CANNARA BIOTECH INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the years ended
August 31, 2020 and 2019

This Management Discussion and Analysis ("MD&A") of Cannara Biotech Inc. ("Cannara" or the "Company") has been prepared by management as of December 15, 2020 and should be read in conjunction with the consolidated financial statements and related notes thereto of the Company for the years ended August 31, 2020 and 2019. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms can be found on-line at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance and the Company's ability to become a leader in the field of cannabis cultivation, production and sales.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and the related MD&A of those statements. 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, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

BUSINESS OVERVIEW

Cannara was incorporated under the laws of British Columbia on October 19, 2017 and is currently listed and publicly traded on the Canadian Securities Exchange ("CSE") under the symbol "LOVE", the OTCQB under the symbol "LOVFF" and the Frankfurt Stock Exchange under the symbol "8CB".

The registered head office of the Company is located at 333 Decarie Blvd, suite 200, Ville St-Laurent, Québec, H4N 3M9 and its facility and cannabis operations are located at 1144 Magenta boul. E. Farnham, Québec, J2N 1C1.

Cannara is an emerging vertically integrated cannabis company focused on indoor cultivation, processing and sale of premium dried cannabis and cannabis derivatives under *The Cannabis Act* through its indirect wholly-owned subsidiary, Cannara Biotech (Québec) Inc. (hereafter "Cannara QC"). Cannara QC received its license for the cultivation, processing and medical sale of cannabis from Health Canada (the "License") on January 31, 2020 and effectively commenced its cannabis cultivation operations as at that date. The Company has recently completed the retrofitting of 170,000 square feet of a 625,000 square foot building ("Phase 1") into a purpose-built pharmaceutical-grade indoor cannabis cultivation facility (the "Farnham Facility") for usage by Cannara QC. The Farnham Facility is located in the Eastern Townships, less than 45 minutes from downtown Montreal, which makes it an ideal location in terms of security, electricity, utilities and shipping costs. Leveraging Quebec's low electricity costs, the Farnham Facility has access to 15 megawatts of hydropower at a price significantly less expensive than elsewhere in Canada. The Company is currently awaiting the amendment of its License to permit sales to provincial retail distributors.

As part of its capital management strategy, the Company has also leased out a significant portion of the currently unused area of the Farnham Facility in order to increase cash flows until future phases are ready to be constructed.

ShopCBD.com Inc., a subsidiary of the Company, operates an online e-commerce platform in the U.S. hemp-based CBD market by offering a curated selection of top tier products in a fast, secure and reliable transaction.

Additional information about the Company may be found at www.cannara.ca.

Additional information about ShopCBD.com may be found at www.shopcbd.com.

HIGHLIGHTS – YEAR 2020

OPERATIONAL

- On September 12, 2019, the Company announced that Cannara QC submitted to Health Canada its Site Evidence Package for Phase 1 of the Farnham Facility which would permit the Company to cultivate, process and sell premium dried cannabis and cannabis derivatives under *The Cannabis Act*. The submission of the Site Evidence Package marked the substantial completion of the 170,000 square foot Phase 1 construction of the Farnham Facility.

  The current cultivation capacity for Phase 1 is estimated at 8,000 kg - 10,000 kg of premium cannabis per annum and can potentially reach up to 15,000 kg of premium cannabis if all remaining Phase 1 space is used for cultivation. The remaining phases of the Farnham Facility are planned to consist of additional cultivation space, a research and development area and a variety of production and processing capabilities for a range of cannabis derivatives products.

- On October 10, 2019, the Company secured a first mortgage against its Farnham Facility of $6 million with a Canadian financial institution at an interest rate of prime plus 2%. These funds were applied to reduce the existing mortgage payable bearing interest at 13%.

- ShopCBD.com, launched its online e-commerce platform for the United Sates (U.S.), www.shopCBD.com, in November 2019. The platform offers to consumers an economical way to purchase, review and compare a selection of top-tier hemp-based CBD products that have been vetted by independent lab results and curated based on factors such as safety, reliability and consistency of hemp-based CBD content.

- On January 31, 2020, Cannara QC, received its license to cultivate and process cannabis from Health Canada for Phase 1 of the Farnham Facility, which was a significant milestone that marked the start of the cannabis activities in Québec. The cultivation operations were officially launched on February 3, 2020.

- The Company harvested its first crop on April 20, 2020. First harvested lots were treated as research and development, to test and refine the growers' cultivation methodologies and adjust the Company's systems and environmental controls to consistently produce high-yielding premium cannabis.

HIGHLIGHTS - YEAR 2020 *(continued)*

- In April 2020, as part of its environmental initiatives incorporated into the operations at the Farnham Facility, the Company received a first tranche of a government grant in the amount of $416,458 for assets purchased in exchange for a 10-year commitment on its environmental footprint reduction initiatives. The Company may be granted an additional amount estimated to be up to 25% of the initial amount received if certain requirements of the application are satisfied. The amount of grants received have been recognized as deferred income and are recognized as other income based on the useful life of the assets related to the grant.

- Following the procedures necessary for Cannara QC to obtain an amendment to its License to sell its cannabis products to provincial retail distributors, a sample of the first two lots were sent at the beginning of June 2020 to Health Canada for analysis. The Company is currently undergoing the verification process with Health Canada to review its operations in order to obtain the License amendment. Management expects that the amended sales license will be awarded early in 2021.

