace. The strategic plan is sound and aligns with our operational outlook. The proposals for departmental investment and revenue growth are well considered and, in several areas, already being executed. These initiatives include:

Product Brand Upgrades

- Updates to the edible Goodies product packaging reflective of a top selling caramel's product brand.
- Developing hard candy product line.
- Developed a pipeline of edible product lines with planned introduction of a product line per quarter during the next 12 months.
- Update and integrate branding across flower products lineup (Dama and Weed).
- Introduce a Dama brand variation for high end greenhouse flower "DAMA Select".
- Introduce a Weed brand variation for mid-range outdoor flower.
- Finalize and produce full spectrum marketing and merchandising collateral to support brand visibility and market penetration initiatives.

Processing Upgrades

- Continuing upgrades to drying and curing facility will result in increase of quality of flower output.

Commercial Kitchen Upgrades

- Initiated the expansion of the commercial kitchen designed for high volume manufacturing of edible products including THC Beverage. Completion targeted for Q2 2021

Sales Enhancements

- Tiered performance-based provisioning of retailers with high visibility sales aids including toppers, banners, hangers, pop-ups, print, fashion, and digital marketing/m+5erchandising collateral.
- Rollout of enhanced budtender education programs.

On July 23, 2020 New Leaf Ventures received approval from the Depository Trust Company ("DTC") to make the Company's common shares eligible to be electronically cleared and settled through DTC ("DTC Eligibility") and list its common shares on US-based OTC Markets under the symbol "NLVVF".

On November 10, 2020 New Leaf Ventures announced the signing of an agreement with Schilling Hard Cider for the creation of proprietary formulations, brand and distribution strategies for a family of cannabis infused beverage products.

On December 7, 2020 New Leaf Ventures engaged Promethean Marketing to create and conduct an investor awareness campaign in an effort to increase the Company's shareholder base.

On December 22, 2020 New Leaf Ventures announced the executed of a letter agreement with Zen Asset Management LLC and its parent company, Artizen Asset Management LLC. The Letter Agreement outlines the general terms and conditions pursuant to which New Leaf and ZAM would potentially undertake a business combination. The Proposed Transaction is subject to a number of conditions, including due diligence and the negotiation of a definitive agreement.

ZAM is a diversified asset management company that was founded to acquire, develop, and support companies and technologies in the emerging cannabis industry. ZAM primarily does so in Washington state, where it generates revenue by providing leasing, licensing, management, staffing, and supplies to cannabis production facilities. ZAM's existing clients operate four licensed cannabis cultivation facilities and one processing facility in Washington, with about 180,000 square feet of canopy, of which about 70,000 square feet is used to produce about 8,000,000 grams of biomass annually. Most of the biomass produced by those facilities has been sold historically under the Artizen™ brand, including the all-time top selling product in flower in Washington state, and five of the all-time top ten. For more information, visit: www.artizencannabis.com.

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, ability to raise funds and the completion of the proposed transactions discussed below.

ACQUISITION TRANSACTION

On April 30, 2020, the Company completed their previously announced acquisition of New Leaf USA, Inc. and all of its wholly-owned subsidiaries (the "Acquisition Transaction"). In consideration for the acquisition, the Company issued the following:

- Issued 9,000,000 shares; and
- Issued 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant entitles the holder to purchase one common share of the Company at the price of $0.02 per common share for a period of three years, and will vest and become exercisable as follows:

i. 2,000,000 Performance Warrants will vest and become exercisable if the Company or New Leaf Enterprises, Inc. (the "License Holder") achieves at least $5,000,000 in annual gross revenue; and
ii. 2,000,000 Performance Warrants will vest and become exercisable the Company or License Holder achieves at least $7,500,000 in annual gross revenue.

In addition, New Leaf USA entered into employment agreements, pursuant to which Robert Colwell is appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky is appointed to act as President of New Leaf USA , in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company issued 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

The following table shows the final allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

(Expressed in Canadian Dollars)

		Final
Consideration transferred:		
Fair value of 9,000,000 common shares issued	$	2,250,000
Fair value of contingent consideration(ii)		352,800
	$	**2,602,800**
Fair value of assets and liabilities recognized:		
Cash	$	3
Related party receivable (note 10)		584,555
Lease receivable		3,695,586
Equipment		896,289
Intangible assets		345,948
Lease deposits		28,179
Accounts payable		(420,334)
Capital lease obligations		(3,752,996)
Notes payable		(2,555,321)
Deferred gain		-
Prepaid deposits		-
Fair value of net assets acquired	**$**	**(1,178,091)**
Goodwill	**$**	**3,780,891**

