



PEAKBIRCH LOGIC INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six months ended April 30, 2021

PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.)
Management Discussion and Analysis
For the three and six months ended April 30, 2021

The Management Discussion and Analysis ("MD&A"), prepared June 25, 2021 should be read in conjunction with the condensed interim consolidated financial statements and notes thereto for the three and six months ended April 30, 2021 of PeakBirch Logic Inc. (formerly Kootenay Zinc Corp.) (the "Company" or "PeakBirch") which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all currency amounts are in US dollars.

FORWARD-LOOKING STATEMENTS

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events and include without limitation, statements regarding discussions of the Company's business strategy, future plans, projections, objectives, estimates and forecasts and statements as to management's expectations with respect to, among other things, the Company's expected performance and its future objectives. These forward-looking statements involve numerous risks and uncertainties, and actual results may vary. Important factors that may cause actual results to vary include without limitation, certain transactions, certain approvals, changes in regulations in the jurisdictions in which the Company operates, social perception of cannabis and other related and regulated products which we currently or in the future may sell, delays in the receipt of any necessary government approvals, and changes in general economic conditions or conditions in the financial markets. In making the forward-looking statements in this MD&A, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) any additional financing needed will be available on reasonable terms; (2) any necessary permits or government approvals needed will be obtained; and (3) laws, regulations, government policies or stock exchange rules respecting the industries in which the Company operates will not become more onerous on the Company. The Company cannot make any assurances that any of these assumptions will prove to be correct.

The words "expect," "anticipate," "estimate," "may," "will," "should," "intend," "believe," "target," "budget," "plan," "projection" and similar expressions are intended to identify forward-looking statements.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this MD&A and any documents incorporated by reference are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, including future-oriented financial information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. The Company undertakes no obligation to disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as expressly required by law.

Additionally, the forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying our reasonable belief of the direction of the Company and may not be appropriate for other purposes.

The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Company Overview

The Company was incorporated on March 23, 2015 pursuant to the *Business Corporations Act* (British Columbia) as a company in the business of mineral exploration and evaluation. The address of its head office and registered office is located at Suite 400-837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On September 8, 2020, the Company completed an acquisition transaction whereby the Company acquired 100% of the issued and outstanding shares of Canndora Delivery Ltd. ("Canndora"), acquired 100% of the issued and outstanding shares of Greeny Collaboration Group (Canada) Inc. ("Greeny") and acquired approximately 98.5% of the issued and outstanding shares of Lifted Innovations Inc. ("Lifted"). The acquisition of Lifted was a reverse takeover transaction ("RTO"), and the Company carried on the business of Lifted. Following the closing, the Company's name changed to PeakBirch Logic Inc.

On October 19, 2020, the Company completed the acquisition of the remaining shares of Lifted not taken up under the Company's takeover bid of Lifted which closed on September 8, 2020.

On September 8, 2020, the Company completed a 1-for-23 share consolidation for the Company's issued and outstanding common shares.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing. Management is actively engaged in the review and due diligence on opportunities of merit and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

E-Commerce Platforms

The Company's primary business is the sale and distribution of vaporizers, cannabis-related accessories, ancillary, and CBD products (collectively, "CBD, cannabis-related accessories and ancillary products"), via its e-commerce portals Namastevaporizers.com, Everyonedoesit.com, LiftedCBD.com, Lifted.com, LeafScience.com and Greeny.com (the "E Commerce Sites"). The Company does not produce, distribute or sell products containing cannabis but may, in the future, distribute and/or sell products containing cannabis but only when market conditions indicate opportunity and local regulatory requirements permit. No assurance can be provided that the Company will expand its business to distribute or sell cannabis-based products. Currently, the Company has a strong focus on expanding into the non-psychoactive mushroom market via its e-commerce site Shroommart.com, while simultaneously engaging in e-commerce activities in two countries.

In Fiscal 2020, the leadership team focused its efforts on strengthening its market share within the United States. The efforts resulted in significant revenue growth over the last four quarters which increased from \$854,905 for the six months ended April 30, 2020 to \$2,243,365 during the six months ended April 30, 2021.

The E-Commerce Sites currently offer an extensive range of brand-name vaporizers, CBD products and are a source of both general and specific information, reviews and media regarding the industry and related products. The Company is currently focused on expanding its product offerings and growing its U.S and Canadian presence through both organic and acquisitive growth.

E-Commerce Technology

The Company utilizes Shopify and WooCommerce for its E-Commerce Sites in order to streamline and simplify its accounting, payments and fulfillment process. The review system used in its E-Commerce Sites is powered by Stamped.io, which is a third-party review platform that allows customers to review both the products and the customer's experience on the E-Commerce Sites. As Stamped.io is a third-party platform, it is expected that this provides confidence to consumers that the reviews and comments are both authentic and transparent.

The Company relies on Shopify and WooCommerce's well-established application program interface ("API") for integrations with other applications and software services. The Company takes advantage of these solutions and systems to automate its order processing. Its tech team also builds proprietary customized software solutions that are not otherwise available by using the API capability of Shopify which plugs into its payment processing.

Order fulfillment is possible with the various partners the Company uses. The Company has agreements in place with multiple vendors in the cannabis space that allows the Company to access their inventory of CBD, cannabis-related accessories and ancillary products and utilize their fulfillment services. This in turn allows the Company to keep its operations lean and focus on building its e-commerce platform.

The technology and processing platforms that the Company utilizes enables it to operate a “dropship” business model. Under this model the Company does not own, manage or hold any physical inventory. Rather, its e-commerce platforms facilitate the sale and processing of products, but all warehousing and product inventory and delivery is processed through its partners. Drop-shipping enables the Company’s business to operate with very little overhead, thus maximizing margins and, ultimately, net revenue. The Company’s partners also benefit as it offers them a much larger pool of customers than they already serve. The Company’s planned same-day-delivery service platform will be powered by AI and Geo-location technology, that will leverage machine learning to provide the customers with a personalized shopping experience.

Corporate Activities

On November 10, 2020, the Company entered a relationship with Humble and Fume Inc. through its wholly owned subsidiary Windship Trading which allows the Company and Windship to partner to provide the Company’s customers with an exciting expansion of brand offerings.

On November 24, 2020, the Company announced that it has expanded into the Canadian market. The Company will offer Canadian consumers access to premium selections of vaporizer, glass and accessory brands through its existing network of relationships and distribution outlets.

On December 03, 2020, the Company entered into a relationship with AF Trading Ltd. which allows the Company and AF Trading to partner to provide the Company’s customers with access to a premium selection of vaporizers, glass and accessory brands in the UK.

On January 14, 2021, the Company entered a collaborative agreement with Namaste Technologies Inc. (“Namaste”) which will enable PeakBirch to sell hemp derived CBD through CannMart.com.

On February 18, 2021, the Company announced a partnership with Halo Collective to Develop Functional Mushroom Line. Products will be sold through PeakBirch’s e-commerce platform ShroomMart.com

On April 8, 2021, the Company’s common shares commenced trading on the OTCQB Venture Market in the United States under the symbol “KTNNF”.

Strategic Vision and Growth

The Company intends to increase revenue growth by continuing its focus on business development opportunities within the cannabis and non-psychoactive mushroom markets by:

1. Strategic Acquisition – The Company will be adding to its library of targeted products and acquiring complementary e-commerce platforms to expand its market scope and presence, in order to combine partnerships and technology to offer complimentary services and products to the cannabis industry.
2. Expansion into New Products – Adding and expanding the Company’s product lines from the brands it currently offers, and establishing new dropship partners and partnerships with brands, will allow the Company to provide customers with access to an ever-expanding catalogue of CBD, cannabis-related accessories and ancillary products. Furthermore the company plans to expand into the non-psychoactive mushroom product line and is exploring both partnerships as well as building its own in-house brands.
3. Expansion into Services & Technology – Adding same-day delivery of cannabis and vaporizer delivery services to both B2C and B2B within the United States. The company believes that by developing the necessary technology to offer these services it will enable it to grow its B2B sales and relationships with brick-and-mortar businesses. In the long-term the Company intends to

expand its offerings beyond same-day delivery to include other complimentary services for the cannabis industry.

4. Expansion into new geographies – The Company intends on expanding into new international territories and will be evaluating new partnerships to supply its e-commerce stores. The Company will continue to pursue a drop shipping model and believes that outsourcing certain functions will allow the Company to focus on sales and building out new sales channels without adding additional capital expenditure, resulting from inventory costs.

No assurance can be given that the Company will be able to successfully grow its services, product base or establish new partnerships or that, if its product base is expanded or new partnerships are entered into, that the Company's business will be positively affected thereby.

COVID-19

Since year ended October 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. This unprecedented pandemic may result in, among other things, supply chain issues, transportation delays, changes in customer demand for the Company's products, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. The Company continues to monitor COVID-19 developments but since the duration and impact of the COVID-19 pandemic is unknown at this time, it is not possible to reliably estimate the length of the outbreak or the severity of its impact at this time.

MANAGEMENT CHANGES

On June 17, 2019, the Company appointed Tara Haddad and Usama Chaudhry following the resignations of both Anthony Jackson and Von Torres as directors of the Company. Ms. Haddad was also appointed as the chief financial officer of the Company, replacing Mr. Jackson.

On September 13, 2019, the Company appointed Tara Haddad as interim chief executive officer of the Company and Von Torres as a board director, following the resignation of Rob Tindall as chief executive officer and director of the Company.

On June 23, 2020, Tara Haddad resigned as interim chief executive officer, chief financial officer and director of the Company. Von Torres, a director of the Company, replaced Tara Haddad as interim chief executive officer and chief financial officer of the Company.

Effective September 8, 2020, Von Torres resigned as interim chief executive officer, interim chief financial officer and a director of the Company. On the same day, the Company appointed Usama Chaudhry, a director of the Company, as chief financial officer and Marc Mulvaney as chief executive officer and director of the Company. Sean Duncombe was also appointed as chief operating officer of the Company. In addition, Ricardo De Barros and Kang Yau have been appointed as directors of the Company.

On April 19, 2021, the Company appointed Kiran Sidhu as a director of the Company.

REVERSE TAKEOVER ACQUISITION

On September 8, 2020, the Company completed a RTO with Canndora, Greeny and Lifted whereby the Company acquired 100% of the issued and outstanding shares of Canndora in exchange for an aggregate of 18,260,870 common shares, acquired 100% of the issued and outstanding shares of Greeny in exchange for an aggregate of 9,166,131 common shares, 563,384 share purchase warrants exercisable at C\$1.15 per share, 5,339 share purchase warrants exercisable at C\$1.05 and 660,244 stock options exercisable at C\$1.05 per share, and acquired approximately 98.5% of the issued and outstanding shares of Lifted in exchange for an aggregate of 63,545,479 common shares and 3,750,000 stock options of which 3,650,000 stock options are exercisable at C\$0.20 per share and 100,000 stock options are exercisable at C\$0.50 per share.

The Company continued as a combination of the businesses of Lifted, Greeny and Canndora as a company that specializes in e-commerce sales and delivery of cannabis-related products and CBD-(cannabidiol)-

containing products. It is expected that the transaction will provide the opportunity for the business of Lifted, Greeny and Canndora to be operated together for mutual strategic benefit.

Concurrently with the closing, the Company completed a unit financing consisting of 1,304,348 units at a price of C\$1.15 per unit for gross proceeds of \$1,500,000. Each unit consisted of one common share and one warrant to acquire one additional common share at a price of C\$1.40 per share for a period of three years from the closing.

In addition, the Company completed a 1-for-23 share consolidation to reduce the number of issued and outstanding common shares of the Company.

On October 19, 2020, the Company completed the acquisition of 950,000 common shares of Lifted representing 1.5% of the outstanding Lifted shares. The acquisition was completed on substantively the same terms as the Lifted takeover.

