New Leaf Ventures, Inc.

Management Discussion and Analysis

For the Years Ended December 31, 2021 and 2020

(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, 2021 compared with the year ended December 31, 2020. The information in this MD&A is current as of April 29, 2022 and should be read in conjunction with the consolidated financial statements as at December 31, 2021 and December 31, 2020, and the 2020 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, 2020, 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 (the "License Holder") focused on industrial-scale agronomy, processing, packaging, and distributing cannabis and cannabis related products.

During the period ended December 31, 2021, New Leaf Ventures, through its subsidiaries in the US (collectively referred to as "NL USA"), continued normal course operations and provided services to the License Holder as mentioned previously. Throughout the fiscal year the Company commenced several programs to develop new IP, formulations, equipment upgrades and process efficiencies. To date these efforts have included:

Product Brand Updates

- Continued development of the Goodies brand intended as umbrella branding for the license holder's edible product lines.
- Developed and licensed a caramels product line, including hard and soft caramels.
- Developed and licensed four new flavors of hard candies.
- Developed a new edible formulation called "Space Balls" a chewy candy with a crunchy shell in several flavors including strawberry margarita and passion orange guava (POG).
- The Company is in 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. The package design and formulation are ready to go and is licensed to the license holder for entry into the market once funds are available to commence an initial patch and market the products.
- Finalizing brand upgrades of the DAMA and WEED brands with new logo designs and packaging for the Washington market.
- Launched limited marketing efforts alongside brand upgrade and new "Goodies" brand which includes advertising efforts, apparel, and brand promotions.
- Developed the "DAMA Hemp" brand product line containing CBD only products including tinctures, capsules, topicals and Gummies within New Leaf Hemp Company. Distribution was setup through an e-commerce platform; however due to limited funding the marketing efforts have not been initiated.
- Developed hard candy formulations and branding.
- Update and integrate branding across flower products lineup (Dama and Weed).
- Licensed an additional Dama brand variation for high end greenhouse flower "DAMA Select".
- Finalize and produce full spectrum marketing and merchandising collateral to support brand visibility and market penetration initiatives.

Cultivation Facility Upgrades

- Carried out departmental maintenance and upgrades to streamline future capabilities in anticipation of regional biomass inventories draw down.
- Continued development of in-house cannabis strains, expected to launch in 2022.
- Higher efficiency lighting with increased light output. The license holder expects a 25-35% increase in production volume of usable material based on initial tests of the new lighting configuration. Installed a trellis system to improve light utilization for increased flower yields and quality.
- Installed dehumidification and environmental control systems. The License Holder should realize increased 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.
- Upgraded IT infrastructure throughout the facility
- Upgraded irrigation systems to improve efficiency.
- Built out a drying and curing facility with environmental controls to improve efficiency and quality of flower
- The licensed holder realized a 15% increase in total material output, resulting from improvements in lighting, environmental, and irrigation systems complete by New Leaf Equipment Co. The license holder expects additional 5-10% increase from existing improvements as the production pipeline is converted into ready material.
- The cultivation department requires further upgrades to maximize efficiency and output however the Company does not have the necessary funding at this time.

Processing Upgrades

- The Company has also advanced changes to the drying and curing standard operating procedures that will result in increases in quality of flower production for the license holder.
- 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%
- Purchased and deployed sifting equipment to improve manufacturing efficiency and quality of pre-rolls.
- Continuing upgrades to drying and curing facility will result in increase of quality of flower output.

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.
- Completed buildout and permitting of the commercial kitchen, allowing the license holder to transfer edible operations in the new completed kitchen.
- Completed buildout of a specialized climate-controlled area in the license holder's operation for hard candy manufacturing and storage.
- Purchased a large panner for license holder, enabling the manufacturing of Space Balls, coated candy and other products.
- Implemented a new standard operating procedure provided to the license holder for hard candy manufacturing, which should lower NLE's production labor cost by 20%
- Initiated the expansion of the commercial kitchen designed for high volume manufacturing of edible products including THC Beverage.