(i) The warrants were valued using the Black-Scholes Option Pricing model (note 12) and adjusted for the probability that revenue targets would be met over the vesting period. The Performance Warrants were accounted for under IFRS 9 Financial Instruments as a derivative financial liability as the instrument had an option to convert the Performance Warrants into shares of the Company for no consideration and which would result in a variable number of the Company's shares being issued on exercise (see note 12). The Performance Warrants were subsequently re-measured at December 31, 2020 with a resulting loss on re-measurement of $9,958 recognized in profit and loss for the period ended December 31, 2020.

(ii) There were no deferred tax liabilities identified as part of the Acquisition Transaction. Deferred tax assets were identified but were not recognized as its recoverability was not considered probable.

SELECTED INFORMATION ANNUAL INFORMATION

	For the years ended		
	December 31, 2020	**December 31, 2019**	**December 31, 2018**
	$	**$**	**$**
Operating expenses	4,672,272	1,168,699	36,250
Net loss for the period	6,600,105	1,171,103	36,250
Comprehensive loss for the period	6,495,366	1,171,103	36,250
Basic and diluted loss per share:	0.24	0.11	N/A

(Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019	December 31, 2018
	$	$	$
Working capital (deficiency)	(1,276,856)	(396,764)	(36,249)
Total assets	6,487,140	191,034	1
Total liabilities	6,926,442	587,798	36,250
Share capital	7,087,003	736,251	1
Deficit	7,807,458	1,207,353	36,250

SUMMARY OF QUARTERLT RESULTS

	Three months ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
	$	$	$	$
Total revenue	774,061	759,029	517,900	-
Net loss	(4,220,872)	(628,842)	(1,546,174)	(204,217)
Comprehensive loss	(3,900,497)	(773,797)	(1,616,855)	(204,217)
Basic and diluted loss per share	0.24	0.02	0.06	0.02

	Three months ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	$	$	$	$
Total revenue	-	-	-	-
Net loss	(415,837)	(385,599)	(352,008)	(17,659)
Comprehensive loss	(415,837)	(385,599)	(352,008)	(17,659)
Basic and diluted loss per share	0.03	0.03	0.03	0.00

Revenues in the fourth quarter of fiscal 2020 were consistent with the third quarter of fiscal 2020 due to fairly static revenues generated from intellectual property licensing. The other revenue streams consisting of equipment leasing and management services, are based on contractual fixed monthly fees and therefore revenues from those streams are expected to be the same quarter-to-quarter. Net loss in the fourth quarter was primarily the result of a goodwill impairment charge recognized during the quarter ended December 31, 2020.

RESULTS OF OPERATIONS

	December 31, 2020	December 31, 2019	$ Variance	%
Revenue	**2,050,990**	**-**	2,050,990	100%
Operating Expenses				
Amortization	331,299	-	331,299	100%
Communication	26,040	-	26,040	100%
Consulting	122,507	267,066	(144,559)	-54%
Depreciation	110,259	-	110,259	100%
Directors fees	24,000	11,355	12,645	111%
Marketing	985,080	-	985,080	100%
Office	296,690	798	295,892	37079%
Professional fees	480,882	840,365	(359,483)	-43%
Regulatory and filing fees	33,036	14,777	18,259	124%
Research and development	79,926	-	79,926	100%

(Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019	$ Variance	%
Share-based compensation	104,001	34,338	69,663	203%
Wages and salaries	2,078,552	-	2,078,552	100%
Total Operating Expenses	**4,672,272**	**1,168,699**		
Other expenses				
Interest Income	256,623	-	256,623	100%
Accretion Expense	(180,547)	-	(180,547)	100%
Goodwill Impairment	(3,780,891)	-	(3,780,891)	100%
Bad debt expense	(48,390)	-	(48,390)	100%
Foreign exchange	(21,163)	(2,404)	(18,759)	780%
Gain on forgiveness of accounts payable	25,923	-	25,923	100%
Loss on re-measurement of derivative	(9,958)	-	(9,958)	100%
Interest Expense	(220,420)	-	(220,420)	100%
Net loss for the period	**(6,600,105)**	**(1,171,103)**		

The notable changes in operations between the year ended December 31, 2020 and December 31, 2019 are as follows:

- The changes in operations for the year-ended December 31, 2020 are markedly different than the same periods in 2019 due to the acquisition of the New Leaf USA Group, completed on April 30, 2020. Subsequently, the operations of all the subsidiaries after acquisition have been included in the operating results for the year ended December 31, 2020.