- In July 2020, the Company signed a non-binding Letter of Intent (LOI) with the Société québécoise du cannabis (the "SQDC"), where Cannara will commit a substantial amount of its supply of premium quality cannabis to its home market of Québec. The LOI with the SQDC is expected to convert to a comprehensive and binding purchase order once Cannara is granted its sales license amendment from Health Canada.

- The Company is in active discussions with other licensed producers in order to sell its products on the wholesale market while the Company awaits its License amendment to permit retail sales. The Company's first wholesale cannabis transaction occurred in July 2020 and further sales continued subsequent to year end.

- On July 17, 2020, the Company signed a term sheet with a related-party lender providing it with an initial credit facility of $1,000,000 to be used for working capital purposes bearing interest at 13%. The Company was also granted an additional credit facility of $4,000,000 to be disbursed in four monthly tranches subject to meeting certain sale conditions.

- Cannabis operations are now at full capacity, with 18 flowering rooms in operations. Two harvests per week are occurring in-line with the production forecasts. During the third and fourth quarter of 2020, the Company focused on perfecting its cultivation and post-harvest activities, building up its biological assets and cannabis inventory for wholesale and provincial distribution as well as completing the installation of a packaging line so that the Company is ready for commercialization.

HIGHLIGHTS - YEAR 2020 *(continued)*

CAPITAL TRANSACTIONS

- During the first quarter of 2020, the Company issued 200,000 common shares as a result of the exercise of previously issued warrants for gross proceeds of $20,000 and granted a total of 100,000 stock options to a board member and 840,000 stock options to various employees.

- During the second quarter of 2020, the Company issued 3,000,000 common shares as a result of the exercise of previously issued warrants for gross proceeds of $300,000 and granted a total of 150,000 stock options to a board member and 505,000 stock options to various employees.

- During the third quarter of 2020, the Company issued 600,000 common shares as a result of the exercise of previously issued warrants for gross proceeds of $60,600 and granted a total of 160,000 stock options to various employees.

- During the fourth quarter of 2020, the Company issued 4,023,000 common shares as a result of the exercise of previously issued warrants for gross proceeds of $402,300 and granted a total of 150,000 stock options to a board member and 8,581,000 stock options to various employees.

- On July 7, 2020, pursuant to the terms of a share exchange agreement dated May 26, 2020, among Cannara, Global ShopCBD.com Inc. ("Global") and the shareholders of Global, Cannara has acquired substantially all of the issued and outstanding shares of Global that it did not already own in consideration for the issuance of 23,145,110 common shares of Cannara pro rata to the shareholders of Global at a deemed price of $0.10 per share.

HIGHLIGHTS – SUBSEQUENT TO YEAR ENDED AUGUST 31, 2020

- On September 25, 2020, $1,000,000 was drawn from the credit facility.
- In September 2020, the Company entered into a new lease agreement with a new tenant for its Farnham Facility, which coincided with the termination of a current lease agreement. The new tenant will occupy the same space as the previous tenant, starting November 2020.
- During November 2020, the Company granted a total of 250,000 stock options to a board member.
- On November 26, 2020, the Company obtained a letter to extend the maturity date on one of its mortgages payable from September 6, 2021 to March 6, 2022.
- On November 27, 2020, the Company entered into a one-year wholesale supply agreement with a licensed producer for which the Company agreed to sell 200 kg of cannabis per month commencing January 1, 2021.
- On November 30, 2020, the Company entered into an additional lease agreement with an existing tenant for the last remaining space available for lease at its Farnham Facility. The additional lease agreement will commence on January 1, 2021.
- On November 30, 2020, the Company met the sale conditions attached to the additional credit availability of $4,000,000 and drew down $1,000,000 on December 4, 2020.

SUMMARY OF FINANCIAL INFORMATION

Consolidated statement of financial position

	August 31, 2020	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018
Current assets	$ 10,529,856	$ 13,358,400	$ 15,743,534	$ 18,907,512	$ 27,828,255	$ 32,671,723	$ 43,270,167	$ 45,302,239
Non-current assets	44,320,572	44,509,845	43,476,215	42,968,691	40,274,883	35,119,971	26,679,329	21,391,987
Total assets	54,850,428	57,868,245	59,219,749	61,876,203	68,103,138	67,791,694	69,949,496	66,694,226
Current liabilities	3,476,952	9,747,671	8,310,185	7,548,974	5,090,627	4,240,736	9,550,340	40,909,973
Non-current liabilities	13,008,615	6,519,482	7,075,879	7,090,591	13,083,995	13,122,476	13,156,463	12,936,874
Total liabilities	16,485,567	16,267,153	15,386,064	14,639,565	18,174,622	17,363,212	22,706,803	53,846,847
Net assets	$ 38,364,861	$ 41,601,092	$ 43,833,685	$ 47,236,638	$ 49,928,516	$ 50,428,482	$ 47,242,693	$ 12,847,379