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.
- 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

- New Leaf Services hired and expanded the sales team to include dedicated field representatives to support relationship building, sample distribution and merchandising within the license holder. The Director of Sales hire ultimately did not work out and New Leaf Services has not currently found a replacement. Consequently, this department has contracted.
- Aided in marketing strategies including 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.
- Developed performance-based marketing for retailers with high visibility sales aids including toppers, banners, hangers, pop-ups, print, fashion, and digital marketing/merchandising collateral.

After some stabilization in biomass pricing and supply in 2019 and 2020, the 2021-2022 harvest season saw an oversupply of cannabis biomass resulting in increased competition and overall drop in wholesale biomass prices. Oversupply was the result of many factors including COVD-19 and producers increasing their output in response to price stabilization from the previous two seasons. Subsequently, due to the oversupply, retail prices for packaged flower and pre-rolls dropped significantly over the course of Q3/Q4 2021. This had cascading impact to the margins and revenues of wholesalers and producers such as the License Holder.

In response to the adverse market conditions impacting the sector as a whole, New Leaf USA has put a greater focus on development and formulation of value-added products, as well as marketing efforts to update, reposition, and expand awareness of its branding, including the Company's flagship DAMA brand. New Leaf USA, through its subsidiaries, continues formulations for products such as infused edibles, beverages, topicals, vape cartridges, and other concentrates. Other initiatives aimed towards stabilizing revenues is continued development of intellectual property over cannabis production methods and other management processes. In turn, this will further support and enhance the operations of the License Holder. This should have positive impacts to sales of licensed products for which the Company earns royalty revenues. These are ongoing initiatives and will be ramped up as cash flow improves.

Looking forward, New Leaf believes that the cannabis market in Washington is evolving in the direction of ever greater commodification of biomass production, leading to downward price pressure in the mid to low-level biomass market. As a response the License Holder is shifting towards biomass procurement as opposed to in-house cultivation. In response, New Leaf Services Co. has reduced its workforce by ~50% to maximize margins for leaner operations. In addition, New Leaf USA is developing relationships with other processors and retailers to leverage partnership opportunities and further expand the reach of the Company's brands and value-added formulations throughout the State of Washington.

Additional events include:

On April 1, 2021, the Company appointed Terence Lee as the CFO, replacing Randy Minhas.

On June 15, 2021, the Company announced the finalization of the THC and CBD infused beverage product offering called Astara. Additionally, on July 14, 2021, the Company announced the launch of its consumer website, www.damawashington.com, where people to learn about the rebranding of the flagship Dama product line, launch of Tasty Tokes and development of Green State product offerings.

On June 18, 2021, the Company announced the termination of the proposed transaction with Zen Asset Management LLC and its parent company, Artizen Asset Management LLC.

On September 8, 2021, the Company announced the signing of a commercial packaging, licensing and distribution agreement between the Company's wholly owned subsidiary, New Leaf USA Inc., and Long Play Inc., a licensor of renowned cannabis brand "WILLIE'S RESERVE". The licensing encompasses exclusive rights to source, manufacture, distribute and market Willie's Reserve and Harvest products in Washington State.

On September 23, 2021, announced that its auditor, Davidson & Company LLP, Chartered Professional Accountants, has resigned at the request of the Company. Smythe LLP, Chartered Professional Accountants, has been appointed as the replacement auditor for the Company.

(Expressed in Canadian Dollars)

On September 23, 2021, the Company announced the appointment of Brad Songhurst as Chief Operating Officer and David Tran as Chief Strategy Officer of the Company's wholly owned subsidiary New Leaf USA Inc. Mr. Songhurst and Mr. Tran are expected to focus on helping the Company expand and become a multi-state operator. The Company issued each of Mr. Tran and Mr. Songhurst options to acquire 250,000 Common Shares, exercisable for a period of two years at an exercise price of $0.28 per Common Share.

On November 16, 2021, the Company announced the hiring of Allan Abramovitz to guide the infused edible product development and establish processes and procedures for the commercial kitchen.