- Prior to the Acquisition Transaction, the Company was private and was preparing to go public. In addition, the Company was actively assessing acquisition targets and opportunities. Therefore, the expenditures incurred during the year ended December 31, 2019, and up to April 30, 2020 were mainly related to consulting and professional fees. With the completion of the Acquisition Transaction and closing of the Company's initial public offering, the operations in 2020 changed significantly and are therefore not comparable to the 2019 period.

- During the year-ended December 31, 2020 the Company earned revenues of $2,050,990 and net loss of $262,216 from its US operations. Revenues relate to intellectual property licensing, equipment leasing, and management services provided by New Leaf USA entities to a related party, a Washington-based Tier 3 cannabis Producer/Processor (the "License Holder"). The License Holder is a related party by way of common executives with the Company.

- Amortization, depreciation, and accretion expense existed in 2020 but not 2019 due to the Acquisition Transaction. This was the result of the acquisition of equipment, intangible assets, and assumption of notes payable liabilities during the year.

- Interest income and expense incurred during the year ended December 31, 2020 relate to the lease receivable and lease obligations acquired as part of the Acquisition transaction. New Leaf USA leases a warehouse property and simultaneously subleases the same property to the License Holder.

- Total wages and salaries expense of $2,078,552 includes $914,669 of common shares issued to two executives of New Leaf USA as a signing bonus and a further $209,037 (US$156,833) in executive salaries from May 1, 2020 to December 31, 2020. The remaining wage expense relates to salary for employees in one of the subsidiaries of New Leaf USA. New Leaf Ventures Inc. does not incur any wage or salary expenses.

- The Company incurred total consulting fees of $122,507 for the year ended December 31, 2020 compared to $267,066 in for the year ended December 31, 2019. The change is mainly due to a one-time consulting fee payout of $125,000, paid in Restricted Share Rights (RSR), to the CEO of the Company. The RSR were subsequently settled by issuance of 500,000 common shares of the Company during the year ended December 31, 2019.

- During the year ended December 31, 2020, the Company spent approximately $985,080 on marketing costs to help increase exposure of the Company subsequent to its initial public offerings. The Company plans to continue marketing expenditures through fiscal 2021 in order to bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A.

- Included in the net loss for the year ended December 31, 2020 was an impairment charge to goodwill for $3,780,891. The impairment charges to goodwill are allocated to the Company's single operating segment which encompasses the entire consolidated group. The Company anticipates significant efforts to scale-up operations in the United States as well as continued marketing efforts in North America. Impairment charges to goodwill during the period were primarily attributable to expectations for negative operating cash flows over the next few years due to scale-up efforts, as well as overall uncertainty over future industry and market conditions. Refer to Note 7 of the Financial Statements for a description of the key assumptions used in the goodwill impairment test.

OUTSTANDING SHARE DATA

As of the date of this MD&A the Company has a total of 48,984,584 common shares outstanding, 12,049,740 common share purchase warrants outstanding, 4,000,000 performance warrants outstanding, and 2,100,000 common share options outstanding.

Authorized share capital

As at December 31, 2020 and 2019, the Company is authorized to issue an unlimited number of preferred shares and common shares without par value.

As at December 31, 2020, 12,126,755 (December 31, 2019 – nil) total common shares outstanding were held in escrow.

Issued share capital

On April 30, 2020, the Company completed the first tranche of its initial public offering (the "Offering") of 4,768,871 units (the "Units") at a price of $0.25 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately $1,192,217. Each Unit is comprised of one common share in the Company (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of $0.40 for a period of 24 months from the listing of the Common Shares on the Canadian Securities Exchange (the "CSE"), subject to early expiry (the "Early Expiry Event") if the closing price of the Common Shares on the CSE (or any equivalent exchange) is equal to or greater than $0.60 per Common Share for a period of ten consecutive trading days.