Management determined that, for accounting purposes, Lifted became the acquirer as a result of completing the RTO on the basis that the shareholders of Lifted obtained the largest number of common shares (holding 69.17%, excluding the financing completed by the Company concurrently with the closing of the RTO, the debt settlement in shares completed by the Company, Greeny and Lifted and the shares issued for services, prior to the closing of the RTO) of the Company, taking into consideration the outstanding options, warrants and convertible debts.

The Company does not meet the definition of a business, therefore the transaction is outside of the scope of IFRS 3 Business Combinations. Instead, the RTO will be accounted for under IFRS 2 Share-based Payment. Under this basis of accounting, the consolidated entity is considered to be a continuation of Lifted. The results of operations from the Company, Canndora, and Greeny are included in the financial statements since the date of acquisition.

The following tables summarize the consideration paid and the fair value of the identifiable assets acquired, and liabilities assumed as of the date of acquisition:

Acquisition of the Company (formerly Kootenay Zinc Corp.)

Fair value of consideration (650,623 shares at \$0.87 per share) *	\$	567,217
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	32,234
Prepaid expense		150
Receivables		31,539
Accounts payable and accrued liabilities		(536,256)
Due to Canndora		(75,809)
Loan payable		(30,324)
Indemnification provision		(128,224)
Net assets assumed		(706,690)
Listing expense	\$	1,273,907

Acquisition of Canndora

Fair value of consideration (18,260,870 shares at \$0.87 per share) *	\$	15,919,946
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	990
Receivables		4,714
Due from Kootenay		75,809
Intangible asset		758,093
Accounts payable and accrued liabilities		(260,322)
Net assets assumed		579,284
Stock-based compensation	\$	15,340,662

Acquisition of Greeny

Fair value of consideration (9,166,131 shares at \$0.87 per share) *	\$	7,991,093
Fair value of outstanding options		401,902
Fair value of outstanding warrants		281,196
Total costs of acquisition	\$	8,674,191
Allocated as follows:		
Identified fair value of net assets:		
Cash	\$	10,367
Prepaid expenses		3,260
Intangible assets		1,229,788
Accounts payable and accrued liabilities		(42,367)
Convertible promissory notes		(469,086)
Net assets assumed		731,962
Stock-based compensation	\$	7,942,229

* The fair value of the shares issued as consideration for the Acquisitions were estimated to be \$0.87 (C\$1.15) per share using the price of the concurrent private placement.

SELECTED ANNUAL INFORMATION

The following table sets forth selected audited financial information of the Company for the years ended October 31, 2020 and 2019.

	October 31, 2020		October 31, 2019	
Revenue	\$	1,498,536	\$	1,119,595
Gross profit		273,944		263,180
Net loss		(28,537,589)		(2,793,739)
Total assets		2,637,482		627,162
Long-term liabilities		959,781		-
Basic and diluted loss per share	\$	(0.43)	\$	(0.05)

RESULTS AND DISCUSSION OF OPERATIONS

The Company operates under a “dropship” business model, whereby the Company does not own, manage or hold any physical inventory. Rather, its e-commerce platforms facilitate the sale and processing of products, but all warehousing and product inventory and delivery is processed through its partners. Drop shipping enables the Company’s business to operate with very little overhead, thus maximizing margins and, ultimately, net revenue. The Company’s partners also benefit as it offers them a much larger pool of customers than they already serve.

During the year, the Company focused on continuing to drive revenue growth through its US based e-commerce platforms. Going forward, the Company continues to focus on driving customers to its various e-commerce sites through all marketing channels.

Revenue

During the year ended October 31, 2020, the Company generated total revenue of \$1,498,536 (2019 - \$1,119,595). The increase was attributable to the continuous effort by the Company to drive traffic to its various e-commerce sites through effective marketing tools and channels and the ability to increase the average order size in terms of total value when compared to prior year.

The majority of revenues were generated in the United States, which is Company’s market focus. Over the years, sales to the United States as a percentage of total sales continued to increase. During the year ended October 31, 2020 and 2019, 99% of the total sales were generated from the United States. The Company expects this concentration of sales in the United States to continue in the future as the Company expands its market presence in the United States. All of the Company’s revenues at the current time are generated through a drop shipping business model, and it does not receive commissions from third parties for the distribution of the products that are sold on its e-commerce platforms.

Revenue by country

	October 31, 2020	October 31, 2019
	\$	\$
United States	1,482,194	1,103,179
Other	16,342	16,416
Total	1,498,536	1,119,595

Gross Profit and Cost of Sales

Cost of sales includes all expenditures to purchase the product and ship products to warehouse locations. This includes the purchase price less import duties, shipment fees to warehouses, storage, handling, and insurance.

The Company's cost of sales for the year ended October 31, 2020 was \$1,295,055 (2019 - \$856,415), which resulted in a gross margin of \$203,481 (2019 - \$263,180). The gross margin percentage was 13.58% (2019 - 23.51%). The gross margin percentage decrease in the current year was due to more special offers and promotions offered to customers as compared to previous year.

	October 31, 2020	October 31, 2019
	\$	\$
Revenue	1,498,536	1,119,595
Cost of Sales	(1,224,592)	(856,451)
 Gross Margin	 273,944	 263,180
Gross Margin %	18.28%	23.51%

Expenses

During the year ended October 31, 2020, the Company reported a net loss of \$28,537,589 (2019 - \$2,793,739), an increase of \$25,743,850 as compared to the previous year. The significant increase in net loss was due to higher consulting fees of \$3,047,672, the listing expense of \$1,273,907 and share-based compensation of \$23,435,317 (2019 - \$nil) incurred related to the reverse takeover acquisition completed during the year.

Selling expenses consisted of merchant account system fees and shipping costs, as well as marketing costs. During the year ended October 31, 2020, the Company incurred selling expenses of \$295,780 (2019 - \$746,020). The decrease in selling expenses in current year was mainly due to decrease in spending on marketing. However, despite the fact that marketing budget was reduced in current year, revenue continued to improve from last year as the Company was able to spend each marketing dollar more efficiently.

General and administrative expenses consisted of staff salaries, management compensation, as well as legal fees, professional fees, insurance expense, transfer agent and filing fees, amortization and bank fees. During the year ended October 31, 2020, the Company incurred general and administrative expenses for a total of \$3,786,491 (2019 - \$2,088,968). The significant increase in the current year was mainly due to higher consulting expenses incurred during the year.

Stock-based compensation consisted of stock option grants to the directors and officers of the Company, as well as key advisors. During the year ended October 31, 2020, the Company incurred stock-based compensation of \$23,435,317 (2019 - \$157,691). The stock-based compensation recognized in the current year included an aggregate of \$23,282,891 resulting from the excess of consideration and the value of net assets acquisition of Canndora and Greeny.

The Company also recorded other income of \$2,665 (2019 - \$19,552), government grant of \$8,111 (2019 - \$nil), interest and accretion expense of \$89,200 (2019 - \$19,733), gain on change in fair value of derivative liability of \$72,406 (2019 - \$nil), foreign exchange loss of \$3,058 (2019 - \$35,585), indemnification provision for flow-through shares of \$756 (2019 - \$nil), write-off of trade and other receivables of \$10,206 (2019 - \$18,629), impairment of intangible assets of \$nil (2019 - \$9,845), and listing expense of \$1,273,907 (2019 - \$nil).

SUMMARY OF QUARTERLY RESULTS

	Three months ended April 30, 2021	Three months ended January 31, 2021	Three months ended October 31, 2020	Three months ended July 31, 2020
	\$	\$	\$	\$
Revenue	871,858	1,371,507	312,250	331,381
Gross profit	228,144	238,491	4,630	106,590
Net loss	(708,887)	(335,748)	(27,995,713)	(150,096)
Total assets	2,980,512	2,601,269	2,637,482	754,312
Long-term liabilities	989,733	1,065,727	959,781	850,195
Basic and diluted loss per share	(0.01)	(0.00)	(0.34)	(0.00)

	Three months ended April 30, 2020	Three months ended January 31, 2020	Three months ended October 31, 2019	Three months ended July 31, 2019
	\$	\$	\$	\$
Revenue	282,026	572,879	363,330	224,730
Gross profit (loss)	51,336	111,388	66,928	97,503
Net loss	(187,748)	(204,032)	(411,148)	(723,710)
Total assets	445,820	673,704	627,162	883,219
Long-term liabilities	-	-	-	-
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.01)

Three months ended April 30, 2021

During the three months ended April 30, 2021, the Company reported revenue of \$871,858 (2020 - \$282,026) and cost of sales of \$643,714 (2020 - \$219,693).

During the three months ended April 30, 2021, the Company reported a net loss of \$708,887 as compared to \$171,259 for the three months ended April 30, 2020. The Company's significant increase in net loss for the current period is mainly attributable to the increase in operating expenses, foreign exchange loss and interest and accretion expense.

Six months ended April 30, 2021

During the six months ended April 30, 2021, the Company reported revenue of \$2,243,365 (2020 - \$854,905) and cost of sales of \$1,776,730 (2020 - \$681,184).

During the six months ended April 30, 2021, the Company reported a net loss of \$1,044,635 as compared to \$375,291 for the six months ended April 30, 2020. The Company's significant increase in net loss for the current period is mainly attributable to the increase in operating expenses, foreign exchange loss and interest and accretion expense.

LIQUIDITY AND CAPITAL RESOURCES

As at April 30, 2021, the Company had cash of \$715,784 (October 31, 2020 - \$231,700) and a working capital deficiency of \$628,831 (October 31, 2020 - \$775,501). The Company expects to utilize cash flow from operations and equity investment to support development and continued operations and to meet liabilities and commitments as they come due.

During the six months ended April 30, 2021, net cash used in operating activities was \$24,598 (2020 - \$210,512) which includes: net loss of \$1,044,635 (2020 - \$375,291), \$150,672 (2020 - \$17,025) amortization, \$219,556 (2020 - \$15) accrued interest, \$nil (2020 - \$604) unrealized foreign exchange gain, \$3,162 (2020 - \$nil) gain on change in fair value of derivative liability, \$217,030 (2020 - \$38,035) share-based compensation, decrease in sales tax recoverable and other receivables of \$22,411 (2020 - increase of \$3,185), decrease in prepaid assets of \$129,057 (2020 - increase of \$50,824), decrease in inventory of \$4,474 (2020 - \$nil) and increase in accounts payable and accrued liabilities of \$279,999 (2020 - \$164,317).

During the six ended April 30, 2021, net cash provided by financing activity was \$497,598 (2020 - \$nil) from proceeds from private placement.

During the six ended April 30, 2021, net cash provided by investing activity was \$nil (2020 - \$229,631) from redemption of short-term investment.

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to provide adequate returns for shareholders. The Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets.

On April 21, 2021, the Company completed the first tranche of a non-brokered private placement of 10,391,332 units at a price of C\$0.06 per unit for aggregate gross proceeds of C\$623,480. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at C\$0.07 per common share for two years from the closing of the offering. No finders' fees were paid pursuant to the offering.

On February 4, 2021, the Company issued 4,290,399 common shares at C\$0.088 for the conversion of promissory note of C\$377,555.

On September 8, 2020, in connection with the reverse takeover acquisition, the Company completed a unit financing consisting of 1,304,347 units at a price of C\$1.15 per unit for gross proceeds of C\$1,500,000 (equivalent to US\$1,137,139). Each unit consisted of one common share and one warrant to acquire one additional common share at a price of C\$1.40 per share for a period of three years from the closing. In addition, the Company issued 24,780 common shares at a deemed price of C\$1.15 per share to settle outstanding debt of C\$28,499 (equivalent to US\$21,605).

On June 18, 2020, the Company issued 130,749 shares at C\$1.15 per share to a third-party vendor and a company controlled by a director of the Company, in lieu of fee payables of \$108,732 (equivalent to \$150,050 Canadian Dollars).

RELATED PARTY TRANSACTIONS

During the six months ended April 30, 2021, the Company incurred the expenses to related parties as follows:

- a) Consulting fees of \$183,333 (2020 - \$32,500) was incurred related to services provided by an officer and director of the Company and a company controlled by a director.
- b) Salaries of \$54,539 (2020 - \$nil) was incurred related to services provided by an officer of the Company.