During Q4 2021 New Leaf Ventures continued its engagement of Promethean Marketing to create and conduct an investor awareness campaign in an effort to increase the Company's shareholder base. This engagement concluded in December 2021.

ACQUISITION TRANSACTION

On April 30, 2020, the Company completed their previously announced acquisition of New Leaf USA, Inc. ("NL USA" or "New Leaf USA") and all of its wholly-owned subsidiaries. The acquisition provides the Company with immediate strategic access and footprint to the US cannabis market, specifically in the state of Washington. With the acquisition, the Company now has the ability to provide turnkey solutions to other licensed cannabis operators in the state of Washington. This is the first step in realizing management's vision for the Company to manage and invest in advanced stage operations in the North American Cannabis sector. 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:

		Final
Consideration transferred:		
Fair value of 9,000,000 common shares issued	$	2,250,000
Fair value of contingent consideration (i)		352,800
Total consideration	**$**	**2,602,800**
Fair value of assets and liabilities recognized:		
Cash	$	3

(Expressed in Canadian Dollars)

		Final
Related party receivable (note 9)		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)
Fair value of net assets acquired	**$**	**(1,178,091)**
Goodwill	**$**	**3,780,891**

(i) The Performance Warrants were valued using the Black-Scholes Option Pricing model (note 10) 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 10). The Performance Warrants are subsequently re-measured at each reporting date.

As at December 31, 2021, the Performance Warrants were re-measured at fair-value to $nil (2020 - $362,758). A resulting gain on re-measurement of $362,758 (note 10) was consequently recognized in profit and loss for the year ended December 31, 2021 (2020 – loss of re-measurement of $9,958). The change in fair-value was based on management's re-evaluation over the probabilities to meet performance criteria specific to the Performance Warrants.

(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.

The intangibles recognized on the acquisition relate to existing contracts at acquisition date for equipment leasing and intellectual property licensing, as well as management services. New Leaf USA leases intellectual property ("IP agreement"), including, brand names and know-how specific to operations and management of cannabis production and processing. The License Holder pays an annual exclusivity fee of USD$100,000 and the greater of $1.07 per each unit sold or a quarterly license fee of USD$150,000 for a period of six month, expiring October 1, 2020. New Leaf USA also leases cannabis production and processing equipment for a monthly leasing fee of USD$6,000 per month. Both the equipment and IP agreement were extended by the License Holder for another six months on October 1, 2020. The IP agreement was further amended in 2021 to extend out to May 31, 2023.

New Leaf USA provides various management services to the License Holder including office administration, human resource and staffing, marketing, and IT. For the provision of these services the License Holder pays a monthly services fee of USD$100,000 a month. The management service agreement has a term of six months but automatically renews for an additional six months for up to four additional six-month renewal terms (from effective date August 1, 2019) unless sooner terminated. At the time of acquisition, the service agreement had three remaining six-month renewal terms available.

The goodwill recognized from the acquisition is attributable to synergies expected from integrating New Leaf USA into the Company's existing business. Another component of goodwill includes non-separable intangibles assets acquired, including know-how specific to operations and management of cannabis production and processing. The goodwill acquired is not deductible for tax purposes.

The intangible assets acquired had a useful life of six months and were fully depreciated as at December 31, 2020.

(Expressed in Canadian Dollars)

During the year ended December 31, 2020 the Company performed an annual impairment test of goodwill and determine that the carrying value of the Company's total net assets exceeded the Company's value-in-use as at December 31, 2020. Subsequently, for the year ended December 31, 2020, the Company recorded an impairment loss of $3,780,891 to reduce goodwill to $nil.