Consolidated statement of net loss

	Three-month periods ended August 31, 2020	Three-month periods ended August 31, 2019	Years ended August 31, 2020	Years ended August 31, 2019
Revenues				
Lease revenues	$ 477,540	$ 553,308	$ 2,356,820	$ 2,096,974
Revenue from sale of goods	63,609	-	117,921	-
Other income	72,206	-	104,202	-
	613,355	553,308	2,578,943	2,096,974
Cost of sales				
Lease operating costs	36,172	48,364	343,827	403,895
Cost of goods sold	527,815	-	569,292	-
	563,987	48,364	913,119	403,895
Unrealized loss on changes in fair value of biological assets	(482,428)	-	(413,315)	-
Operating expenses	2,320,075	2,796,399	10,827,558	9,160,930
Share-based compensation	437,972	1,198,129	741,844	2,189,039
Amortization	245,190	148,875	1,612,346	566,327
Impairment	35,194	-	35,194	-
Gain on sublease	-	-	(25,894)	-
Loss on disposal of property, plant and equipment	13,791	-	13,791	-
Operating loss	(3,485,282)	(3,638,459)	(11,952,330)	(10,223,217)
Listing expense for the reverse acquisition of Dunbar Capital Corp.	-	-	-	1,875,243
Net finance expense	423,898	193,519	1,142,025	873,345
	423,898	193,519	1,142,025	2,748,588
Loss before income taxes	(3,909,180)	(3,831,978)	(13,094,355)	(12,971,805)
Income tax expense	-	-	-	-
Net loss	$ (3,909,180)	$ (3,831,978)	$ (13,094,355)	$ (12,971,805)
Net loss attributable to:				
Shareholders of the Company	$ (3,859,502)	$ (3,577,190)	$ (12,482,610)	$ (12,315,049)
Non-controlling interest	(49,678)	(254,788)	(611,745)	(656,756)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

RESULTS OF OPERATIONS

The Company changed the definition of its reportable segments to reflect a change to its internal reporting used by the chief operating decision maker to assess the performance of the Company. The Company operates in two segments: (1) Indoor cannabis operations which encompasses the cultivation, processing and sale of dried cannabis and cannabis derivatives exclusively for the Quebec and Canadian market ("Cannabis operations") and (2) Real estate operations related to the Farnham building ("Real estate operations").

The chief operating decision-maker assesses performance based on segment operating results which were defined as segment loss before share-based compensation, net finance expense, amortization and impairment, gain on sublease, loss on disposal of property, plant and equipment, listing expense related to the reverse acquisition of Dunbar Capital Corp. and income tax. Categorized as Other, are items related to U.S. hemp-based CBD products revenues and related operating costs.

				Three-month period ended August 31, 2020				Three-month period ended August 31, 2019
	Cannabis Operations	Real estate Operations	Other	Total	Cannabis Operations	Real estate Operations	Other	Total
Revenues								
Lease revenues	$ -	$ 477,540	$ -	$ 477,540	$ -	$ 553,308	$ -	$ 553,308
Product revenues	-	-	63,609	63,609	-	-	-	-
Other income	72,206	-	-	72,206	-	-	-	-
	72,206	477,540	63,609	613,355	-	553,308	-	553,308
Cost of sales								
Lease operating costs	-	36,172	-	36,172	-	48,364	-	48,364
Cost of goods sold	473,745	-	54,070	527,815	-	-	-	-
	473,745	36,172	54,070	563,987	-	48,364	-	48,364
Unrealized loss on changes in fair value of biological assets	(482,428)	-	-	(482,428)	-	-	-	-
Segment gross profit	(883,967)	441,368	9,539	(433,060)	-	504,944	-	504,944
Operating expenses	2,086,984	-	233,091	2,320,075	2,045,288	-	751,111	2,796,399
Segment operating income (loss)	(2,970,951)	441,368	(223,552)	(2,753,135)	(2,045,288)	504,944	(751,111)	(2,291,455)
Share-based compensation	-	-	437,972	437,972	-	-	1,198,129	1,198,129
Amortization	-	-	245,190	245,190	-	-	148,875	148,875
Impairment	-	-	35,194	35,194	-	-	-	-
Net finance expense	-	-	423,898	423,898	-	-	193,519	193,519
Loss on disposal of assets	-	-	13,791	13,791	-	-	-	-
Segment loss before income taxes	(2,970,951)	441,368	(1,379,597)	(3,909,180)	(2,045,288)	504,944	(2,291,634)	(3,831,978)
Net income (loss)	$ (2,970,951)	$ 441,368	$ (1,379,597)	$ (3,909,180)	$ (2,045,288)	$ 504,944	$ (2,291,634)	$ (3,831,978)
Segment net loss attributable to:								
Shareholders of the Company	$ (2,970,951)	$ 441,368	$ (1,329,919)	$ (3,859,502)	$ (2,045,288)	$ 504,944	$ (2,036,846)	$ (3,577,190)
Non-controlling interest	-	-	(49,678)	(49,678)	-	-	(254,788)	(254,788)