Key Management Personnel:

Key management includes the Company's directors, senior officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

Compensation, Key Executives

	April 30, 2021 \$	April 30, 2020 \$
Short-term compensation	237,872	32,500
Share-based compensation	151,987	-

As at April 30, 2021, included in trade and other liabilities was \$11,644 (October 31, 2020 - \$10,600) owing to a company controlled by a director of Lifted. Amounts due to related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

During the year ended October 31, 2020, the Company issued a convertible promissory note to an officer of the Company for the amount received of C\$500,000.

SHARE CAPITAL

Authorized Share Capital

The Company has authorized for issuance an unlimited number of common shares. At April 30, 2021, the Company had 108,583,961 common shares issued and outstanding, with no par value.

On September 8, 2020, in connection with the completion of the reverse takeover acquisition, the Company consolidated its common shares on the basis of one (1) post-consolidation share for twenty-three (23) pre-consolidation shares to reduce the number of issued and outstanding common shares.

Issuance of Shares

	Number of Shares	\$
Balance as at October 31, 2019	61,300,000	2,824,963
Shares issued for debt settlement	155,259	130,336
Shares issued for services	3,065,000	2,668,850
Eliminate Lifted Innovation's common share	(64,495,479)	-
PeakBirch Logic Inc. common shares	650,623	567,217
Shares issued for reverse takeover acquisition	64,495,479	-
Shares issued to acquire Canndora Delivery	18,260,870	15,919,946
Shares issued to acquire Greeny	9,166,131	7,991,093
Shares issued from private placement	1,304,347	716,669
Balance as at October 31, 2020	93,902,230	30,819,074
Shares issued from conversion of convertible note	4,290,399	294,321
Shares issued from private placement	10,391,332	373,136
Balance as at April 30, 2021	108,583,961	31,486,531

On February 4, 2021, the Company issued 4,290,399 common shares at C\$0.088 for the conversion of promissory note of C\$377,555.

On April 21, 2021, the Company completed the first tranche of a non-brokered private placement of 10,391,333 units at a price of C\$0.06 per unit for aggregate gross proceeds of C\$623,480. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share at C\$0.07 per common share for two years from the closing of the offering. No finders' fees were paid pursuant to the offering.

On October 19, 2020, the Company completed the acquisition of 950,000 common shares valued at \$8,355 (equivalent to \$11,021 Canadian Dollars) of Lifted representing 1.5% of the outstanding Lifted shares.

In connection with the RTO, the Company completed on September 8, 2020 a unit financing consisting of 1,304,347 units at a price of C\$1.15 per unit for gross proceeds of C\$1,500,000 (equivalent to US\$1,137,139). Each unit consisted of one common share and one warrant to acquire one additional common share at a price of C\$1.40 per share for a period of three years from the closing. In addition, the Company issued 24,780 common shares with the fair value of C\$1.15 per share to settle outstanding debt of C\$28,499 (equivalent to \$21,605). The fair value allocated to the warrants issued was \$420,470.

On August 24, 2020, the Company issued 3,065,000 common shares at a fair value of C\$1.15 per share in connection with a strategic collaboration agreement between the Company and Namaste Technology Inc. as consideration for consulting services.

On June 18, 2020, the Company issued 130,749 shares at C\$1.15 per share to a third-party vendor and a company controlled by a director of the Company, in lieu of fee payables of \$108,732 (equivalent to C\$150,050).

Securities Held in Escrow

Following the completion of the RTO, an officer of the Company signed an escrow agreement whereby all the common shares issued to the officer pursuant to the promissory note with a principal amount of \$500,000 dated on June 19, 2020 and upon conversion will be deposited into escrow. As of the date of this MD&A, this promissory have not been converted into common shares.

During the six months ended April 30, 2021, 460,000 stock options in escrow were released pursuant to the escrow agreement. The 300,000 stock options remaining in escrow as at April 30, 2021 are scheduled to be released as follows:

	Total
September 8, 2021	60,000
March 8, 2022	60,000
September 8, 2022	60,000
March 8, 2023	60,000
September 8, 2023	60,000

Stock Options

The Company has established a rolling RSU plan and stock option plan for directors, employees, and consultants. The plans are managed by the Board. The aggregate number of common shares issuable pursuant to RSUs and options granted under the plan is 21,716,792 common shares, being 20% of the Company's issued common shares under the plans. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

Options Outstanding

The following is a summary of the changes in the Company's stock option plan for the six months ended April 30, 2021 and year ended October 31, 2020:

	Number of Options	Weighted average exercise price (CAD) \$
Outstanding, October 31, 2019	3,750,000	0.21 (US\$0.16)
Reverse options of PeakBirch immediately before RTO*	(3,750,000)	0.21 (US\$0.16)
Replacement options*	3,750,000	0.21 (US\$0.16)
Replacement options**	660,244	1.05 (US\$0.80)
Outstanding, October 31, 2020	4,410,244	0.33 (US\$0.25)
Granted	3,042,853	0.08 (US\$0.06)
Outstanding, April 30, 2021	7,453,097	0.23 (US\$0.17)

*On September 8, 2020, the Company issued 3,750,000 replacement options pursuant to the reverse takeover acquisition of Lifted. The stock options are exercisable for common shares of the Company at a weighted average exercisable price of C\$0.21 per share. The replacement options which were issued are not considered to be a modification to the original options upon completion of the RTO.

**In addition, the Company issued 660,244 replacement options pursuant to the acquisition of Greeny. The stock options are exercisable for common shares of the Company at an exercise price of C\$1.05 per share. The fair value of the new stock options was estimated to be \$401,902. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 5 years; annualized volatility – 95.20%; risk-free interest rate – 0.32%; dividend rate – 0%.

On April 30, 2021, the Company issued 3,042,853 stock options to certain directors, officers and consultants of the Company. Each option vest immediately, and exercisable at an exercise price of C\$0.078 per common share of the Company until April 30, 2025. The fair value of the stock options was estimated to be \$109,783. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 4 years; annualized volatility – 97.19%; risk-free interest rate – 0.74%; dividend rate – 0%.

No options were granted during the year ended October 31, 2020.

Options Exercisable

The following are summaries of the exercisable stock options for the six months ended April 30, 2021 and year ended October 31, 2020:

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Options	Vested	Weighted average remaining life (in years)
April 9, 2023	\$0.20 (US\$0.15)	1,850,000	1,850,000	1.94
May 14, 2023	\$0.20 (US\$0.15)	100,000	100,000	2.03
May 21, 2023	\$0.50 (US\$0.38)	100,000	100,000	2.05
July 31, 2024	\$0.20 (US\$0.15)	1,700,000	1,700,000	3.25
September 16, 2024	\$1.05 (US\$0.80)	660,244	660,244	3.37
April 30, 2025	\$0.08 (US\$0.06)	3,042,853	3,042,853	3.99
Balance, April 30, 2021	\$0.23 (US\$0.17)	7,453,097	7,453,097	3.21

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Options	Vested	Weighted average remaining life (in years)
April 9, 2023	\$0.20 (US\$0.15)	1,850,000	1,850,000	2.44
May 14, 2023	\$0.20 (US\$0.15)	100,000	100,000	2.54
May 21, 2023	\$0.50 (US\$0.38)	100,000	100,000	2.55
July 31, 2024	\$0.20 (US\$0.15)	1,700,000	1,700,000	3.75
September 16, 2024	\$1.05 (US\$0.80)	660,244	660,244	3.88
Balance, October 31, 2020	\$0.33 (US\$0.25)	4,410,244	4,410,244	3.16

Black-Scholes assumptions for options

The assumptions used for the calculation of the fair value of the options are as follows:

	2021	2020	2019
Volatility	97.19%	95.20%	100%
Risk-free interest rate	0.74%	0.32%	1.46%
Expected life (years)	4 years	5 years	5 years
Dividend yield	Nil	nil	nil
	C\$0.07	C\$1.15	C\$0.01
Share price	(US\$0.06)	(US\$0.87)	(US\$0.08)

Volatility is calculated by using the historical volatility of other public companies that the Company considers comparable that have trading and volatility history. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

Share Purchase Warrants

The following is a summary of the changes in the Company's share purchase warrants for the six months ended April 30, 2021 and year ended October 31, 2020:

	Number of Options	Weighted average exercise price (CAD) \$
Outstanding, October 31, 2019	-	-
Replacement warrants*	568,723	1.15 (US\$0.87)
Issued	1,304,348	1.40 (US\$1.06)
Expired	(5,338)	1.05 (US\$0.80)
Outstanding, October 31, 2020	1,867,732	1.32 (US\$1.00)
Issued	5,195,666	0.07 (US\$0.06)
Outstanding, April 30, 2021	7,063,398	0.40 (US\$0.31)

*On September 8, 2020, the Company issued 568,723 replacement warrants pursuant to the acquisition of Greeny. Each warrant is exercisable for common shares of the Company at a weighted average exercisable price of C\$1.15 per share. The fair value of the new stock options was estimated to be \$281,196. The fair value was determined using the Black-Scholes Option Pricing Model at the amendment date with the following assumptions: expected life – 1-3 years; annualized volatility – 84.75%-113.97%; risk-free interest rate – 0.24%; dividend rate – 0%; and stock price - C\$1.15.

In connection with the share issuance on September 8, 2020, the Company issued 1,304,348 share purchase warrants with a fair value of \$420,470 at an exercise price of C\$1.40 per share for a period of 3 years. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 3 years; annualized volatility – 101.92%; risk-free interest rate – 0.32%; dividend rate – 0%; and stock price - C\$1.15.

In connection with the share issuance on April 21, 2021, the Company issued 5,195,666 share purchase warrants with a fair value of \$124,732 at an exercise price of C\$0.07 per share for a period of 2 years. The fair value was determined using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; annualized volatility – 137.07%; risk-free interest rate – 0.30%; dividend rate – 0%; and stock price - C\$0.07.

The following are summaries of the exercisable share purchase warrants for the six months ended April 30, 2021:

Expiry Date	Weighted Average Exercised Price (CAD)	Number of Warrants	Exercisable	Weighted average remaining life (in years)
November 25, 2022	\$1.05 (US\$0.80)	216,686	216,686	1.57
January 20, 2023	\$1.15 (US\$0.87)	216,686	216,686	1.72
June 4, 2023	\$1.15 (US\$0.87)	130,012	130,012	2.09
September 4, 2023	\$1.40 (US\$1.06)	1,304,348	1,304,348	2.34
April 21, 2023	\$0.07 (US\$0.06)	5,195,666	5,195,666	1.97
	\$0.40 (US\$0.31)	7,063,398	7,063,398	2.03

Restricted Share Units

On April 30, 2021, the Company granted an aggregate of 1,949,282 restricted share units (RSUs) to certain directors, officers and consultants of the company in accordance with the company's incentive compensation plans. Each of the RSUs vest immediately. The fair value of the new RSUs was estimated to be \$107,247.

Contributed Surplus

Contributed surplus records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. When the share-based payment arrangement has been cancelled or the terms have expired the fair value assigned to the share-based payment arrangement is transferred to reserve.

Warrant Reserve

Warrant reserve records the fair values assigned to the Share Purchase Warrants issued by the Company.

Foreign Exchange Translation Reserve

Foreign exchange translation reserve records effect for the translation of the results and financial position of the Company's subsidiaries with functional currencies different from the presentation currency (US Dollars).

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

The Company has no proposed transactions as at the date of this MD&A.

CONTINGENCIES

The Company was one of the respondents to the British Columbia Securities Commission ("BCSC") Temporary Order dated November 26, 2018 issued against a group of people and entities. In essence, the Plaintiffs allege that the Company's conduct gives rise to statutory and common law claims of misrepresentation. The Plaintiffs have also alleged that the Company was involved in a conspiracy. As part of the class proceedings, a number of Petitioners including one shareholder of the Company commenced a Petition to obtain leave of the Court to commence a secondary market misrepresentation claim against Company. In essence, the Petitioners sought the court's permission to commence a claim they had already filed.