In connection with the Offering, the Company paid cash commissions and corporate finance fees of $128,355. The Company also granted 136,280 non-transferrable share purchase warrants (the "Agent Warrants"). Each Agent Warrant may be exercised into one unit (the "Agent Unit") at a price of $0.25 until April 30, 2022, subject to an early expiry date upon the occurrence of the Early Expiry Event. Each Agent Unit consists of one common share and one-half of a common share purchase warrant. The fair value of the Agent Warrants was $21,840, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

(Expressed in Canadian Dollars)

On April 30, 2020, the Company issued 9,000,000 common shares with a fair-value of $2,250,000 in connection with the Acquisition Transaction (Note 4) that made up a portion of the purchase price. In addition, as part of the Acquisition Transaction, the Company issued a total of 3,658,676 common shares, with a fair-value of $914,669, to Boris Gorodnitsky and Robert Colwell as a signing bonus to become executives of New Leaf USA, Inc.

On June 2, 2020, the Company completed a second tranche of its initial public offering of 2,990,400 Units at a price of $0.25 per Unit for aggregate gross proceeds of approximately $747,600 (the "Second Tranche"). Each Unit is comprised of one Common Share and one-half common share purchase warrant. Each Warrant will be exercisable at a price of $0.40 until April 30, 2022 subject to early expiry on the Early Expiry Event. In connection with the Second Tranche, the Company paid a cash commission in the amount of $9,600 as well as reimbursement of expenses totaling $4,012. In addition, the Company incurred $105,507 of legal expenses in connection with the Offering which was charged to share capital as share issuance costs.

The Company also granted 76,000 Agent Warrants. Each Agent Warrant may be exercised into one Agent Unit at a price of $0.25 until April 30, 2022, subject to an early expiry date upon the occurrence of the Early

Expiry Event. Each Agent Unit consists of one common share and one-half of a common share purchase warrant. The fair value of the Agent Warrants was $20,232, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

During the year ended December 31, 2020, the Company raised $1,531,815 CAD in gross proceeds from the exercise of 6,005,000 warrants and 29,220 Agent Warrants. Upon exercise of the Agent Warrants, the Company transferred $3,997 from warrant reserve to share capital, representing the fair value of the Agent Warrants. In addition, the Company issued 14,610 warrants with an exercise price of $0.40 expiring on April 30, 2022 as a result of the exercise of the Agent Warrants.

During the year ended December 31, 2019

On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of $0.05 for gross proceeds of $600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of $0.05 at any time prior to February 26, 2021. No value was assigned to the warrants. In connection with the private placement, the Company incurred $25,000 in share issuance costs.

On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.

On November 14, 2019, the Company issued 500,000 common shares with a fair value of $125,000 to the CEO of the Company, in settlement of 500,000 fully-vested restricted share rights granted to the CEO on the same date.

On December 12, 2019, the Company issued 145,000 common shares in settlement of the $36,250 loan payable.

Warrants

The changes in warrants during the year ended December 31, 2020 and the year ended December 31, 2019 are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2018	-	$	-
Issued (i)	12,000,000		0.25
Balance, December 31, 2019	**12,000,000**		**0.25**
Issued (ii)(iii)	20,106,526		0.32

(Expressed in Canadian Dollars)

	Number of Warrants		Weighted Average Exercise Price
Exercised	(6,034,220)		0.25
Balance, December 31, 2020	**26,072,306**	**$**	**0.31**

(i) On June 19, 2020, the Company decided to amend the terms (the "Amendment") of an aggregate of 12,000,000 outstanding common share purchase warrants previously issued by the Company. The 12,000,000 warrants were previously exercisable to acquire common shares of the Company at a price of $0.05 until February 26, 2021. Under the Amendment, the exercise price of the Warrants was increased to $0.25. There was no increase to the incremental fair value of the warrants as a result of these modifications. As compensation to allow for the repricing of the share purchase warrants, the Company issued 12,000,000 additional share purchase warrants with expiry date of June 19, 2022 and an exercise price of $0.40. There was no increase to the value of the warrant reserve for the compensatory warrants as it was offset by a corresponding increase to warrant issuance costs resulting in a $nil impact on the Company's equity position.

(ii) As part of the Acquisition Transaction (note 4), the Company issued 4,000,000 Performance Warrants. The Performance Warrants are subject to vesting conditions based on revenue targets for either the Company or the License Holder. Each Performance Warrant entitles the holder to purchase one Class A common share of the Company at an exercise price of $0.02. Assuming vesting conditions are met, the holder can elect to exercise the Performance Warrants, on a net settlement basis based on the fair market value of the shares on the exercise date.