	Year ended August 31, 2020				Year ended August 31, 2019			
	Cannabis Operations	Real estate Operations	Other	Total	Cannabis Operations	Real estate Operations	Other	Total
Revenues								
Lease revenues	$ -	$ 2,356,820	$ -	$ 2,356,820	$ -	$ 2,096,974	$ -	$ 2,096,974
Product revenues	-	-	117,921	117,921	-	-	-	-
Other income	86,702	-	17,500	104,202	-	-	-	-
	86,702	2,356,820	135,421	2,578,943	-	2,096,974	-	2,096,974
Cost of sales								
Lease operating costs	-	343,827		343,827	-	403,895	-	403,895
Cost of goods sold	473,745	-	95,547	569,292	-	-	-	-
	473,745	343,827	95,547	913,119	-	403,895	-	403,895
Unrealized loss on changes in fair value of biological assets	(413,315)	-	-	(413,315)	-	-	-	-
Segment gross profit	(800,358)	2,012,993	39,874	1,252,509	-	1,693,079	-	1,693,079
Operating expenses	9,076,183	-	1,751,375	10,827,558	7,423,540	-	1,737,390	9,160,930
Segment operating income (loss)	(9,876,541)	2,012,993	(1,711,501)	(9,575,049)	(7,423,540)	1,693,079	(1,737,390)	(7,467,851)
Share-based compensation	-	-	741,844	741,844	-	-	2,189,039	2,189,039
Amortization	-	-	1,612,346	1,612,346	-	-	566,327	566,327
Net finance expense	-	-	1,142,025	1,142,025	-	-	873,345	873,345
Impairment	-	-	35,194	35,194	-	-	-	-
Gain on sublease	-	-	(25,894)	(25,894)	-	-	-	-
Loss on disposal of assets	-	-	13,791	13,791	-	-	-	-
Listing expense related to the reverse acquisition of Dunbar Capital Corp.	-	-	-	-	-	-	1,875,243	1,875,243
Segment loss before income taxes	(9,876,541)	2,012,993	(5,230,807)	(13,094,355)	(7,423,540)	1,693,079	(7,241,344)	(12,971,805)
Net income (loss)	$ (9,876,541)	$ 2,012,993	$ (5,230,807)	$ (13,094,355)	$ (7,423,540)	$ 1,693,079	$ (7,241,344)	$ (12,971,805)
Segment net loss attributable to:								
Shareholders of the Company	$ (9,876,541)	$ 2,012,993	$ (4,619,062)	$ (12,482,610)	$ (7,423,540)	$ 1,693,079	$ (6,584,588)	$ (12,315,049)
Non-controlling interest	-	-	(611,745)	(611,745)	-	-	(656,756)	(656,756)

RESULTS OF OPERATIONS *(continued)*

Cannabis operations

For the year ended August 31, 2020, the segment did not generate cannabis-related revenues from its main cultivation activities as the Company had not yet received its amended sales license. The Company incurred $473,745 in costs of goods sold during the fourth quarter of 2020 compared to nil for the same period of the prior year. The amount recognized in costs of goods sold is related to the cost of the inventory used for internal purposes to enhance and perfect cultivation and processing methodologies. The Company generated ancillary cannabis revenues of $58,609 from the sale of a cannabis lot that was grown during a period where the Company was still performing research and development activities on its cultivation process. All first harvested lots were considered research and development and all related costs were expensed in the consolidated statement of loss and comprehensive loss. The Company's cultivation and compliance staff are working on perfecting cultivation methodologies and techniques that are expected to generate increased yield and quality consistent with the Company's mission to provide premium cannabis products to the retail market.

For the three-month period and the year ended August 31, 2020, the Company has recognized an unrealized loss on changes in fair value of biological assets of $482,428 and $413,315, respectively, on lots currently in the cultivation cycle that have not yet been harvested compared to nil for the same periods of the prior year. Some lots in the cultivation phase were used to enhance the cultivation process and since the Company decided to use these assets for its internal purposes, the Company made a fair market value adjustment to reduce the value of these lots to a value of nil. Remaining lots currently in cultivation phase are growing for commercialization and will be offered on the wholesale and/or retail market, depending of the timing of the reception of the amended sales license, which is expected to occur in early 2021. For the lots reserved for commercialization, the Company recognized an unrealized gain on changes in the fair value of biological assets of $557,921 for the three-month period and $627,035 for the year ended August 31, 2020.

For the three-month period and the year ended August 31, 2020, the Company recognized $13,597 and $28,093 as other income for government incentives granted compared to nil for same periods of the prior year. The Company has been awarded various grants which are mainly related to the energy efficient, eco-friendly and pollution reducing technology implemented at the Farnham Facility.

For the three-month period and the year ended August 31, 2020, the segment incurred $2,086,984 and $9,076,183 in operating expenses compared to $2,045,288 and $7,423,540 in the same periods of the prior year resulting in an increase in operating expenses of $41,696 and $1,652,643.

The increase in operating expenses is mainly attributable to:

- An increase of $661,970 and $2,584,896 in research and development for the three-month period and the year ended August 31, 2020, as a result of the expenses incurred to research, test and develop Cannara's cultivation methodologies and the material and labor costs related to its first harvested lots. The Company is conducting activities to test and develop cultivation methodologies that are expected to generate increased yield and quality to support the commercialization of a premium cannabis product;

RESULTS OF OPERATIONS *(continued)*

Cannabis operations *(continued)*

- An increase of $177,045 and $898,459 in general and administrative expenses for the three-month period and the year ended August 31, 2020, as a result of expenses incurred to prepare and launch the operations at the Farnham Facility, including costs for general maintenance of the building and additional insurance costs;
- A decrease of $369,890 and $1,408,831 in professional fees for the three-month period and the year ended August 31, 2020, as a result of expenses incurred in the same period of the prior year to bring the company public on the Canadian Stock Exchange;
- A decrease of $216,691 in marketing expenses for the year ended August 31, 2020 due to the Company postponing marketing spend until it receives its amended License to further develop the Company's cannabis brand portfolio. For the three-month period ended August 31, 2020, there was an increase of $72,769 in marketing expenses as the Company started performing market research studies on its cannabis brand portfolio in preparation for launch.
- A decrease of $100,102 and $133,739 in regulatory and investor relation due to non-recurring fees incurred relating to the reverse take-over on January 14, 2019.

For the three-month period and the year ended August 31, 2020, the segment incurred $2,970,951 and $9,876,541 in net loss compared to $2,045,288 and $7,423,540 in the same periods of the prior year, representing an increase of $925,663 and $2,453,001, respectively.

Real estate operations

As part of the Company's capital management strategy, the Company has leased out a significant portion of the currently unoccupied space in the Farnham Facility. The Company leased 423,551 square feet of the total 625,000 available square feet to three tenants during the year ended August 31, 2020.