SELECTED INFORMATION ANNUAL INFORMATION

	For the years ended		
	December 31, 2021	December 31, 2020	December 31, 2019
	$	$	$
Revenues	2,471,902	2,050,990	-
Operating expenses	7,227,282	4,672,272	1,168,699
Net loss for the period	3,962,287	6,600,105	1,171,103
Comprehensive loss for the period	3,935,265	6,495,366	1,171,103
Basic and diluted loss per share:	0.08	0.24	0.11

	December 31, 2021	December 31, 2020	December 31, 2019
	$	$	$
Working capital (deficiency)	429,910	(1,276,856)	(396,764)
Total assets	5,954,596	6,487,140	191,034
Total liabilities	4,647,780	6,926,442	587,798
Share capital	12,170,886	7,087,003	736,251
Deficit	11,769,745	7,807,458	1,207,353

SUMMARY OF QUARTERLT RESULTS

	Three months ended			
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
	$	$	$	$
Total revenue	621,229	621,131	605,404	624,138
Net loss	(525,305)	(894,827)	(799,728)	(1,742,427)
Comprehensive loss	(514,697)	(871,666)	(809,355)	(1,739,547)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.04)

	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

Revenues in the fourth quarter of fiscal 2021 were consistent with the third quarter of fiscal 2021 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, 2021.

(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS

	December 31, 2021	December 31, 2020	Variance $	Variance %
Revenue	$ **2,471,902**	$ **2,050,990**	420,912	21%
Operating Expenses				
Amortization	-	331,299	(331,299)	-100%
Communication	99,874	26,040	73,834	284%
Consulting	182,228	122,507	59,721	49%
Depreciation & Amortization	192,635	110,259	82,376	75%
Directors fees	24,000	24,000	-	0%
Marketing	3,475,083	985,080	2,490,003	253%
General office & administration	235,615	296,690	(61,075)	-21%
Utilities and property tax	345,163	-	345,163	100%
Professional fees	326,339	480,882	(154,543)	-32%
Regulatory and filing fees	60,122	33,036	27,086	82%
Research and development	-	79,926	(79,926)	-100%
Share-based compensation	525,811	104,001	421,810	406%
Wages and salaries	1,760,412	2,078,552	(318,140)	-15%
Total Operating Expenses	$ **7,227,282**	$ **4,672,272**		
Other expenses				
Interest income	372,444	256,623	115,821	45%
Accretion expense	(159,073)	(180,547)	21,474	-12%
Bad debt expense	-	(48,390)	48,390	-100%
Goodwill impairment	-	(3,780,891)	3,780,891	-100%
Foreign exchange	(29,731)	(21,163)	(8,568)	40%
Gain on forgiveness of accounts payable	-	25,923	(25,923)	-100%
Gain / (loss) on re-measurement of derivative	362,758	(9,958)	372,716	-3743%
Other income	539,378	-	539,378	100%
Interest expense	(292,683)	(220,420)	(72,263)	33%
Net loss for the period	$ **(3,962,287)**	$ **(6,600,105)**		

The notable changes in operations between the year ended December 31, 2021 and December 31, 2020 are as follows:

1. Part of the overall variances between the years ended December 31, 2021 and 2020 is due to the acquisition of NL USA closing part-way through fiscal 2020. the fact that fiscal 2020 only had eight months of operations vs twelve months in fiscal 2021. This is due to the fact that NL USA was only acquired as of April 30, 2020.

2. During the year-ended December 31, 2021 the Company earned revenues of $2.47M and incurred a net loss of $3.9M from its US operations. This was compared to $2.05M in revenues and net loss of $6.6M during the year ended December 31, 2020. Lower revenues due to the Company recognizing only eight months of revenue in fiscal 2020 vs twelve months in fiscal 2021. Higher net loss in fiscal 2020 was due mainly to non-cash impairment charges recognized on goodwill. This was offset partially by higher marketing spend in fiscal 2021 by approximately $2.49M. The increased marketing spend was to help increase exposure of the Company subsequent to its initial public offerings and to bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A

3. Interest income and expense incurred during the year ended December 31, 2021 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. Balances are higher in fiscal 2021 as NL USA was in operations for full twelve months as opposed to eight months in fiscal 2020.