The claim is still in early stages, and has not been certified. Based on the limited information available at this preliminary stage of the proceedings, the Plaintiffs have asserted that the quantum of the alleged claims is in the range of \$2,700,000.

A Notice of Hearing was issued against the Company in November 2019. As part of that proceeding, the class action lawyers applied for release of Affidavits sworn by staff of the BCSC. The Commission ordered the Affidavits to be released. That decision was appealed to the BC Court of Appeal. The BC Court of Appeal dismissed the appeal in late 2020. The Company is sought leave of the Supreme Court of Canada to appeal the decision to the Supreme Court of Canada. On March 4, 2021, the Supreme Court of Canada declined to grant leave and the Affidavits have now been released.

The Company is of the view that the allegations contained in the claim are without merit and intends to vigorously defend its position.

SUBSEQUENT EVENT

On May 7, 2021, the Company granted 250,000 restricted share units (RSUs) and on May 5, 2021, the Company granted 200,000 stock options to a director of the Company in accordance with the Company's incentive compensation plans. Each of the RSUs and options vest immediately, and the options will be exercisable at an exercise price of \$0.078 per common share of the Company until May 5, 2025. On June 9, 2021, the Company issued 250,000 common shares for the exercise of the RSU 200,000 RSU.

FINANCIAL INSTRUMENTS

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Other receivables	Amortized cost
Account payable	Amortized cost
Promissory notes	Amortized cost
Derivative liability	FVTPL
Loans payable	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity investments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transactions costs expensed in the statements of profit or loss. Realized and unrealized gains or losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of profit or loss.

Impairment of financial assets at amortized cost

The Company recognized a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset's credit risk has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of profit or loss.

LEASES

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The Company does not have any leases that would be applicable to this standard and the implementation of these amendments did not have any impact on the consolidated financial statements.

DEFINITION OF A BUSINESS

The Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The fair value of the assets acquired from Canndora and Greeny were concentrated to its websites. Both acquisitions were accounted as asset acquisition

There are no other IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim consolidated financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

In particular information about significant areas of estimation uncertainty and judgment considered by management in preparing the condensed interim consolidated financial statements includes:

Areas of significant management judgment:

- *Useful lives of intangible assets*
The determination of the useful lives of the Company's intangible assets is a matter of judgment. Future earnings would be affected if actual useful lives differ from those estimated by the Company.
- *Expected credit loss*
In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit loss, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

- *Income taxes*
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Because the Company is in a loss position, it has not recognized the value of any deferred tax assets in its statement of financial position.
- *Functional currency*
The determination of functional currency is a matter of judgement. Some of the Company's transactions are denominated in foreign currencies. The majority of the Company's revenues and expenditures are in United States dollars. Management has assessed the functional currency as United States dollars.
- *Contingencies*
Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.
- *Going concern risk assessment*
The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Sources of estimation uncertainty:

- *Share-based compensation*
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the Company's common shares, expected life of the share option, forfeiture rate, volatility and dividend yield and making assumptions about them.
- *Business combinations*
Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. More specifically, management concluded that all of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired was calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.
- *Fair value measurements*
Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company will engage third party qualified valuers to perform the valuation.
- *Impairment of non-current assets*
In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Impairment of intangible assets with indefinite lives are assessed for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

Management assesses property and equipment, as well as in use intangible assets with finite lives for any indicators of impairment annually. The assessment for indicators of impairment is dependent upon estimates of recoverable amounts that take in account factors such as economic and market conditions, as well as the useful lives of assets.

DISCLOSURE FOR ISSUERS WITH EXPOSURE TO THE U.S. MARIJUANA INDUSTRY

While the Company does not currently distribute or sell cannabis-based products, the Company may, in the future, expand its business to include the distribution and sale of cannabis-based products in the United States. Accordingly, the Company may be considered to be in the process of developing “marijuana-related activities” in the United States, as defined in CSA Staff Notice 51-352 (Revised) – Issuers with US Marijuana-Related Activities (the “CSA Staff Notice”).

In the United States, medical cannabis is currently legal in thirty-six states, Washington D.C. and the territories of Guam and Puerto Rico. Recreational, adult-use cannabis is legal in eleven states and Washington D.C. Coming in 2020 policy makers in eight states expressed support for regulated medical or adult-use cannabis sales, and advocacy groups in nine states had efforts underway to include legalization on ballots in November. At the federal level, however, cannabis currently remains a Schedule I drug under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

In accordance with the CSA Staff Notice, the Company will evaluate, monitor and reassess its disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Substantially all of the Company’s revenues are derived from sales of cannabis-related accessories and ancillary products to customers in the United States. The Company is advised by legal counsel regarding compliance with the regulatory frameworks of the U.S. states in which the Company conducts such sales and potential exposure and implications arising from U.S. federal law as it relates to the Company’s business activities. The Company is not aware of any non-compliance in respect of its business activities as they relate to applicable licensing requirements and regulatory frameworks enacted by the U.S. states in which the Company sells its products.

See “Risk Factors” in this report.

FINANCIAL AND CAPITAL RISK MANAGEMENT

Fair Value of Financial Instruments

Financial instruments that are measured at fair value use inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level Two includes inputs that are observable other than quoted prices included in Level One; and
- Level Three includes inputs that are not based on observable market data.

As at April 30, 2021 and October 31, 2020, both the carrying and fair value amounts of other receivable, accounts payable, promissory notes payable and loans payable are approximately equivalent due to their short-term nature. Cash are carried at fair value determined under the fair value hierarchy as Level One. The fair value of derivative liability was determined based on Level Three inputs. The fair value of the promissory note approximate to their carrying values amount.

Risk Management

The Company’s risk exposure and the impact on the Company’s financial instrument is summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to its cash and trade and other receivables (excluding sales tax receivable). Management believes credit risk with respect to its financial instruments is minimal. The

Company's maximum exposure to credit risk as at April 30, 2021 and October 31, 2020 is the carrying value of cash and trade and other receivables. Credit risk on cash are mitigated as it is held in a Tier 1 financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities. All amounts in current liabilities as at April 30, 2021 and October 31, 2020 are due within 12 months.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and specifically to foreign currency risk.

Foreign currency risk

The Company holds cash denominated in Canadian Dollars. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of settlement of their trade and other liability balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Below is a list of all financial instruments in their base currency at face value:

	April 30, 2021	October 31, 2020
	\$	\$
Cash - CAD	612,093	198,370
Trade and other receivables - CAD	39,779	70,113
Trade and other liabilities - CAD	(970,326)	(889,632)
Promissory notes - CAD	(80,000)	(1,796,455)
Loans payable - CAD	(1,070,119)	(80,650)

An increase or decrease of 10% change in the US exchange rate would impact net loss by approximately \$119,542 for the six months ended April 30, 2021 (year ended October 31, 2020 - \$187,510).

RISK FACTORS

General Risk Factors

The occurrence of any of the following risks could harm the Company's business, results of operations, financial condition and/or growth prospects or cause the Company's actual results to differ materially from those contained in forward-looking statements it has made in this report. The risks and uncertainties described in this report are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently deems not to be material, may also become important factors that affect the Company. If any such risks actually occur, the Company's business, financial condition or results of operations could be materially adversely affected.

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

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

The payment and amount of any future dividends will depend on, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

There are factors which may prevent the Company from the realization of growth targets

The Company is currently expanding, and the operations of Greeny, Canndora and Lifted have combined. The Company's growth strategy contemplates developing additional technological platforms. There is a risk that the development of these platforms will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- technical deficiencies in the design of the platform;
- non-performance by third party contractors;
- increases in materials or labour costs;
- falling below expected levels of output or efficiency;
- inability to engage with medical professionals or medical cannabis dispensaries' software development upgrades;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers; and
- disruptions in the supply of energy and utilities.

The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed and is susceptible to constant changes in laws, regulations and guidelines and non-compliance with federal, provincial or state laws and regulations, or the expansion of current or enactment of new laws and regulations, could adversely affect the Company's business.

The Company's business is closely related to the medical and adult use cannabis industry, and changes in such markets may directly affect the Company's business. The medical and adult use cannabis industry is subject to various local and federal laws, regulations, guidelines and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage and disposal of medical cannabis, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment in Canada, the United States and abroad. As the industry develops and matures, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of existing cannabis laws in the jurisdictions where the Company operates may cause adverse effects to the Company's operations.

As well, should the federal government in the U.S. change course and decide to prosecute those dealing in medical or adult use cannabis under applicable law, there may not be any market for the Company's products and services in the U.S.

Furthermore, if in the future the Company expands its business to distribute and/or sell products containing cannabis, achievement of the Company's business objectives will depend, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of such products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for such products, or the extent of testing and documentation that may be required by applicable governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development and/or sale of such products and could have a material adverse effect on the business, financial condition and results of operation of the Company.

The cannabis industry is also subject to extensive controls and regulations in the various jurisdictions where such industry has been legally regulated, and those controls and regulations may also affect the financial condition of market participants. The marketability of cannabis products may be affected by numerous factors beyond the control of the Company and which cannot be predicted, such as packaging requirements, marketing and advertising restrictions, restrictions as to the product formats that may be used, as well as changes to government regulations, including those relating to taxes and other government

levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, generally the outcomes of which cannot be reliably predicted, which may significantly affect the financial condition of market participants which could in turn affect the cannabis industry.

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

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

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

The Company is creating an e-commerce platform to capitalize on the opportunity for value creation that is emerging from the relaxing of state and local prohibitions on the cannabis industry. The Company's lack of operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, since there is no assurance that it will be successful. Any likelihood of success must be considered in light of the Company's relative early stage of operations.

As the Company has only just begun to generate revenue, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact that the Company intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Company's products or services will be attractive to potential consumers.

Speculative Nature of Investment

An investment in the Company's common shares carries a high degree of risk, should be considered as a speculative investment by purchasers, and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for liquidity in their investment. An investment in the securities offered hereunder should not constitute a major portion of an individual's investments and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should carefully evaluate the risk factors set out in this section associated with an investment in the Company's securities prior to purchasing any of the shares.

Limited or No Operating History

The Company has limited earnings and sales, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. Canndora and Greeny have no history of earnings and sales, and are in the development and planning phases of their business. Operations are not yet sufficiently established such that the Company can mitigate the risks associated with planned activities.

The Company also has a limited history of operations in the e-commerce and technology industries, and Greeny and Canndora have no such history. The Company is therefore subject to many of the risks common to entering a new area of operation, including under-capitalization, limitations with respect to personnel, financial, and other resources, lack of revenues, and uncertainty with respect to its ability to attract and retain paying customers. There is no assurance that the Company will be successful in operating its business, generate revenue, successfully implement its plans or achieve a return on its investment and the likelihood of success must be considered in light of the Company's lack of experience in the e-commerce and technology industries and the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

Going Concern Risk

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the ancillary cannabis product market and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability to grow its revenue and achieve profitable operations while also obtaining the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company. The risks referred to herein indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in achieving profitability.

The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

History of Losses

The Company has a history of losses, and it may be unable to achieve or sustain profitability. It has experienced net losses in almost every period since incorporation. The Company anticipates that its operating expenses and capital expenditures will increase substantially in the foreseeable future as it continues to invest to research and develop its products and services, increase its customer base, expand its marketing channels, hire additional employees and enhance its technology capabilities. The Company's expansion efforts may prove more expensive than it anticipates, and it may not succeed in increasing the Company's revenues and margins sufficiently to offset the anticipated higher expenses. The Company incurs significant expenses in developing its innovative products and services, leasing or otherwise obtaining facilities, and marketing the products and services it offers. In addition, many of the Company's expenses are fixed. Accordingly, the Company may not be able to achieve or sustain profitability, and it may incur significant losses for the foreseeable future.

Negative Operating Cash Flow

The Company has negative operating cash flow. The failure of the Company to achieve profitability and positive operating cash flows could have a material adverse effect on the Company's financial conditions and results of operations. To the extent that the Company has a negative cash flow in future periods, the Company may need to deploy a portion of its cash reserves to fund such negative cash flow. The Company expects to continue to sustain operating losses in the future until it generates revenue from its products and services. There is no guarantee that the Company will ever be profitable.