For the three-month period and the year ended August 31, 2020, the Company generated lease revenues of $477,540 and $2,356,820 compared to $553,308 and $2,096,974 in the same periods of the prior year. This represents an increase of $259,846 for the year ended, due mainly to the addition of a new tenant during the second and third quarter of 2020. Lease revenues for the three-month period ended August 31, 2020 were similar to same period of the prior year. In order to realize these lease revenues, the Company incurred for the three-month period and the year ended August 31, 2020 $36,172 and $343,827 in lease operating costs compared to $48,364 and $403,895 in the same periods of the prior year. The decrease in lease operating expenses is attributable to non-recurring expenses incurred in prior year to accommodate the new tenants.

The segment net income for the three-month period and the year ended August 31, 2020 was $441,368 and $2,012,993, comparable to $504,944 and $1,693,079 in the same periods of the prior year. The additional income from the new tenant in 2020 and the reduction in lease operating costs resulted in an increase of $319,914 in operating income for the year ended. The results of the three-month period ended August 31, 2020 are comparable to the same period of the prior year.

RESULTS OF OPERATIONS *(continued)*

Other

For the three-month period ended August 31, 2020, the Company generated hemp-based CBD product revenues of $63,609 and incurred $54,070 in costs of goods sold resulting in a gross margin of $9,539 compared to nil for the same periods of the prior year.

For the year ended August 31, 2020, the Company generated hemp-based CBD product revenues of $117,921, as well as $17,500 in ancillary other income, and incurred $95,547 in costs of goods sold resulting in a gross margin of $39,874 compared to nil for the same periods of the prior year.

For the three-month period ended August 31, 2020, the segment incurred $233,091 in operating expenses compared to $751,111 in the same period of the prior year resulting in a decrease in operating expenses of $518,020. The launch of ShopCBD.com in November 2019 coincided with a period of increased regulatory and operational uncertainties within the hemp-derived CBD industry in the U.S.. There have been no major developments in this matter since the launch of the e-commerce platform. As a result of the above and its impact on operations and revenues, ShopCBD.com has focused its capital and human resources on testing and validating organically driven user acquisition models and testing paid marketing initiatives in preparation to scale up the business once we have greater clarity on the regulatory environment.

For the year ended August 31, 2020, the segment incurred $1,751,375 in operating expenses compared to $1,737,390 in the same period of the prior year resulting in an increase in operating expenses of $13,985.

For the three-month period ended August 31, 2020, the segment incurred $1,379,597 in net loss, of which $1,329,919 is attributable to the shareholders of the Company compared to $2,291,634 in the same period of the prior year, of which $2,036,846 is attributable to the shareholders of the Company, resulting in a decrease of $912,037.

For the year ended August 31, 2020, the segment incurred $5,230,807 in net loss, of which $4,619,062 is attributable to the shareholders of the Company compared to $7,241,344 in the same period of the prior year, of which $6,584,588 is attributable to the shareholders of the Company, resulting in a decrease of $2,010,537.

The decrease is mainly attributable to:

- An increase of $131,509 and $1,046,019 in amortization for the three-month period and the year ended August 31, 2020 as the Company began depreciating the Farnham Facility building and related assets, effective September 12, 2019, as well of the impact of the depreciation on new production equipment purchased during the year that are now in operation and the intangible assets related to the e-commerce platform of ShopCBD.com;

RESULTS OF OPERATIONS *(continued)*

Other (continued)

- An increase of $230,379 and $268,680 in net finance expense for the three-month period and the year ended August 31, 2020 is mainly due to the reduction of interest income on cash balances held at a Canadian financial institution by $195,617 and $413,844 respectively; offset by a reduction of interest on mortgages payable by $67,144 and $198,223 respectively resulting from a change in lender for a portion of its debt. As a result, the Company reduced the interest charged on its mortgage payable from 13% to prime plus 2% (4.45% as at August 31, 2020) on the $6 million contracted with the new lender;
- A decrease of $1,875,243 for the year ended due to non-recurring listing expenses related to the reverse acquisition with Dunbar Capital Corp. recorded in January 2019; and
- A decrease of $760,157 and $1,447,195 in share-based compensation for the three-month period and the year ended August 31, 2020 resulting from the impact of forfeited stock options that occurred during the current year.

Prior Quarter Financial Results

The following table sets forth, for the quarter indicated, information relating to the Company's revenues, net income (loss) attributable to Shareholders of the Company and related basic and diluted loss per share attributable to Shareholders of the Company for the eight completed fiscal quarters to date:

	Total revenues				Net income (loss) attributable to Shareholders of the Company				Basic and diluted loss per share
	Cannabis Operations	Real estate Operations	Other	Total	Cannabis Operations	Real estate Operations	Other	Total	Total
November 30, 2018	$ -	$ 518,443	$ -	$ 518,443	$ (2,190,771)	$ 465,905	$ (580,360)	$ (2,305,226)	$ (0.01)
February 28, 2019	-	518,438	-	518,438	(1,375,075)	436,602	(2,939,844)	(3,878,317)	(0.01)
May 31, 2019	-	506,785	-	506,785	(1,812,406)	221,157	(963,067)	(2,554,316)	(0.01)
August 31, 2019	-	553,308	-	553,308	(2,116,301)	504,944	(1,965,833)	(3,577,190)	(0.01)
November 30, 2019	-	527,528	5,721	533,249	(1,856,014)	(377,403)	170,941	(2,062,476)	(0.01)
February 29, 2020	-	643,579	24,854	668,433	(2,666,770)	(309,827)	(485,815)	(3,462,412)	(0.01)
May 31, 2020	12,397	710,272	41,237	763,906	(2,384,905)	(251,370)	261,434	(2,374,841)	(0.01)
August 31, 2020	74,305	475,441	63,609	613,355	(2,968,852)	2,951,593	(4,565,622)	(4,582,881)	(0.01)