(iii) The Performance Warrants were assessed to be a derivative liability in accordance with IFRS 9 and was measured at fair value at acquisition using the Black Scholes option pricing model and the following input assumptions.

	Year ended December 31, 2020
Share price at grant date ($)	$ 0.25
Exercise Price	$ 0.02
Expected annual volatility	116.33%
Expected life (in years)	3.0
Expected dividend yield	0%
Risk-free interest rate	0.28%
Fair value per warrant	$0.24

The Performance Warrants had a fair value of $352,800 on initial recognition and were subsequently re-measured at December 31, 2020 with a resulting loss on re-measurement of $9,958 recognized in profit and loss for the period ended December 31, 2020.

As part of the initial public offering closed during the year ended December 31, 2020, the Company issued 212,281 agent warrants which were fair-valued using the Black Scholes option pricing model and the following weighted average input assumptions:

	Year ended December 31, 2020
Share price at grant date ($)	$ 0.30
Exercise Price	$ 0.25
Expected annual volatility	106%
Expected life (in years)	1.97

(Expressed in Canadian Dollars)

	Year ended December 31, 2020
Expected dividend yield	0%
Risk-free interest rate	0.29%
Fair value per warrant	$0.17

The weighted average fair value of the agent warrants was $37,339. There were no agent warrants issued during the year ended December 31, 2019.

As at December 31, 2020, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
6,150,000	6,150,000	0.25	February 26, 2021	0.16
3,724,636	3,739,246	0.40	April 30, 2022	1.33
197,670	183,060	0.25	April 30, 2022	1.33
12,000,000	12,000,000	0.40	June 19,2022	1.47
4,000,000	-	0.02	April 30, 2023	2.33
26,072,306	**22,072,306**	**$ 0.31**		**1.27**

Equity incentive plan

The Company implemented an Equity Incentive Plan (the “EIP”) which provides for the grant to eligible directors and employees (including officers) of share options and Restricted Share Rights (“RSR”). The EIP also provides for the grant to eligible directors of Deferred Share Units (“DSU”) which the directors are entitled to redeem for 90 days following retirement or termination from the Board of the Company (the “Board”). The aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan, together with any other securities-based compensation arrangements of the Corporation, shall not exceed 15% of the Corporation’s issued and outstanding share capital from time to time.

Options are exercisable for a period of five years from the date the Option is granted or such greater or lesser period as determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of Options is determined by the Board. Failing a specific vesting determination by the Board, Options automatically become exercisable incrementally over a period of eighteen months from the date of grant, as to: (i) 25% of the total number of shares under Option immediately upon the date of grant; and (ii) at each six-month interval thereafter, an additional 25% of the total number of shares under Option such that after the 18th month of the Option period, 100% of the Option will be exercisable. The right to exercise an Option may be accelerated in the event a takeover bid in respect of the Common Shares is made.

Concurrent with the granting of the RSR, the Board shall determine the period of time during which the RSR is not vested and the holder of such RSR remains ineligible to receive Common Shares. Such period of time may be reduced or eliminated from time to time for any reason as determined by the Board. Once the RSR vests, the RSR is automatically settled through the issuance of an equivalent number of underlying Common Shares as RSRs held DSUs are redeemable during the period commencing on the business day immediately following the date such director ceases to hold any directorship and ending on the 90th day following such date by providing written notice of redemption to the Corporation. Upon redemption, the director shall be entitled to receive the number of Common Shares equal to the number of DSUs in the director’s account. If the director ceases to hold office during a year where DSUs have been granted in advance of being earned and they have not held office for the entire year, the director will only be entitled to a pro-rated issuance of shares.

(Expressed in Canadian Dollars)

Share options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP.

The changes in share options during the years ended December 31, 2020 and December 31, 2019 are as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2018	**-**	**$**	**-**
Granted	500,000		0.25
Balance, December 31, 2019	**500,000**	**$**	**0.25**
Granted	1,225,000		0.34
Balance, December 31, 2020	**1,725,000**	**$**	**0.31**

As at December 31, 2020, options outstanding are as follows:

Number of Options Outstanding	Number of Options Exercisable		Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
500,000	375,000		0.25	November 14, 2024	3.87
1,225,000	-		0.34	November 10, 2031	10.87
1,725,000	**375,000**	**$**	**0.31**		**8.84**

The Company fair valued the options using the Black-Scholes option pricing model with the following inputs:

	Year ended December 31, 2020	Year ended December 31, 2019
Share price at grant date ($)	$ 0.34	$ 0.25
Exercise Price	$ 0.34	$ 0.25
Expected annual volatility	138%	100%
Expected life (in years)	5.00	5.00
Expected dividend yield	0%	0%
Risk-free interest rate	0.27%	1.50%
Fair value per option	$ 0.30	$ 0.19

Restricted Share Rights ("RSR")

The EIP authorizes the Board to grant RSRs, in its sole and absolute discretion, to any eligible employee or director. Each RSR provides the recipient with the right to receive common shares of the Company as a discretionary payment in consideration of past services or as an incentive for future services. The terms including the vesting period of the RSRs are determined at the sole discretion of the Board.

On November 14, 2019, 500,000 fully-vested RSRs were granted in lieu of $125,000 in consulting fees owing to Mike Stier. These RSRs were subsequently settled by the issuance of 500,000 common shares of the Company. During the period ended December 31, 2020, the Company did not issue any RSRs and there are no RSRs outstanding.

(Expressed in Canadian Dollars)

Deferred Share Units ("DSU")
The EIP authorizes the Board to grant DSUs, in its sole and absolute discretion in a lump sum amount or on regular intervals to eligible directors of the Company.

During the period ended December 31, 2020, the Company did not issue any DSUs and there are no DSUs outstanding.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions consist of monthly transactions with the License Holder, who is considered a related party due to sharing common executives and key management with the Company. Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

(i) Transactions with the License Holder

During the year ended December 31, 2020 the Company recognized the following revenues from the License Holder:

Equipment leasing revenue	$	63,941
Service fee revenues		1,398,705
Intellectual property licensing revenues		588,344
Total revenues from License Holder	**$**	**2,050,990**

In addition, the Company also incurred the following transactions with the License Holder during the year ended December 31, 2020:

(i) Bad debt expense of $48,390
(ii) Interest income on service fee revenues of $27,616
(iii) Interest income on lease receivables of $229,007
(iv) Accretion expense on notes payables of $180,547

As at December 31, 2020, there was a balance of $1,868,318 due from the License Holder to the Company related to the provision of services during the year ended December 31, 2020. In addition, there was a balance of $195,673 due from the Company to the License Holder for reimbursable lease operating costs.

As at December 31, 2020, there was a balance of $3,241,823 due from the License Holder to the Company related to the lease receivable. In addition, there was a balance of $15,275 due from the Company to the License Holder for a refundable security deposit.

As at December 31, 2020, there was a notes payable balance of $2,415,991 due to the License Holder. The notes were recorded at fair value at initial recognition by measuring the present-value of future note payments discounted at 12%. The notes are unsecured and bear a coupon interest rate of 2.72% per annum for a period of 27 months with a maturity date of August 1, 2022. The notes are to be repaid in eight, equal, quarterly instalments of US$236,269. As of December 31, 2020, the notes payables were considered in default due to missing of instalment payments. Subsequent to year end, on May 10, 2021, the License Holder issued a waiver of default to New Leaf USA.

A continuity of notes payable for the year ended December 31, 2020 is as follows:

Notes Payable

Balance, December 31, 2019	**$**	**-**
Acquisition transaction		2,555,321

(Expressed in Canadian Dollars)

Accretion expense		180,547
Payment		(99,908)
Currency translation adjustment		(219,969)
Balance, December 31, 2020	**$**	**2,415,991**
Current	**$**	**2,415,991**
Long-term	**$**	**-**

Balances due on the notes payables, including interest, for the next five years and thereafter are as follows:

2021	$	1,709,418
2022		902,454
2023		-
2024		-
2025		-
Thereafter		-
Total	**$**	**2,611,872**

(ii) Transactions with other related parties

During the year ended December 31, 2020 the Company had the following transactions with a company controlled by a director of the Company:

(i) Interest expense on lease obligations of $151,101

As at December 31, 2020, there was a balance of $25,792 due from the related party to the Company related to the prepaid rent. In addition, there was a balance of $2,256,571 due from the Company to the related party related to the lease obligations.