4. Amortization expense in fiscal 2020 relates to primarily to amortization of intangible assets acquired as part of the acquisition of NL USA. The intangibles assets were fully amortized as at December 31, 2020 and there were no acquisitions of intangibles assets in fiscal 2021. Consequently, amortization expense in fiscal 2021 was $nil.

5. Total wages and salaries expense was $1.76M in fiscal 2021 vs 2.07M in fiscal 2020. Higher wage expense in fiscal 2020 was due primarily to a one-time signing bonus to two executives of NL USA with a value of $0.916M, payable in common shares of the Company. There were no such bonuses observed in fiscal 2021. This was partially offset by overall higher regular wage expense in fiscal 2021 as NL USA observed twelve full months of operations as opposed to eight months in fiscal 2020. There are no wage expenses observed in New Leaf Ventures Inc. the parent company.

6. Share based compensation was higher in fiscal 2021 compared to fiscal 2020 primarily due to stock options that were granted to executive management personnel in Q1'2021. These options had immediate vesting which results in the entire share based compensation for this options being recognized in fiscal 2021.

7. Utilities and property tax relates to operating lease expenses arising from the property leases acquired as part of the Acquisition Transaction. In fiscal 2020, utilities and property tax expense was approximately $0.229M but was presented as part of Office expense. In contrast, utilities and property tax expense totaled $0.345M in fiscal 2021. Overall, utilities and property tax expense was higher in fiscal 2021 to reflect twelve months of operations vs eight months in fiscal 2020.

8. During the fiscal year ended December 31, 2021, the Company spent $3,475,043 on marketing services from Promethean Marketing to help increase exposure of the Company to potential financial investors and bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A. This is an increase in comparison to marketing spend for the fiscal year ended December 31, 2020 and is due solely to the Company's expanded investor relation efforts throughout the fiscal and 2020 being a shorter reporting year.

9. Other income of $0.536M was recognized during fiscal 2021 in relation to sub-lease operating expenses (utilities, property tax, insurance) that were incurred for by the Company and which are reimbursable by the License Holder.

OUTSTANDING SHARE DATA

As of the date of this MD&A the Company has a total of 59,426,584 common shares outstanding, 12,900,000 common share purchase warrants outstanding, 4,000,000 performance warrants outstanding, and 2,475,000 common share options outstanding.

Authorized share capital

As at December 31, 2021 and 2020, the Company is authorized to issue an unlimited number of preferred shares and Class A common shares without par value. The Company has no other classes of common shares that are authorized, issued, or outstanding as at December 31, 2021.

As at December 31, 2021, 5,898,904 (December 31, 2020 – 12,126,755) total common shares outstanding were held in escrow subject to the following escrow release schedule:

- 10% - on the date the Company's securities are listed on a Canadian Exchange (the "Listing Date")
- 15% - 6 months after the Listing Date
- 15% - 12 months after the Listing Date
- 15% - 18 months after the Listing Date
- 15% - 24 months after the Listing Date
- 15% - 30 months after the Listing Date
- 15% - 36 months after the Listing Date

Issued share capital

During the year ended December 31, 2021:

Exercise of Stock Options and Share Purchase Warrants
During the year ended December 31, 2021, the Company collected $3,787,349 and $163,750 in gross proceeds from the exercise of 11,774,097 share purchase warrants and 625,000 share options respectively. The warrant and option exercises resulted in the issuance of 12,399,097 common shares of the Company.

During the year ended December 31, 2021, the Company collected $33,330 in gross process from the exercise of 133,320 agent warrants ("IPO Agent Warrants") which resulted in the issuance of 133,320 common shares and 66,660 share purchase warrants of the Company. Each share purchase warrant ("Additional Warrants") is exercisable into one common share of the Company at an exercise price of $0.40 and expires on April 30, 2022. The exercise of the IPO Agent Warrants also resulted in the reclassification of $21,295 from warrant reserve to share capital.