CASH FLOW ANALYSIS

	Three-month period ended August 31, 2020	Three-month period ended August 31, 2019	Years ended August 31, 2020	Years ended August 31, 2019
Cash used in operating activities	$ (2,463,405)	$ (1,065,225)	$ (9,324,650)	$ (7,409,294)
Cash used in (from) financing activities	(220,439)	1,740,534	(914,816)	42,660,844
Cash used in investing activities	(771,432)	(5,025,170)	(8,550,849)	(21,639,794)

Operating activities

For the three-month period and the year ended August 31, 2020, cash used in operating activities was $2,463,405 and $9,324,650. The cash flow used in operating activities was primarily attributable to expenses relating to salaries of personnel, expenses for the operations, research and development expenses related to cultivation activities, professional fees for the development of the Company's business operations, insurance premiums to cover a purpose-built cannabis facility and offices, travel and public company related expenses.

Financing activities

For the three-month period ended August 31, 2020, cash used from financing activities was $220,439 which is mainly attributable to cash received from warrants that were exercised for $296,700 offset by the principal repayment on the mortgage of $75,000 plus interest paid of $207,358, $80,394 of lease-related payments and the payment of share issuance costs of $85,501.

For the year ended August 31, 2020, cash used from financing activities was $914,816 which is mainly attributable to the proceeds of $6,000,000 related to a first mortgage with a Canadian financial institution and cash received from warrants that were exercised for $782,300, offset by the principal repayment of $6,250,000 towards the outstanding mortgage to a related private lender and to a Canadian financial institution. The Company also paid interest of $1,022,217 on the mortgages and made $311,773 of lease-related payments.

Investing activities

For the three-month period and the year ended August 31, cash used in investing activities was $771,432 and $8,550,849 which is mainly attributable to the construction, deposit and acquisition of production equipment for $841,223 and $8,722,339 respectively in order to render Phase 1 of the Farnham Facility fully operational offset by the interest received of $28,806 and $262,400 respectively relating to interest earned on the cash balance held at a Canadian financial institution.

There is no restriction on the Company's ability to use its cash for its operational needs while it earns interest on the unused balance.

LIQUIDITY AND CAPITAL RESOURCES

As of the date of this MD&A, the Company has generated recurrent lease revenues. However, limited ancillary cannabis and hemp-based CBD product revenues were generated during the year ended August 31, 2020. The operations were financed primarily through funds raised in equity financings secured in previous quarters, debt raised against immoveable assets as well as government grants and assistance. The Company's objectives when managing its liquidity, its capital resources and to meet its capital requirements is to generate sufficient cash to fund the Company's operations and working capital requirements.

The Company has a working capital of $7,052,904 as at August 31, 2020 (August 31, 2019 - $22,737,628). The decrease in the working capital is mainly attributable to the use of cash to settle the obligations of the Company incurred during the year. The Company spent $6.9 million to finalize the construction of the Farnham Facility and to acquire production equipment to operationalize Phase 1 of the Farnham Facility, as well as funding the launch of the cultivation activities following the receipt of the cultivation license from Health Canada on January 31, 2020.

As at August 31, 2020, the Company's working capital was composed of:

- cash on hand of $7,771,177 (August 31, 2019 - $26,505,992);
- nil in restricted cash relating to a subscription receipt issued by a subsidiary (August 31, 2019 - $211,000);
- lease receivable, accounts receivable, sales tax receivable, biological assets, inventory and prepaid expenses and other assets of $2,758,679 (August 31, 2019 - $1,111,263);
- accounts payable and accrued liabilities, deferred lease revenue and deferred grant income of $2,965,645 (August 31, 2019 - $4,739,820);
- nil in liabilities relating to a subscription receipt issued by a subsidiary (August 31, 2019 - $211,000); and
- current portion of long-term debt, lease liabilities and mortgages payable of $511,307 (August 31, 2019 - $139,807).

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

The Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing.

Liquidity and capital resource measures

The Company has incurred almost all of the required capital expenditures for operations at Phase 1 of the Farnham Facility, from cultivation to packaging of dried cannabis.

The Company expects that its existing cash resources as at August 31, 2020 along with cash received subsequent to year end from its credit facilities will enable it to fund its planned operating expenses for at least the next twelve months from August 31, 2020.

Loans and credit facilities

Type of loan	Interest Rate	Maturity	Balance as at August 31, 2020	Balance as at August 31, 2019
Secured mortgage loan (1)	13%	6-Sep-21	$ 6,550,000	$ 12,550,000
Secured mortgage loan (2)	4.45%	On demand (2)	$ 5,750,000	$ -

(1) On November 26, 2020, the Company obtained a letter to extend the maturity date from September 6, 2021 to March 6, 2022.

(2) The mortgage has a repayment term of 20 years. The mortgage also contains a financial covenant requiring the Company to maintain a debt service ratio of not less than 1.25 to 1.0 each year-end related to its Real estate operations. The Company was in compliance with the covenant as at August 31, 2020.