Dependency on Customers

The Company's success depends on its ability to acquire and retain customers and to do so in a cost-effective manner. The Company must acquire customers in order to increase net sales, improve margins, and achieve profitability. The Company will make significant investments related to customer acquisition. The Company cannot assure you that the net sales from the customers it acquires will ultimately exceed the cost of acquiring those customers. If the Company fails to deliver a quality shopping experience, or if consumers do not perceive the products it offers to be of high value and quality, the Company may be unable to acquire or retain customers. If the Company is unable to acquire or retain customers who purchase products in volumes sufficient to grow its business, the Company may be unable to generate the scale necessary to achieve operational efficiency and drive beneficial network effects with its suppliers. Consequently, the Company's prices may increase, or may not decrease to levels sufficient to generate customer interest, the Company's net sales may decrease, and its margins and profitability may decline or not improve. As a result, the Company's business, financial condition, and results of operations may be materially and adversely affected.

Global Pandemic

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a “pandemic”, certain actions are being taken by governments and businesses around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. As such, the Company’s ability to produce and supply products and services and its sales revenue, results of operations, cashflow and liquidity has been and may continue to be adversely impacted.

The COVID-19 pandemic, the measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade, and the resulting changes in customer and consumer behaviours have disrupted and will continue to disrupt the Company’s normal operations and impact employees, suppliers, partners, and customers and their buyers.

The degree to which COVID-19 will affect the Company’s results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the COVID-19 pandemic, the impact of the COVID-19 pandemic and related restrictions on economic activity and domestic and international trade, and the extent of the impact of these and other factors on the Company’s employees, partners, suppliers, customers and their buyers. The COVID-19 pandemic and related restrictions could limit customers’ ability to continue to operate, lead to disruption in the Company’s supply chain, disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by key suppliers and vendors, increase vulnerability of the Company and its partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events.

COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops or continues to develop, consumers may not have the financial means to make purchases from customers, or potential customers, of the Company and may delay or reduce discretionary purchases, negatively impacting customers and the Company’s operations. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in the Company’s results of operations until future periods. Further, volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of the Shares, increasing the risk that securities class action litigation could be instituted against the Company.

The Company’s expansion efforts, including any expansion into distributing and/or selling products containing cannabis, may not be successful

There is no guarantee that the Company’s intentions to grow its business, including any future intention to expand its business into the distribution and/or sale of products containing cannabis or CBD in jurisdictions with legal cannabis markets, will be successful. Any such activities will require, among other things, various regulatory approvals, licences and permits and there is no guarantee that all required approvals, licences and permits will be obtained in a timely fashion or at all.

In addition to being subject to general business and regulatory risks, any business that produces, distributes and/or sells an agricultural product and a regulated consumer product such as products containing cannabis, will need to build brand awareness in the industry and market through significant investments in strategy, distribution channels, quality assurance and regulatory compliance. These activities may not promote the Company’s brands as effectively as intended, or at all. Competitive conditions, consumer tastes, requirements and spending patterns in the cannabis industry are new and relatively unknown and may have unique circumstances that differ from existing industries and markets.

There is also no guarantee that the Company will be able to complete any of the foregoing activities as anticipated or at all. The failure of the Company to successfully execute any expansion strategy (including receiving required regulatory approvals and permits) could adversely affect the Company’s business, financial condition and results of operations.

In addition, legislation in Canada permits, and legislation in other jurisdictions that permit adult use or medical use of cannabis or CBD products, or future legislation in other jurisdictions may permit (if and when enacted), persons to produce their own cannabis products. This could potentially and significantly reduce the market for any products of the Company which in the future contain cannabis or CBD, could disrupt the

legal cannabis and CBD industries generally and could have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, if the Company expands its business into distributing and/or selling products containing cannabis, the Company will face competition from other licensed distributors and/or sellers of cannabis products, including licensed producers, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than the Company. In addition, the cannabis industry may also undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and product offerings that are greater than those the Company may in the future provide. As a result of this competition, the Company may be unable to develop its operations as contemplated on terms it considers acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the Company's business, financial condition and results of operations.

No guarantee on the use of available funds by the Company

The Company cannot specify with certainty the particular uses of the proceeds. Management has broad discretion in the application of the Company's proceeds. Accordingly, a purchaser of Company Shares will have to rely upon the judgment of management with respect to the use of proceeds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the proceeds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the proceeds in a manner that does not produce income or that loses value.

Information Technology

The Company relies on information technology systems and any inadequacy, failure, interruption or security breaches of those systems may harm its ability to effectively operate the business. The Company is dependent on various information technology systems, including, but not limited to, networks, applications and outsourced services in connection with the operation of the business. A failure of the Company's information technology systems to perform as it anticipates could disrupt the business and result in transaction errors, processing inefficiencies and loss of sales, causing the business to suffer. In addition, the Company's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, systems failures, viruses and security breaches. Any such damage or interruption could have a material adverse effect on the business.

Cybersecurity Incidents and Technological Disruptions

A cybersecurity incident or other technology disruptions could negatively impact the business and relationships with customers. The Company uses computers in substantially all aspects of business operations. It also uses mobile devices, social networking, cloud services and other online activities to connect with employees, suppliers, partners, distributors, customers and consumers. Such uses give rise to cybersecurity risks, including security breaches, espionage, system disruption, theft and inadvertent release of information.

The Company uses and relies on products and services from other third parties, and those services may be subject to outages, interruptions and cybersecurity risks that are not within the Company's control

The Company's business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' information, private information about employees and financial and strategic information about the Company and its business partners. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with the Company's information technology systems or the technology systems of third parties on which it relies, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage all of which could have a material adverse effect on the business, financial condition or results of operations.

Changes in Technology

As new mobile devices and platforms are released, the Company is not able to accurately predict the problems it may encounter in developing products and services for alternative devices and platforms and the Company may need to devote significant resources to the creation, support and maintenance of such products and services.

Further, the Company continually upgrades existing technologies and business applications, and the Company may be required to implement new technologies or business applications in the future. The implementation of upgrades and changes requires significant investments. The Company's results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to its systems and infrastructure. As a result, the Company's customer growth could be harmed and its business, financial condition, and results of operations may be materially and adversely affected.

In the future, providers of internet browsers could introduce new features that would make it difficult for customers to use the Company's products and services. In addition, internet browsers for desktop or mobile devices could introduce new features, change existing browser specifications such that they would be incompatible with the Company's products and services. Any changes to technologies used in the Company's products and services, to existing features that it relies on, or to operating systems or internet browsers that make it difficult for customers or consumers to access the Company's products and services, may make it more difficult for the Company to maintain or increase its revenues and could materially and adversely impact the Company's business and prospects.

The Company is subject to risks related to online payment methods

The Company currently accepts credit and debit card payments for purchases through its website and mobile applications. As a result, the Company pays interchange and other fees, which may increase over time and raise the Company's operating costs and lower profitability. The Company is also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for the Company to comply.

Furthermore, as the Company's business changes, the Company may be subject to different rules under existing standards, which may require new assessments that involve costs above what the Company currently pays for compliance. In the future, as the Company offers new payment options to consumers, including by way of integrating emerging mobile and other payment methods, the Company may be subject to additional regulations, compliance requirements and fraud. If the Company fails to comply with the rules or requirements of any provider of a payment method the Company accepts, if the volume of fraud in the Company's transactions limits or terminates the Company's rights to use payment methods the Company currently accepts, or if a data breach occurs relating to the Company's payment systems, the Company may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, its ability to accept credit card payments from consumers or facilitate other types of online payments. If any of these events were to occur, the Company's business, financial condition, and results of operations could be materially and adversely affected. The Company may occasionally receive orders placed with fraudulent data. Under current credit and debit card practices, the Company may be liable for fraudulent transactions. As a result, the Company may suffer losses as a result of orders placed with fraudulent data even if the associated financial institution approved payment of the orders. If the Company is unable to detect or control credit and debit card fraud, the Company's liability for these transactions could harm the Company's business, financial condition, and results of operations.

Personal Information

The Company stores personal information, debit card information, credit card information, banking information, financial information and other confidential information of its partners, customers and their buyers, and consumers with whom the Company has a direct relationship. The unauthorized release, unauthorized access or compromise of this information could have a material adverse effect on the Company's business, financial condition and results of operations. Even if such a data breach did not arise out of the Company's actions or inactions, or if it were to affect one or more of the Company's competitors or customers' competitors, rather than the Company itself, the Company's business, financial condition, and results of operations may be materially and adversely affected.

The Company is also subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data. The Company's failure to comply with legal or contractual requirements around the security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by the Company's customers, their buyers, or other relevant stakeholders. These proceedings or violations could force the Company to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability or injunctive relief, divert management's time and attention, increase the Company's costs of doing business, and materially and adversely affect the Company's reputation and the demand for its solutions.

In addition, various federal, state and provincial legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. For example, in June 2018 the state of California enacted the CCPA, which came into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. Additionally, the United States Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to the Company's business, or restrict the Company's use or storage of personal information, which may increase the Company's compliance expenses and make the Company's business more costly or less efficient to conduct. In addition, any such changes could compromise the Company's ability to develop an adequate marketing strategy and pursue the Company's growth strategy effectively, which, in turn, could adversely affect the Company's business, financial condition, and results of operations.

Software Errors or Defects

Software such as that of the Company often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, the Company's products and services may contain serious errors or defects, security vulnerabilities or software bugs that the Company may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance, and damage to the Company's reputation and brand, any of which could have a material and adverse effect on the Company's business, financial condition and results of operations.

Since the Company's customers use its products and services for processes that are critical to the customers' businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in the products and services could result in losses to the Company's customers. The Company's customers may seek significant compensation from the Company for any losses they suffer or cease conducting business with the Company altogether. Even if not successful, a claim brought against the Company by any of its customers would likely be time-consuming and costly to defend and could seriously damage the Company's reputation and brand, making it harder for the Company to sell its products and services.

Access to Internet

The Company's success depends upon the general public's ability to access the internet and its continued willingness to use the internet as a means to pay for purchases, communicate, access social media, research and conduct commercial transactions, including through mobile devices. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet, including changes to laws or regulations impacting internet neutrality, could decrease the demand for the Company's products and services, increase the Company's operating costs, or otherwise adversely affect the Company's business. Given uncertainty around these rules, the Company could experience discriminatory or anti-competitive practices that could affect the Company's growth, increase the Company's costs or adversely affect its business. If consumers or customers become unable, unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, congestion of traffic on the internet, internet outages or delays, disruptions or other damage to customers' and consumers' computers, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, the Company's business could be materially and adversely affected.

Litigation

The Company may become subject to various legal proceedings and claims that arise from time to time in the ordinary course of the Company's business. Such litigation may arise as a consequence of contractual or other disputes or as a consequence of the Company's reporting issuer status and could adversely affect its business and operations. Litigation or legal proceedings could expose the Company to significant liabilities and have a negative impact on the Company's reputation or business. Should any litigation in which the Company becomes involved be determined against it such a decision could adversely affect its ability to continue operating and the market price for the shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

The Company evaluates these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, the Company may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from the Company's assessments and estimates.

Legal Claims, Government Investigations and Regulatory Enforcement

The Company operates in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, the Company is subject to heightened risk of legal claims, government investigations or other regulatory enforcement actions. The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of CBD based products but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects business, financial condition and results of operations of the Company. Although the Company has implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that its employees, temporary workers, contractors or agents will not violate its policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations.

Legal claims, government investigations or regulatory enforcement actions arising out of the Company's failure or alleged failure to comply with applicable laws and regulations could subject it to civil and criminal penalties that could materially and adversely affect the Company's product sales, reputation, financial condition and operating results. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against the Company may be difficult to determine and could adversely affect the Company's financial condition and operating results.