Public Offering
On November 2, 2021 the Company closed a public offering (the "November Offering") and issued a total of 6,000,000 units of the Company (the "Units") at a price of $0.25 per Unit, for aggregate gross proceeds of $1,500,000. Each Unit is comprised of one (1) common share of 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 until November 1, 2023 (the "Expiry Date") subject to acceleration. If, during the life of the Warrants, the closing price of the Common Shares as quoted on the Canadian Securities Exchange is equal to or exceeds $0.60 per Common Share for any 10 consecutive trading days, the Company may provide notice to the holders of the Warrants by issuance of a news release that the expiry date of the Warrants will be accelerated to the 30th day after the date on which the Company issues such news release. The half-warrants were valued using a residual fair-value approach resulting in a fair-value of $0.02 per half-warrant. Total fair-value of all Warrants issued on the November Offering was $120,000 with the amount recognized in warrant reserve.

In connection with the November Offering, the Company paid a cash commission of $105,000 to an agent connected with the financing transaction. The Company also issued 420,000 share purchase warrants (the "November Agent Warrants") to the agent and members of its selling group. Each November Agent Warrant would entitle the holder to purchase one Unit (an "Agent Unit") at an exercise price of $0.25. Each Agent Unit consists of one common share and one-half of one common share purchase warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant would entitle the holder thereof to purchase one common share of the Company on the same terms and conditions as the Warrants issued on the November Offering. The fair value of the November Agent Warrants was $102,690, calculated using the Black-Scholes option pricing model and the Geske compound option pricing model. This amount was charged to share capital as a non-cash share issuance cost. The Company also incurred $297,054 of issuance cost relating to legal and agent work fees in connection with the November Offering.

At-the-Market Distributions

On November 15, 2021, the Company established an at-the-market equity program (the "ATM Program") that allows the Company to issue and sell up to $10,000,000 of common shares from treasury to the public, from time to time, and at the Company's discretion. The ATM Program is managed by a broker agent, pursuant to an Equity Distribution Agreement (the "Distribution Agreement"). The agent will be compensated with cash commissions equal to 2% of total gross proceeds raised from any ATM placement. All common shares sold under the ATM Program will be made through sales that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – Shelf Distributions, including sales made through the CSE, or any other trading market for the Common Shares in Canada.

During the month of December 2021, the Company completed a number of ATM placements and issued an aggregate of 458,000 common shares resulting in total proceeds of $74,553. During the year ended December 31, 2021, the Company incurred total cash commissions of $1,355 from the ATM placements. Net cash proceeds of $73,198 were held by the Company's agent and disbursed to the Company subsequent to year end. As at December 31, 2021, the net proceeds from the ATM placements had not been transferred to the Company by the agent. The proceeds owed have been recognized as a share subscription receivable.

During the year ended December 31, 2020:

Initial Public Offering

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 (each whole warrant a "Warrant"). The fair value of the Agent Warrants was $21,839, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

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 reimbursement of expenses totalling $4,012. In addition, the Company incurred $105,507 of legal expense 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 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 $20,233, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

Acquisition of New Leaf USA, Inc

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

(Expressed in Canadian Dollars)

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.

Exercise of Stock Options and Share Purchase Warrants
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.

Warrants

The changes in warrants during the years ended December 31, 2021 and 2020 are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2019	**12,000,000**		**0.25**
Issued (i)(ii)(iii)	20,106,526		0.32
Exercised	(6,034,220)		0.25
Balance, December 31, 2020	**26,072,306**	**$**	**0.31**
Issued (iv)	3,486,660		0.40
Exercised	(11,907,417)		0.32
Expired (v)	(751,549)		0.39
Balance, December 31, 2021	**16,900,000**	**$**	**0.32**

(i) 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.

(ii) 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 at initial recognition.

	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 fair-value was subsequently re-measured as at December 31, 2021 with a resulting fair-value of $nil determined. Consequently, a gain on re-measurement of $362,758 was recognized in profit and loss for the year ended December 31, 2021.

(Expressed in Canadian Dollars)

(iii) 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
Expected dividend yield	0%
Risk-free interest rate	0.29%
Fair value per warrant	$0.17

The total fair value of the Agent Warrants was $37,339.