(iii) Key Personnel Compensation

		December 31, 2020		**December 31, 2019**
Directors' fees	$	24,000	$	11,355
Consulting fees [(1)]		88,000		131,000
Share-based payments [(2)]		63,583		34,338
Wages and salaries [(3)]		1,123,706		-
Total	**$**	**1,299,289**	**$**	**176,693**

[(1)] On November 14, 2019, 500,000 fully-vested RSRs were granted in lieu of $125,000 in consulting fees owing to Mike Stier. These RSRs were subsequently settled by the issuance of 500,000 common shares of the Company

[(2)] Share-based payments related to share purchase options issued to directors in 2020 and 2019.

[(3)] Wages and salaries consist of $914,669 related to common shares issued to two executives of one of the Company's subsidiaries as a signing bonus and $209,037 (US$156,833) in salaries from May 1, 2020 to December 31, 2020.

During the year ended December 31, 2019, the Company incurred consulting fees of $6,000 to AMBE Holdings Ltd. which is controlled by a director of the Company

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $nil as at December 31, 2020 (December 31, 2019 - $6,000).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020 Company had a working capital deficiency of $1,276,856 (December 31, 2019 – Working capital deficiency of $396,764).

The Company has relied on equity financings to fund its operations and growth, including the Acquisition Transaction, which was made possible through the two tranches of the initial public offering. As the Company progresses and expands operations in the US, through its subsidiaries, the Company will use a combination of equity financings, funds from the exercise of share purchase warrants and revenues from the leasing, licensing and service revenues of its subsidiaries. There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

SUBSEQUENT EVENTS

On December 22, 2020 New Leaf Ventures announced the execution of a letter agreement with Zen Asset Management LLC and its parent company, Artizen Asset Management LLC. ZAM is a diversified asset management that acquires, develops, and supports companies and technologies in the emerging cannabis industry. The Letter Agreement outlines the general terms and conditions pursuant to which New Leaf and ZAM would potentially undertake a business combination. The Proposed Transaction is subject to a number of conditions, including due diligence and the negotiation of a definitive agreement.

On January 15, 2021 the Company granted a total of 875,000 stock options, with immediate vesting, to directors and officers of the Company with an exercise price of $0.28 per option. Subsequent to December 31, 2020, the Company received aggregate proceeds of $2,825,500 from the exercise of 9,387,417 warrants. In addition, the Company received aggregate proceeds of $128,750 from the exercise of 500,000 stock options.

On March 2, 2021, the Company accelerated the expiry of share purchase warrants ("IPO warrants") originally granted as part the Company's initial public offering on April 30, 2020. The IPO warrants were subject to early expiry (the "Early Expiry Event") if the closing price of the Common Shares on the CSE (or any equivalent exchange) was equal to or greater than $0.60 per Common Share for a period of ten consecutive trading days. The Company determined that as of start of day March 2, 2021 (the "Assessment Date"), that the Company's Common Share price had been trading at, or greater than, $0.60 for the last 10 consecutive trading days. As a result, the warrants were accelerated to expire within 30 days from and including the Assessment Date. The accelerated expiry date was March 31, 2021. Subsequently, 701,809 IPO warrants remained unexercised and expired on March 31, 2021

On May 10, 2021, the License Holder granted a waiver of default to EquipmentCo and IPCo in relation to missed payments for the notes payables held by the entities. The License Holder waived its rights to demand immediate repayment for the entire principal and accrued interest outstanding on the notes. In addition, the License Holder waives its right to increase the interest rate as permitted due to the occurrence of a default event. The waiver is effective for an indefinite period of time subject to the License Holder's discretion.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited consolidated annual financial statements for the year ended December 31, 2020 for details on critical accounting estimates and judgments.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 14 of the audited consolidated annual financial statements for the year ended December 31, 2020. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 2 of the audited consolidated annual financial statements for the year ended December 31, 2020.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Some of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further 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 the Company's shares. 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. In addition, additional financing may not be available on favorable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Business plan is new and contains inherent risks

Our business plan is innovative and non-traditional. As such, we cannot be certain of commercial or any other kind of success for us and cannot guarantee same.

Limited operating history

The Company has a very limited operating history upon which an evaluation of its prospects can be based. The prospects must be evaluated with a view to the risks encountered by a business in an early stage of operations. The Company has not been profitable and has incurred net operating losses during its recent operating history. The Company cannot guarantee it will ever be profitable, have a positive cash flow, or be able to continue in business.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any “key man” insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company’s operations and financial position.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company’s shares will be made by the Board of Directors.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company’s business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company’s business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company’s profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Speculative investment

An investment in the Company’s common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company’s common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.