The Cannabis Act and Cannabis Regulations came into force in Canada on October 17, 2018. The Cannabis Act and Cannabis Regulations prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, the Cannabis Act allows for licences to be granted for outdoor cultivation, which may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices. Such results may also have a material adverse impact on the Company's business, financial condition and results of operations.

Regulatory Risks

Failure by the Company to comply with applicable laws and regulations or maintain permits, licenses or registrations relating to the Company's operations could subject the Company to civil remedies or penalties, including fines, injunctions, recalls or seizures, warning letters, restrictions on the marketing or provision of products and services, or refusals to permit the import or export of products and services, as well as potential criminal sanctions, which could result in increased operating costs resulting in a material effect on the Company's operating results and business.

Changes in existing laws or regulations, or the adoption of new laws or regulations may increase the

Company's costs and otherwise adversely affect the Company's business, results of operations and financial condition.

The Company is subject to general business regulations and laws as well as regulations and laws specifically governing the internet and e-commerce. Existing and future regulations and laws could impede the growth of the internet, e-commerce or mobile commerce, which could in turn adversely affect the Company's growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection and internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. The Company cannot be sure that its practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by the Company to comply with any of these laws or regulations could result in damage to its reputation, a loss in business and proceedings or actions against the Company by governmental entities, customers, suppliers or others. The Company may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations may materially and adversely affect the Company's business, results of operations and financial condition.

The Company's business is in a highly regulated industry in which many jurisdictions have enacted extensive rules for ownership of a participant company. The Company's owners (which could include investors in the Company) could become disqualified from having an ownership stake in the Company under relevant laws and regulations of applicable federal, provincial, state and/or local regulators, if the applicable owner is convicted of a certain type of felony or other offence, or fails to meet the requirements for owning equity in a company like the Company.

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada and the United States limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Permits

The future operations of the Company may require permits from various federal, provincial, and local governmental authorities and will be governed by laws and regulations governing e-commerce, technology, the internet, transportation, privacy, taxes, labour standards, occupational health and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required for its products and services.

Liability for Activity of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. The cannabis and CBD industries are under strict scrutiny. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

The Company may be unable to accurately forecast net sales and appropriately plan its expenses in the future

Net sales and results of operations are difficult to forecast because they generally depend on the volume, timing and type of orders the Company receives, all of which are uncertain. The Company bases its expense levels and investment plans on its estimates of net sales and gross margins. The Company cannot be sure

the same growth rates, trends, and other key performance metrics are meaningful predictors of future growth. If the Company's assumptions prove to be wrong, the Company may spend more than it anticipates acquiring and retaining customers or may generate lower net sales per active customer than anticipated, either of which could have a negative impact on the Company's business, financial condition, and results of operations.

Reliance on Third-Party Suppliers

Because the Company relies on a limited number of third-party suppliers, and such suppliers may not be able to satisfy the demand of the Company's customers on a timely basis or in sufficient quantities to produce its products or meet the demand for its products. The Company's financial performance depends in large part on its ability to arrange for the purchase of products in sufficient quantities at competitive prices. The Company is not assured of continued supply or pricing of products which it lists for sale on its e-commerce sites. Any of the Company's suppliers could discontinue or seek to alter their relationship with the Company.

If the Company needs to replace an existing supplier, there can be no assurance that supplies of merchandise will be available when required on acceptable terms, or at all, or that a new supplier would allocate sufficient capacity to the Company in order to meet its requirements, fill its orders in a timely manner or meet its strict quality standards. If the Company is unable to manage its supply chain effectively and ensure that its products are available to meet consumer demand, its operating costs could increase and its profit margins could decrease. This could also have a significant impact on the Company's capacity to complete certain of its current or projected research and development projects and, accordingly, would negatively affect its projected commercial and financial growth. Any significant increase in the price of merchandise that cannot be passed on to the customers could have a material adverse effect on the Company's results of operations or financial condition.

The Company depends on a number of suppliers to provide its customers with a wide range of products in a timely and efficient manner. Political and economic instability, the financial stability of the Company's suppliers, their ability to meet Company standards, labor problems, the availability and prices of merchandise, merchandise quality issues, currency exchange rates, transport availability and cost, transport security, and inflation, among other factors, are beyond the Company's control and may materially and adversely affect suppliers and, in turn, the Company's business, financial condition, and results of operations.

In addition, a significant portion of the Company's suppliers manufacture products outside of the United States and Canada. Manufacturing in these locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, trade restrictions, military actions or economic, business, labor, environmental, public and worker health and safety and political issues. Moreover, certain policies and statements of the President of the United States and senior administration officials have given rise to uncertainty regarding the future of international trade agreements and the United States' position on international trade. It remains unclear what additional actions, if any, the current U.S. administration will take with respect to trade relationships, and additional trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to the Company and to its suppliers based in the U.S. and may require the Company to modify its supply chain organization or other current business practices, any of which could harm the Company's business, financial condition, and results of operations. Any event causing a disruption or delay of imports from suppliers with international manufacturing operations, including the imposition of additional import restrictions or increased tariffs or quotas, could increase the cost or reduce the supply of products available to the Company's customers, which could materially and adversely affect the Company's business, financial condition, and results of operations.

Relationships with Suppliers

In order to attract quality suppliers, the Company must:

- demonstrate the Company's ability to help its suppliers increase their sales;
- offer suppliers a high quality, cost-effective fulfillment process; and
- continue to provide suppliers a dynamic and real-time view of the Company's demand and inventory needs.

If the Company is unable to provide its suppliers with a compelling return on investment and an ability to increase their sales, the Company may be unable to maintain and/or expand its supplier network, which would negatively impact the Company's business.

The Company purchases significant amounts of products from a number of suppliers with limited supply capabilities. There can be no assurance that the Company's current suppliers will be able to accommodate the Company's anticipated growth or continue to supply current quantities at preferential prices. An inability of the Company's existing suppliers to provide products in a timely or cost-effective manner could impair the Company's growth and materially and adversely affect the Company's business, financial condition, and results of operations. The Company generally does not maintain long-term supply contracts with any of its CBD product suppliers and any of the Company's CBD-derived product suppliers could discontinue selling to the Company at any time. The loss of any of the Company's significant suppliers or the discontinuance of any preferential pricing or incentives they currently offer to the Company would have a negative impact on the Company's business, financial condition, and results of operations.

The Company continually seeks to expand its base of suppliers and to identify new CBD products. If the Company is unable to identify or enter into distribution relationships with new suppliers or to replace the loss of any of its existing suppliers, the Company may experience a competitive disadvantage, the Company's business may be disrupted and the Company's business, financial condition, and results of operations may be adversely affected.

In addition, several of the CBD products that the Company purchases and offers for sale to its customers are not offered by any competitors. However, the Company has not entered into formal exclusivity agreements with the suppliers for such products. In the event these suppliers choose to enter into distribution arrangements with other CBD retailers or other competitors the Company's sales could suffer, and the Company's business could be adversely affected.

Transportation Providers

Failure by the Company's transportation providers to deliver products on time, or at all, could result in lost sales. The Company currently relies upon third-party transportation providers for a significant portion of product shipments. Utilization of delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs, and employee strikes and inclement weather, which may impact the ability of providers to provide delivery services that adequately meet shipping needs. The Company periodically changes shipping companies, and could face logistical difficulties that could adversely affect deliveries. In addition, the Company could incur costs and expend resources in connection with such change. Moreover, the Company may not be able to obtain terms as favorable as those it receives from the third-party transportation providers that it currently uses, which in turn would increase costs and thereby adversely affect operating results.

Due to its direct to customer shipping model, the Company depends on fast and efficient third-party transportation services to distribute its products. Any prolonged disruption of third-party transportation services could have a material adverse effect on the Company's business, financial condition and results of operations. Rising costs associated with third party transportation services used by the Company to ship products may also adversely impact the Company's business, financial condition and results of operations.

As well, if in the future the Company expands its business into distribution and sale of cannabis products, security of such products during transportation will be of utmost concern. A breach of security during transport or delivery could have a material adverse effect on the Company's business, financial condition and results of operations. Any breach of security during transport or delivery, including any failure to comply with recommendations or requirements of applicable regulatory requirements concerning the transport and delivery of products containing cannabis, could have an impact on the Company's ability to continue distribution and/or sale of cannabis products, any licenses authorizing the same, or the renewal thereof. Any of the foregoing may, if realized, have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The Company's ability to compete successfully in the e-commerce market depends upon many factors both within and beyond its control, including:

- the size and composition of the Company's customer base;
- the number of suppliers and products that the Company features on its website;
- the quality and responsiveness of customer service;
- the Company's selling and marketing efforts;
- the quality, price and reliability of the products and services that the Company offers;
- the convenience of the shopping experience that the Company provides;
- the Company's ability to distribute its products and services, and manage its operations; and
- the Company's reputation and brand strength.

If the Company fails to compete successfully in this market, the Company's business, financial condition, and results of operations could be materially and adversely affected.

The Company faces competition in all aspects of its business and the Company expects such competition to intensify in the future, as existing and new competitors introduce new products and services or enhance existing products and services. The Company has competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships, and greater financial, technical, marketing, and other resources. The Company's potential new or existing competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, regulations or customer requirements.

If the number of users of cannabis for medical and/or recreational purposes in Canada and the United States increases, the demand for non-cannabis-based ancillary products will increase and the Company expects that competition will become more intense, as current and future competitors will begin to offer an increasing number of diversified products. As well, the legal landscape for medical and adult use cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Rapid Growth and Change in the Industry

The CBD and cannabis industries are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions, other than the Transaction that is contemplated in this report, involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Damage to the Company's Reputation

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands or its products on social or digital media could seriously damage the Company's brands and reputation. If the Company does not maintain the favorable perception of its brands, sales and profits could be negatively impacted.

Maintaining the Brand

If the Company fails to develop and maintain its brand, business could suffer. Maintaining, promoting and positioning the Company's brand and reputation will depend on, among other factors, the success of its products and services, quality assurance, marketing and merchandising efforts and its ability to provide a consistent, high-quality customer experience, which the Company may not do successfully. The Company may introduce new products or services that customers do not like, which may negatively affect its brand and reputation. Any negative publicity, regardless of its accuracy, could materially adversely affect the business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers, suppliers or partners, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of the Company's brand and significantly damage its business.

Product Innovation and Development

Failure to introduce new products or successfully improve existing products may adversely affect the Company's ability to continue to grow. The success of the Company's innovation and product development efforts is affected by its ability to anticipate changes in customer and consumer preferences, the technical capability of innovation staff in developing and testing products and services, including complying with applicable governmental regulations, and the success of management and sales and marketing teams in introducing and marketing new products and services. Failure to develop and market new products and services that appeal to customers and consumers may lead to a decrease in growth, sales and profitability. Additionally, the development and introduction of new products requires substantial research, development and marketing expenditures, which the Company may be unable to recoup if the new products do not gain widespread market acceptance. If the Company is unsuccessful in meeting its objectives with respect to new or improved products, business could be harmed.

The Company may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new products and services. Software development involves a significant amount of time for research and development. The Company must also continually update, test and enhance its software platform. The continual improvement and enhancement of the Company's products and services requires significant investment and it may not have the resources to make such investment. The Company may make significant investments in new products, new services or enhancements that may not achieve expected returns. The improvement and enhancement of the functionality, performance, reliability, design, security and scalability of the Company's products and services is expensive and complex, and to the extent the Company is not able to perform it in a manner that responds to its customers' evolving needs, the Company's business, financial condition, and results of operations may be materially and adversely affected.

Changing Consumer Preferences

Consumer preferences for the Company's products are difficult to predict and may change, and, if the Company is unable to respond quickly to new trends, its business may be adversely affected.

Staffing and Management

Failure to attract and retain management and key personnel may adversely affect the Company's operations. Its success is substantially dependent on the continued service of certain senior management. These executives have been primarily responsible for determining the strategic direction of the business and for executing the growth strategy and are integral to the brand, culture and the reputation the Company enjoys with suppliers, distributors, customers and consumers. The loss of the services of any of these executives could have a material adverse effect on the business and prospects, as the Company may not be able to find suitable individuals to replace them on a timely basis, if at all. In addition, any such departure could be viewed in a negative light by investors and analysts, which may cause the price of the Company's

common stock to decline.