(iv) The Company issued 420,000 November Agent Warrants in connection with the November Public Offering. The November Agent Warrants were exercisable into Units which were further comprised of a common share of the Company and one-half of one common share purchase warrant. The November Agent Warrants were fair-valued using the Black Scholes option pricing model and the Geske compound option pricing model with the following weighted average input assumptions:

	Black-scholes option model inputs
Share price at grant date ($)	$ 0.23
Exercise Price	$ 0.25
Expected annual volatility	152.7%
Expected life (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.16

	Geske compound option model inputs
Share price at grant date ($)	$ 0.23
Exercise price of compound warrant ($)	$ 0.001
Exercise price of underlying warrant	$ 0.250
Expected annual volatility	152.7%
Expected life compound warrant (in years)	1.99
Expected life underlying warrant (in years)	2.00
Expected dividend yield	0%
Risk-free interest rate	1.04%
Fair value per warrant	$0.163

(v) On March 2, 2021, the Company accelerated the expiry of 751,549 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.

(Expressed in Canadian Dollars)

As at December 31, 2021, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
9,480,000	9,480,000	0.40	June 19,2022	0.47
4,000,000	-	0.02	April 30, 2023	1.33
3,000,000	3,000,000	0.40	November 1, 2023	1.84
420,000	420,000	0.25	November 1, 2023	1.84
16,900,000	**12,900,000**	**$ 0.31**		**0.95**

3. SHARE-BASED COMPENSATION

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 Company, shall not exceed 15% of the Company'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 Company. 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)

The Company's recorded share-based compensation for the year ended December 31, 2021 and 2020 comprised the following:

	December 31, 2021	December 31, 2020
Stock Options (a)	**$ 525,811**	**$ 104,001**

(a) 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, 2021 and December 31, 2020 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	**500,000**	**$ 0.25**
Granted	1,225,000	0.34
Balance, December 31, 2020	**1,725,000**	**$ 0.31**
Granted	1,375,000	0.28
Exercised (i)	(625,000)	0.26
Balance, December 31, 2021	**2,475,000**	**$ 0.31**

(i) The weighted average share price at the date of exercise of options exercised during the year ended December 31, 2021 was $0.64 (2020 – not applicable).

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

	Year ended December 31, 2021	Year ended December 31, 2020
Share price at grant date ($)	$ 0.28	$ 0.34
Exercise Price	$ 0.28	$ 0.34
Expected annual volatility	129% - 133%	138%
Expected life (in years)	5.00	5.00
Expected dividend yield	0%	0%
Risk-free interest rate	0.42% - 0.92%	0.27%
Fair value per option	$ 0.24	$ 0.30

The risk-free interest rate is based on the yield of a risk-free Canadian government security with a maturity equal to the expected life of the options from the date of the grant. The assumption of expected volatility is based on the average historical volatility of comparable companies for the period immediately preceding the option grant. The Company does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option-pricing model.

Total fair value of stock options granted during the year ended December 31, 2021 was $330,625 (2020 - $365,050).

(Expressed in Canadian Dollars)

Stock options outstanding and exercisable at December 31, 2020 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
125,000	125,000	$ 0.25	November 15, 2024	2.88
625,000	625,000	$ 0.28	January 15, 2026	4.04
500,000	500,000	$ 0.28	September 22, 2026	4.73
1,225,000	478,750	$ 0.34	November 10, 2031	9.87
2,475,000	**1,728,750**	**$ 0.31**		**7.00**

(b) 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.

During the year ended December 31, 2021 and 2020, the Company did not issue any RSRs and there are no RSRs outstanding.