Other contractual obligations

	Less than one year	One to five years	Thereafter	Total
Accounts payable and accrued liabilities	$ 2,915,279	$ -	$ -	$ 2,915,279
Other long-term liabilities	-	75,000	-	75,000
Long-term debt	2,039	5,085		7,124
Lease liabilities (2)	312,867	521,895	-	834,762
Mortgages payable, at carrying amount (1)	300,000	8,050,000	3,950,000	12,300,000

(1) The contractual obligations relating to the secured mortgage loan that is repayable on demand has been presented based on the contractual repayment term of equal installments over 20 years.

(2) The Company is committed to future minimum annual lease payments with respect to its office premises located in Ville St-Laurent, expiring May 31, 2023, a car lease and several items of production equipment. These figures are undiscounted future payments.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include entities related by virtue of key management personnel and directors exercising significant influence or control over the entities' financial and operating policies.

On June 15, 2018, the Company acquired the Farnham Facility from a related party pursuant to a Deed of Sale for a price of $12,550,000 payable on or before April 6, 2021, with the purchase price secured by a first ranking hypothec and bearing interest at an annual rate of 13%, calculated and payable monthly. In October 2019, the Company repaid $6,000,000 against the principal portion of the loan. As at August 31, 2020, the outstanding mortgage payable was $6,550,000 (August 31, 2019 - $12,550,000). On November 26, 2020, the Company obtained a letter to extend the maturity date from September 6, 2021 to March 6, 2022.

On July 17, 2020, the Company signed a term sheet with a related-party lender providing it access to an initial credit facility of $1,000,000 to be used for working capital purposes bearing an interest of 13%. The Company was also granted an additional credit facility of $4,000,000 to be disbursed in four monthly tranches subject to meeting certain sale conditions. Repayment of the credit facilities are required within eighteen months of disbursement. On September 25, 2020, the Company received the initial advance under the credit facility of $1,000,000. A further advance of $1,000,000 was received on December 4, 2020 under its additional credit facility.

For the year ended August 31, 2020, the Company incurred $908,020 in interest on the mortgage payable to a related party. As at August 31, 2020, accounts payable, including accrued interest on mortgage payable to a related party was $144,638 (August 31, 2019 – net payable of $113,814).

For the year ended August 31, 2020, the Company incurred $40,010 in lease operating cost with a related party.

These related parties are considered related to the Company as the shareholder of the related party is also a director on the Company's Board of Directors.

For the year ended August 31, 2020, salaries and benefits paid to key management personnel amounted to $556,500, share-based compensation attributable to key management and directors was $232,094 and director fees were $77,000. As at August 31, 2020, the Company owed $29,808 (August 31, 2019 - $74,939) to key management personnel for accrued salaries and vacation expenses and $12,500 to directors (August 31, 2019 – nil).

Related party transactions have been recorded at the exchange amount, which is the amount agreed to and established by the related parties.

FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash balances, lease receivables from customers and deposits.

Cash balances in an asset position expose the Company to credit risk arising from the potential default by counterparties that carry the Company's cash balances or agree to deliver currencies. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. The financial institution providing the Company's credit facility meet these qualifications.

The carrying amount of the accounts receivable in the consolidated statement of financial position is presented net of an allowance for expected credit losses, estimated by the Company's management based, in part, on the age of the specific receivable balance and the current and expected collection trends. As at August 31, 2020, none of the lease receivables were past due. The allowance for expected credit loss was nil as at August 31, 2020 (August 31, 2019 - nil). The Company's maximum credit exposure corresponds to the carrying amount of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due or can only do so at an excessive cost. The Company manages this risk by reviewing its capital requirements on an ongoing basis by maintaining cash flow forecasts and long-term operating and strategic plans.

As at August 31, 2020, the Company had current assets of $10,529,856 and current liabilities of $3,476,952. The Company expects that its existing cash as at August 31, 2020, along with the cash received subsequent to year end from its credit facilities as well as cash from operations, will enable it to fund its planned operating expenses for at least the next twelve months.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not use derivative financial instruments to reduce its interest rate exposure as management does not believe the Company's exposure is significant.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, judgments and assumptions. The carrying amounts of assets, liabilities, and other financial obligations, as well as the determination of fair values and reported income and expense in these consolidated financial statements, depend on the use of estimates and judgments. IFRS also requires management to exercise judgment in the process of choosing and applying the Company's accounting policies.

These estimates and judgments are based on the circumstances and estimates at the date of the consolidated financial statements and affect the reported amounts of income and expenses during the reporting period.

Given the uncertainty regarding the determination of these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgments are outlined below.

There is disclosure of the Company's critical accounting estimates and assumptions in note 3 of the audited consolidated financial statements for the year ended August 31, 2020.

Critical accounting judgments and assumptions

Valuation of Biological Assets and Inventory
Biological assets, consisting solely of plants, are measured at fair value less costs to sell, up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make a number of estimates, including estimating sales price, cost to complete and cost to sell, the stage of completion in the production process, expected plant loss and expected yield per cannabis plant. As the valuation of biological assets becomes the basis for the cost of inventory after harvest, this is also a significant estimate for the valuation of inventory.

SIGNIFICANT ACCOUNTING POLICIES

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out note 3 of the audited consolidated financial statements for the year ended August 31, 2020.

RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

It is believed that there are numerous factors that could cause actual results to be different from expected and historical results. The markets in which the Company currently competes are very competitive and change rapidly. New risks may emerge, and management may not be able to predict all of them or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. If any of these risks occur, the Company's business may be harmed, and results of operations and financial condition may suffer.

Reliance on License

The ability of the Company to successfully sell to provincial distributors such as the SQDC is dependent on Cannara QC obtaining the amended Licence to permit retails sales from Health Canada. Our License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no assurance that Health Canada will issue, amend, extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not issue, amend, extend or renew the License, the business, financial condition and operating results of the Company would be materially adversely affected.