If the Company is unable to attract, train and retain employees, including key personnel, it may not be able to grow or successfully operate its business. The Company's success depends in part upon its ability to attract, train and retain a sufficient number of employees who understand and appreciate its culture and can represent its brand effectively and establish credibility with its business partners and consumers. If the Company is unable to hire and retain employees capable of meeting its business needs and expectations, its business and brand image may be impaired. Any failure to meet the Company's staffing needs or any material increase in turnover rates of employees may adversely affect the business, results of operations and financial condition.

Conflicts of Interest

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

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

Intellectual Property Infringement

The software, computer hardware and technology industries are characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third parties may in the future assert, that the Company's products, services, platform, hardware, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by the Company's competitors seeking to obtain a competitive advantage or by other parties. Additionally, non-practicing entities purchasing intellectual property assets for the purpose of making claims of infringement may attempt to extract settlements from the Company.

Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or enhanced services or technology, materially disrupt the conduct of the Company's business and have a material and adverse effect on the Company's brand, business, financial condition and results of operations. Litigation is inherently uncertain and can cause the Company to expend significant money, time and attention to it, even if the Company is ultimately successful. Any adverse decision could result in a loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses for alternative technologies from third parties, prevent the Company from offering all or a portion of its products and services and otherwise negatively affect the Company's business and operating results.

Third Parties

The Company anticipates that the growth of its business will depend on third-party relationships, including relationships with app developers, theme designers, referral sources, resellers, payment processors, fulfillment and shipping partners, content providers, cloud providers, internet service providers, providers of online sales channels and other partners. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third-party content and technology. These third parties may choose to terminate their relationships with the Company or to make material changes to their businesses, products or services.

The Company's competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce demand and sales for the Company's products and services. In addition, these third parties may not perform as expected under the Company's agreements, and the Company may in the future have disagreements or disputes with such third parties. If the Company loses access to products or services from a particular supplier, or experiences a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on the Company's business and operating results.

Estimates of the Addressable Market

Data for retail sales of CBD products is limited, and as a result, it is difficult to estimate the size of the market and predict the rate at which the market for the Company's products will grow, if at all. While the Company's market size estimate was made in good faith and is based on assumptions and estimates that the Company believes to be reasonable, this estimate may not be accurate. If the Company's estimates of the size of its addressable market are not accurate, the Company's potential for future growth may be less than the Company currently anticipates, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Because the cannabis and CBD industries are in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Health Concerns

The Company could be adversely affected if consumers lose confidence in the safety and quality of its vendor supplied CBD products. All of the Company's suppliers are required to comply with applicable product safety laws and the Company is dependent upon them to ensure such compliance. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying the products the Company offers, or cause supplier production and delivery disruptions. The real or perceived sale of bad CBD products by the Company could result in product liability claims against the Company's suppliers or the Company, expose the Company or its suppliers to governmental enforcement action or private litigation, or lead to costly recalls and a loss of consumer confidence, any of which could have an adverse effect on the Company's business, financial condition, and results of operations.

Changes in Tax Treatment for E-Commerce

On June 21, 2018, the Supreme Court of the United States overturned a prior decision under which e-tailers had not been required to collect sales tax unless they had a physical presence in the buyer's state. As a result, a state may now enforce or adopt laws requiring e-tailers to collect and remit sales tax even if the e-tailer has no physical presence within the taxing state. In response, an increasing number of states have adopted or are considering adopting laws or administrative practices, with or without notice, that impose sales or similar value added or consumption taxes on e-commerce activity, as well as taxes on all or a portion of gross revenue or other similar amounts earned by an e-tailer from sales to customers in the state.

New legislation or regulations, the application of laws and regulations from jurisdictions, including other countries whose laws do not currently apply to the Company's business, or the application of existing laws and regulations to the internet and commercial online services could similarly result in significant additional taxes on the Company's business. These taxes or tax collection obligations could have an adverse effect on the Company, including by way of creating additional administrative burdens on the Company. For instance, the Supreme Court's recent decision and the enactment and enforcement of laws resulting therefrom could also impact where the Company is required to file state income taxes. As a result, the Company's effective income tax rate as well as the cost and growth of its business could be materially and adversely affected, which could in turn have a material adverse effect on the Company's financial condition and results of operations.

The Company is also subject to federal, provincial and state laws, regulations, and administrative practices that require the Company to collect information from its customers, vendors, merchants, and other third

parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring the Company to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties. The Company cannot predict the effect of current attempts to impose sales, income or other taxes on e-commerce. New or revised taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have a material adverse effect on the Company's business, financial condition, and results of operations.

Product Returns or Refunds

The Company offers refunds or allows its customers to return products or offer refunds, subject to the Company return and refunds policy. If products returns or refunds are significant or higher than anticipated and forecasted, the Company's business, financial condition, and results of operations could be adversely affected. Further, the Company modifies its policies relating to returns or refunds from time to time, and may do so in the future, which may result in customer dissatisfaction and harm to the Company's reputation or brand, or an increase in the number of product returns or the amount of refunds the Company makes.

Product Approvals

The Company may require advance approval of its products from federal, state, provincial and/or local authorities, particularly if the Company expands its business to distributing and/or selling products containing CBD. While the Company intends to follow the guidelines and regulations of each applicable federal, state, provincial and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, state, provincial and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Liability

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of CBD products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of CBD products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

Product liability claims or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company.

Product Recalls

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

Climate Change

There is concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Such climate change may negatively affect the Company's business and operations.

Intellectual Property Protection

The Company may not be able to protect its intellectual property adequately, which may harm the value of its brand. The Company believes that its intellectual property has substantial value. The Company's trademarks are valuable assets that reinforce its brand and consumers' favorable perception of its products and services. The Company also relies on unpatented proprietary expertise, formulae and other trade secrets and copyright protection to develop and maintain its competitive position. The Company's continued success depends, to a significant degree, upon its ability to protect and preserve its intellectual property, including its trademarks, trade secrets and copyrights. The Company relies on confidentiality agreements and trademark, trade secret and copyright law to protect its intellectual property rights.

Trade secrets are difficult to protect. Although the Company attempts to protect its trade secrets, its confidentiality agreements may not effectively prevent disclosure of proprietary information and may not provide an adequate remedy in the event of unauthorized disclosure of such information.

The Company cannot assure you that the steps taken to protect its intellectual property rights are adequate, that its intellectual property rights can be successfully defended and asserted in the future or that third parties will not infringe upon or misappropriate any such rights. Patents in the CBD industry involve complex legal and scientific questions and patent protection may not be available for some or any of the Company's products. In addition, the Company's trademark rights and related registrations may be challenged in the future and could be canceled or narrowed. Failure to protect trademark rights could prevent the Company in the future from challenging third parties who use names and logos similar to its trademarks, which may in turn cause consumer confusion or negatively affect consumers' perception of the brand and products. In addition, if the Company does not keep its trade secrets confidential, others may produce products and services with the Company's trade secrets. Moreover, intellectual property disputes and proceedings and infringement claims may result in a significant distraction for management and significant expense, which may not be recoverable regardless of whether it is successful. Such proceedings may be protracted with no certainty of success, and an adverse outcome could subject the Company to liabilities, force it to cease use of certain trademarks or other intellectual property or force it to enter into licenses with others. Any one of these occurrences may have a material adverse effect on the business, results of operations and financial condition.

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

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be expensive and could distract management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could adversely affect the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis, CBD and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

Risks Related to Being a Public Company

If the Company fails to maintain proper and effective internal controls, its ability to produce accurate financial statements on a timely basis could be impaired, investors may lose confidence in its financial reporting and the trading price of its common stock may decline.

Greeny, Canndora and Lifted have been private companies since their inception and, as such, Greeny, Canndora and Lifted may not have had the internal control and financial reporting requirements that are required of a publicly traded company.

Ensuring that the Company has adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be reevaluated frequently. Any failure to maintain internal control over financial reporting could severely inhibit the Company's ability to accurately report the financial condition, results of operations or cash flows. If it is unable to conclude that the Company's internal control over financial reporting is effective, or if its independent accounting firm determines that it has a material weakness or significant deficiency in its internal control over financial reporting investors may lose confidence in the accuracy and completeness of the Company's financial reports, the market price of its common stock could decline, and it could be subject to sanctions or investigations regulatory authorities.

Increased Costs of Being a Public Company

The requirements of being a public company require the Company to incur costs and may strain its resources, divert management's attention and affect its ability to attract and retain qualified board members.

As a public company, the Company has incurred and will continue to incur significant legal, accounting and other expenses. The Company is subject to the reporting requirements which require, among other things, that it file quarterly and current reports with respect to its business and financial condition. The Company expects the rules and regulations applicable to public companies to continue to increase its legal and financial compliance costs and to make some activities more time-consuming and costly. If these requirements divert the attention of management and personnel from other business concerns, they could have a material adverse effect on the business, financial condition and results of operations. The Company cannot predict or estimate the amount or timing of costs it may incur to respond to these requirements.

Evaluation of Disclosure Controls and Procedures

The Company's senior management has evaluated the effectiveness of its disclosure controls and procedures. Based on that evaluation, senior management concluded that its disclosure controls and procedures were effective to provide reasonable assurance that information it is required to disclose in reports that are filed or submitted pursuant to securities legislation is recorded, processed, summarized, and reported within the time periods specified and that such information is accumulated and communicated to senior management, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on Effectiveness of Controls and Procedures

Management does not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Future Financing

Following completion of the Transaction, the Company may require additional financing to achieve its goals, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, may force it to delay, limit, reduce or terminate its product and service development, and other operations.

The Company may, from time to time, report a working capital deficit. To maintain its activities, the Company may need to seek additional funds through public or private equity or debt financings or other sources, such as strategic collaborations. Such financing may result in dilution to shareholders, imposition of debt covenants and repayment obligations, or other restrictions that may adversely affect the Company's business. In addition, the Company may seek additional capital due to favorable market conditions or strategic considerations even if it believes it has sufficient funds for its current or future operating plans.

There can be no assurance that financing will be available to the Company or, if it is, that it will be available

on terms acceptable to the Company and will be sufficient to fund cash needs until the Company achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. Failure to obtain additional financing could also result in delay or indefinite postponement of further research and product development.

Risks Related to Ownership of Company Shares

The Company's Common Share price has been, and the Company Shares may continue to be, highly volatile, and you could lose all or part of your investment.

The market price of the Company Shares is likely to be highly volatile and could be subject to wide fluctuations in response to many factors discussed in this "Risk Factors" section, including:

- actual or anticipated fluctuations in financial condition and operating results, including fluctuations in quarterly and annual results;
- announcements of innovations by the Company or competitors;
- overall conditions in the industry and the markets in which the Company operates;
- market conditions or trends in the e-commerce industry, technology industry, retail industry, or in the economy as a whole;
- addition or loss of significant customers or other developments with respect to significant customers;
- adverse developments concerning partners or suppliers;
- changes in laws or regulations applicable to the Company's products and services;
- ability to effectively manage growth;
- ability to effectively research, develop and launch products and services;
- actual or anticipated changes in growth rate relative to competitors;
- announcements by the Company or competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- competition from existing services or new services that may emerge;
- issuance of new or updated research or reports about the Company or the industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry;
- failure to meet the estimates and projections of the investment community or that the Company may otherwise provide to the public;
- fluctuations in the valuation of companies perceived by investors to be comparable to the Company;
- disputes or other developments related to proprietary rights, including patents, and the Company's ability to obtain intellectual property protection for its products;
- litigation or regulatory matters;
- announcement or expectation of additional financing efforts;
- cash position;
- sales of Company Shares by the Company or its shareholders;
- share price and volume fluctuations attributable to inconsistent trading volume levels of the Company Shares;
- changes in accounting practices;
- ineffectiveness of internal controls;
- general economic, market and political conditions; and
- other events or factors, many of which are beyond the Company's control.