(c) 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 year ended December 31, 2021 and 2020, the Company did not issue any DSUs and there were 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, 2021 the Company recognized the following revenues from the License Holder:

Revenue type		2021		2020
Equipment leasing revenue	$	90,252	$	63,941
Service fee revenues		1,504,200		1,398,705
Intellectual property licensing revenues		877,450		588,344
Total revenues from License Holder	**$**	**2,471,902**	**$**	**2,050,990**

In addition, the Company also incurred the following transactions with the License Holder during the year ended December 31, 2021:

(i) Interest income on receivables relating to IP licensing revenues of $67,848 (2020 - $27,616);
(ii) Interest income on lease receivables of $229,007 - Note 9 (2020 - $229,007);

(Expressed in Canadian Dollars)

(iii) Accretion expense on notes payables of $159,073 (2020 - $180,547); and
(iv) Other income of $539,378 (2020 - $nil) relating to sub-lease operating expenses (utilities, property tax, insurance) that were incurred for by the Company and which are reimbursable by the License Holder

As at December 31, 2021, there was a balance of $1,888,672 (2020 - $1,868,318) due from the License Holder to the Company related to the provision of services during the year ended December 31, 2021. In addition, there was a balance of $11,122 (2020 - $195,673) due from the Company to the License Holder for reimbursable lease operating costs.

As at December 31, 2021, there was a balance of $2,083,582 (2020 - $3,241,823) due from the License Holder to the Company related to the lease receivable. In addition, there was a balance of $15,214 (2020 - $15,275) due from the Company to the License Holder for a refundable security deposit.

As at December 31, 2021, there was a notes payable balance of $864,465 (2020 - $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.

A continuity of notes payable for the year ended December 31, 2021 is as follows:

Balance, December 30, 2019	**$**	**-**
Acquisition transaction		2,555,321
Accretion expense		180,547
Payment		(99,908)
Currency translation adjustment		(219,969)
Balance, December 31, 2020	**$**	**2,415,991**
Accretion expense		159,073
Payment		(1,682,968)
Currency translation adjustment		(27,631)
Balance, December 31, 2021	**$**	**864,465**

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

Year		**Amount**
2022	$	864,465
2023		-
2024		-
2025		-
2026		-
Thereafter		-
Total	**$**	**864,465**

(ii) Transactions with other related parties

During the year ended December 31, 2021 the Company had the following transactions with a company controlled by a director of the Company:

(i) Interest expense on lease obligations of $201,473 (2020 - $151,101)

(Expressed in Canadian Dollars)

As at December 31, 2021, there was a balance of $25,684 (2020 - $25,792) due from the related party to the Company related to the prepaid rent. In addition, there was a balance of $2,083,582 (2020 - $2,256,571) due from the Company to the related party related to the lease obligations.

(iii) Key Personnel Compensation

		December 31, 2021		December 31, 2020
Directors' fees	$	24,000	$	24,000
Consulting fees		141,500		88,000
Share-based payments (1)		251,300		63,583
Wages and salaries (2)		300,840		1,123,706
Total	**$**	**717,640**	**$**	**1,299,289**

(1) Share-based payments related to share purchase options issued to directors during the year ended December 31, 2021 and 2020.

(2) $300,840 of wages and salaries recognized during the year ended December 31, 2021 (May 1 – December 31, 2020 - $209,037). For the period May 1 – December 31, 2020, wages and salaries also included $914,669 relating to common shares issued to two executives of the Company as a signing bonus.

During the year ended December 31, 2021, the Company incurred consulting fees of $70,000 (2020 - $6,000) to a Company 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 $2,100 as at December 31, 2021 (2020 - $nil).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021 Company had a working capital of $429,910 (2020 – Working capital deficiency of $1,276,856).

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

Subsequent to the year ended December 31, 2021, the Company continued its ATM distribution efforts and has sold and issued an aggregate of 1,338,500 common shares resulting in total proceeds of $118,939. During the period subsequent to December 31, 2021, the Company incurred total cash commissions of $1,949 from the ATM Placements.

On March 21, 2022, the Company announced the resignations of Mr. Lee White and Mr. Donald Currie from the board of directors. On April 1, 2022, the Company announced the additions of New Leaf Ventures President and CEO Mike Stier and Daryn Gordon to the board of directors and audit committee.

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 12 of the audited consolidated annual financial statements for the year ended December 31, 2021. 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, 2021.

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.