Furthermore, financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies, including those fluctuations a result of the COVID-19 pandemic. Accordingly, the market price of the Company Shares may decline even if the Company's or, following the completion of the Transaction, the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company Shares may be

materially adversely affected.

Active Trading Market

An active trading market may not be sustained. You may not be able to sell your Company Shares quickly or at a recently reported market price if trading in the Company Shares does not remain active. The lack of an active market may also reduce the fair market value the Company Shares and the liquidity of a shareholder's investment may be limited. An inactive market may also impair the Company's ability to raise capital to continue to fund operations by selling Company Shares.

Public Market Sales

Future sales of the Company Shares in the public market could cause the Company Share price to fall. Sales of a substantial number of Company Shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of Company Shares intend to sell Company Shares, could reduce the market price of the Company Shares.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Company Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company Shares will be affected by such volatility.

Volatility in the Market Price of the Company Shares

The Company Shares are expected to be listed on the CSE. Securities of cannabis companies or companies operating in the cannabis industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Company Shares is also likely to be significantly affected by short-term changes in cannabis, by the Company's financial condition or results of operations as reflected in its quarterly price of the Company Shares at any given point in time may not accurately reflect their long-term value.

Dividends

The Company has never paid dividends on its shares and does not intend to pay dividends for the foreseeable future. The Company anticipates that it will retain all future earnings for use in the operation of the business and for general corporate purposes. Accordingly, investors should rely on sales of their Company Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Consequently, any gains from an investment in the Company Shares will likely depend on whether the price of the Company Shares increases.

Risk Factors Specifically Related to the CBD Industry

Limited Research on the Effect of CBD

To date, there is limited standardization in the research of the effects of CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of CBD. Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of CBD remains in relatively early stages.

Future research and clinical trials may draw opposing conclusions to statements in this report or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or

other facts and perceptions related to CBD, which could adversely affect social acceptance of CBD and the demand for the Company's products.

Relative Newness of the CBD Industry and Market

The Company will be operating its business in a relatively new industry and market, and the Company's success in the CBD market will depend in part on its ability to attract and retain customers. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, the Company will need to make significant investments in its business strategy. The Company expects that competitors will undertake similar investments to compete with it. Competitive conditions, consumer preferences, customer requirements and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and cause the Company's future efforts to develop its business to be unsuccessful or to have undesired consequences for it. As a result, the Company may not be successful in its efforts to attract customers or to develop new CBD products and produce and distribute these CBD products, or these activities may require significantly more resources than it currently anticipates in order to be successful.

CBD Publicity and Consumer Perception

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

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of CBD and related products in general, or the Company's products specifically, or associating the consumption of CBD or related products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on its financial performance, financial condition, cash flows and growth prospects.

Operating at a Regulatory Frontier

The medical and adult use CBD industry is subject to various local and federal laws, regulations, guidelines and licensing requirements relating to the manufacture, sale, distribution, management, transportation, storage and disposal of CBD products, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment in Canada, the United States and abroad. While the Company is treating the CBD industry as a deregulating industry with significant unsatisfied demand for its proposed products and services and will adjust its future operations, product mix and market strategy as the industry develops and matures, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse

effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of existing CBD laws in the jurisdictions that the Company operates may cause adverse effects to the Company's operations.

As well, should the federal government in the U.S. change course and decide to prosecute those dealing in medical or adult use CBD under applicable law, there may not be any market for the Company's products and services in the U.S. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Company should be comparable to other companies in the same business as the Company.

Furthermore, if in the future the Company expands its business to distribute and/or sell products containing CBD, achievement of the Company's business objectives will depend, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of such products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for such products, or the extent of testing and documentation that may be required by applicable governmental authorities. Any delays in obtaining, or failure to obtain, regulatory approvals would significantly delay the development and/or sale of such products and could have a material adverse effect on the business, financial condition and results of operation of the Company.

Furthermore, if the Company expands its business to distribute and/or sell products containing CBD, the Company can be expected to incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and results of operation of the Company.

The CBD industry is also subject to extensive controls and regulations in the various jurisdictions where such industry has been legally regulated, and those controls and regulations may also affect the financial condition of market participants. The marketability of CBD products may be affected by numerous factors beyond the control of the Company and which cannot be predicted, such as packaging requirements, marketing and advertising restrictions, restrictions as to the product formats that may be used (i.e., alternative manners of consumption such as edibles or beverages), as well as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants which could in turn affect the CBD industry generally the outcomes of which cannot be reliably predicted.

Heightened Scrutiny of CBD Companies

The Company's existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada. Although the Company will not sell cannabis but only CBD and hemp-derived products, given the heightened risk profile associated with cannabis in the United States, the CDS may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of the TMX MOU with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no assurances given that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability to settle trades. In particular, shares in the Company would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the shares through the facilities of a stock exchange.

Risk Factors Specifically Related to the United States' Regulatory System

Cannabis Illegality under United States Federal Law

To the Company's knowledge, some form of cannabis has been legalized in 33 States, the District of Columbia, and the territories of Guam and Puerto Rico. Additional States have pending legislation regarding the same. Although each state in which the Company operates (and is currently proposing to operate) authorizes, as applicable, medical and/or adult use cannabis production and distribution by licensed or registered entities, and numerous other States have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the US Controlled Substances Act. The concepts of "medical cannabis", "retail cannabis", "recreational cannabis" and "adult use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I drug under the US Controlled Substances Act. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Although the Company believes that its business activities are compliant with applicable state and local laws of the United States, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company. Even where the Company's cannabis-related activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The enforcement of relevant laws is a significant risk. The CBP enforces the laws of the United States. Crossing the border while in violation of the US Controlled Substances Act and other related United States federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the United States Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Company, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on the CSE, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it will be difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Furthermore, the Company has provided (and may in the future provide) indemnities to counterparties and business partners whereby the Company has agreed to hold such counterparties harmless in respect of liabilities incurred resulting from the violation of laws or regulations or breach of contract. Such indemnity obligations may impose additional and potentially significant liabilities on the Company, particularly if cannabis remains illegal in the United States federally. Any valid claim in respect of such indemnities provided by the Company may result in a material adverse effect on the Company's business, financial condition and results of operations.

Re-classification of Cannabis in the United States

If cannabis, THC or CBD derived from cannabis is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FFDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the United States Drug Enforcement Agency; however, the FDA has enforced the FFDCA with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis

businesses. If cannabis, THC or CBD derived from cannabis were to be rescheduled to a federally controlled, yet legal, substance, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the United States Drug Enforcement Agency, the FDA, and others to enforce the US Controlled Substances Act and FFDCa against businesses that comply with state but not federal law. The potential for multi-agency enforcement post-rescheduling could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Company.

Certain Business Activities Illegal under Federal Law

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

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

With the Cole Memorandum rescinded, as confirmed by the Sessions Memorandum, U.S. federal prosecutors have been given greater discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the DOJ policy under former Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the US Controlled Substances Act for aiding and abetting and conspiring to violate the US Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite contrary state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the DOJ, to become even more aggressive. If the DOJ policy was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the US Controlled Substances Act for aiding and abetting and conspiring to violate the US Controlled Substances Act by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Additionally, there can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future

presidential administrations may want to treat cannabis differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its Company Shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Legality of Cannabis Could be Reversed

The voters or legislatures of states in which cannabis has been legalized could potentially repeal applicable laws which permit both the operation of medical and retail cannabis and CBD businesses. These actions may cause the Company to cease some or all of the Company's business.

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Demand May Decline

State laws that allow cannabis consumers to cultivate cannabis, may result in a reduction in the demand for cannabis, cannabis products and cannabis accessories. Many states that allow medical marijuana or adult use allow the citizens of those states to cultivate cannabis. It is possible that large-scale adoption of home cannabis production, and the home production of cannabis products based on home cannabis production, could have substantial effects on cannabis prices and cannabis product prices, which could have material adverse financial consequences for the future performance of the Company in connection with the Company's business.

Travel Bans and Entry Bans for Investors, Directors and Officers

Recent media articles have reported that certain Canadian citizens have been rejected for entry into the United States, due to their involvement in the CBD sector.

Because cannabis remains illegal under United States federal law, those employed at or investing in legal and licensed Canadian CBD companies could face detention, denial of entry or lifetime bans from the United States (in respect of non-U.S. citizens) for their business associations with CBD businesses. Entry to the United States happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national.

United States Forfeiture Laws

As an entity that conducts business in the CBD industry, the Company will be potentially subject to United States federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with CBD-related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be from proceeds of crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the burden in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Shareholders of the Company located in states where cannabis remains illegal may be at risk of prosecution

under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Shareholders and prospective shareholders of the Company should be aware of these potentially relevant federal and state laws in considering whether to invest in the Company.

Financial Institutions and the Cannabis Industry

The Company will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the US Controlled Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account or credit card in violation of the Bank Secrecy Act could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the US Controlled Substances Act. The Company may also be exposed to the foregoing risks.

In February 2014, FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the US Controlled Substances Act. Although the FinCEN Memo remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If the Company does not have access to a U.S. banking system, its business and operations could be adversely affected.

Other potential violations of federal law resulting from cannabis-related activities include the RICO. RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the US Controlled Substances Act), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the Company's ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject the Company to civil and/or criminal penalties. Furthermore, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. The Company could likewise be required to suspend or cease operations entirely.

Cannabis Contract Enforceability

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Accessing Bank and Credit Card Payment Services

The FinCEN Memorandum was issued in February 2014, in respect of financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the government. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN Memorandum and existing disclosures around cash management and reporting to the IRS.

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

In addition, there is a risk that the Company's merchant accounts through which payments are made by the Company's customers for its cannabis-related accessories and ancillary products (e.g., VISA, MasterCard or American Express) may be frozen or shut down which would be outside the control of the Company. Many financial institutions in the U.S. are unwilling to take deposits, issue credit cards, open bank accounts, or assist with payroll services for cannabis businesses. Given that the Company's business is based on e-commerce products and services, the processing of electronic payments is critical to the Company's business. The Company addresses these issues by continually monitoring merchant accounts and identifying new providers of similar services. However, even if the Company takes adequate protective measures, no assurance can be provided that the Company's accounts will not be shut down and any funds on deposit or payments owing may not be recoverable. Any interruption, freeze or shutting down of the Company's merchant accounts would have a material adverse effect on the Company's business, financial condition and results of operations.

Tax Liabilities in the Cannabis Industry

Under Section 280E of the U.S. Tax Code no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the

meaning of schedule I and II of the US Controlled Substances Act) which is prohibited by federal law or the law of any state in which such trade or business is conducted.” This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations or operations associated with the delivery or development of cannabis ancillary products. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its U.S. income tax expenses.

Entities with which the Company does business, including entities owned, controlled or managed by the Company, may from time to time be disputing and in litigation with the IRS related to an IRS determination that certain expenses of cannabis businesses are not permitted tax deductions under Section 280E. Although the status of a service provider is unclear with respect to Section 280E it is possible that the Company could be found to have significant tax liabilities that may become due and payable if the IRS. The Company may not have sufficient reserves to satisfy any possible future judgments. A judgement therefore, would likely result in material adverse effects to the Company’s business operations and financial condition.

Access to United States Bankruptcy Protections

Because cannabis is a Schedule I substance under the US Controlled Substances Act, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Regulatory Scrutiny of the Company’s Interests in the United States

For the reasons set forth above, the Company’s interests in the United States market for cannabis and cannabis ancillary products may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to carry on its business in the United States.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company’s condensed interim consolidated financial statements and the other financial information included in this management report are the responsibility of the Company’s management, and have been examined and approved by the Board of Directors. The consolidated financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management’s best estimates using careful judgment. The selection of accounting principles and methods is management’s responsibility.

Management recognizes its responsibility for conducting the Company’s affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee’s role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company’s accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company’s management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.