Costs Associated with Numerous Laws and Regulations

The manufacture, labeling and distribution of the Company products is regulated by various federal, provincial, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell products in the future. Health Canada and the U.S. Food and Drug Administration ("FDA") regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company's advertising is subject to regulation by Health Canada for its Canadian operations and the Federal Trade Commission ("FTC") under the Federal Trade Commission Act for its U.S. operations. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to comply with Health Canada, FDA or FTC requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, license revocation, fines and criminal prosecutions.

RISK FACTORS *(continued)*

Change in Laws, Regulations and Guidelines Pertaining to The Cannabis Act

The Company's business will be subject to particular laws, regulations, and guidelines as the cultivation, processing and sale of cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change and will be outside of the Company's control.

Changes to State Laws, Regulations and Guidelines Pertaining to Industrial Hemp in the U.S.

As of the date hereof, approximately forty-six states have authorized industrial hemp programs pursuant to the Farm Bill. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured.

While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where the Company has business interests.

The Company is subject to regulation by the federal government and other state and local agencies as a result of its CBD products derived from industrial hemp. The shifting compliance environment and the need to build and maintain robust systems to comply with different compliance in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations, any of which could adversely affect the ability to operate the Company's business and its financial results.

Uncertainty Caused by Potential Changes to Laws, Regulations and Guidelines in the U.S.

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the cannabis plant and the scope of operation of Farm Bill-compliant hemp programs relative to the Controlled Substances Act, the Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the Drug Enforcement Administration and/or the FDA and the extent to which manufacturers of products containing imported raw materials and/or Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, such may have an adverse effect on the Company's business, financial condition and results of operations.

RISK FACTORS *(continued)*

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada, the FDA and US Federal and State authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Liquidity and Future Financing

As at August 31, 2020, the Company is in the early development stage and has not generated any significant revenues from its principle cannabis activities nor its U.S. online e-commerce. The Company will be subject to all of the business risks and uncertainties associated with any early-staged enterprise, including under-capitalization and the risks that it will be unable to successfully produce cannabis, or establish a market for its products, achieve its growth objectives, and/or ultimately become profitable. There can be no assurance that consumer demand for the products will be as anticipated, or that the Company will become profitable.

The Company will likely operate at a loss until its business becomes established and therefore may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success.

There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company shares, control may change, and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

RISK FACTORS *(continued)*

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Conflicts of Interest

Certain of the Company's directors and officers are also directors and operators of other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers' conflict with or diverge from the Company interests. In accordance with the CBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

Litigation Risk

In the normal course of business, the Company may be involved in various legal proceedings, the outcomes of which cannot be determined, or outflow of economic benefit may be material. The Company could also be liable for negligent, fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company. As at August 31, 2020, there are no claims in favor or against the Company for which the outcome can be properly estimated, including any claims by regulatory authorities which have jurisdiction over the Company's business and its activities.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. The Company has filed provisional patents and a number of trademarks. There is no guarantee that said patent applications will be granted. Even if the Company is successful in securing patents to protect its technology with trademarks, it is not assured that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

RISK FACTORS *(continued)*

IT and Security Risk

The Company is reliant on information technology systems and may be subject to damaging cyber-attacks and may be subject to breaches of security, or in respect of electronic documents and data storage, and may face risks related to theft and breaches of applicable privacy laws. As the Company's U.S. operations is strictly operated online, material adverse effects on the segment's operating results could occur if it is subject to a cyber-attack. The Company has developed proper protocols, backups and a disaster recovery plan to limit the segment's exposure to these risks and has purchased the relevant cyber insurance policies to reduce potential financial damages.

Competition

The market for the Company's product is sizeable and Health Canada has issued a limited number of licenses to produce and sell cannabis in Quebec. As of the date of drafting this MD&A, there are approximately 535 licenses issued by Health Canada, and only 47 of those are assigned for the cultivation and/or the transformation (micro-culture excluded) and/or the sale of cannabis in Quebec. The Company views operating in Quebec as a competitive advantage, however the Company still expects significant competition from other companies. A large number of companies appear to be applying for licenses, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the medical and recreational cannabis market increase as projected, the demand for product will increase as well, and in order for the Company to be competitive, it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

Agricultural and Cannabis Operations

Since the Company's business will revolve mainly around the growth of cannabis, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and infestation, among others. The Company believes its indoor pharmaceutical grade facility which deploys a 100% climate-controlled environment and is a fully monitored indoor location with artificial grow lights, will minimize the risks as compared to cultivation in a greenhouse or outdoor environment, however, there is no guarantee that we can avoid the risks associated with agricultural products. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce cannabis with favorable margins. In addition, should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on the Company's revenues and average price per gram.

RISK FACTORS *(continued)*

Commodity Price Risks

Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because the cannabis markets are part of a newly commercialized and regulated industry in Canada, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis products sold, and the Company has arranged its proposed business accordingly. However, there can be no assurance that price volatility will be favorable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of Licences granted by Health Canada, the volume and quality of cannabis and cannabis products that Licence Holders are able to generate. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on cultivation, processing and production operations.

In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Fluctuating Prices of Raw Materials

The Company revenues are expected to be in large part derived from the production, sale and distribution of cannabis and the sale of hemp-based CBD products. The price of production, sale and distribution of cannabis and industrial hemp may fluctuate widely and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, agricultural risk, increased production due to new licenses being granted, outdoor cultivation, and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

RISK FACTORS *(continued)*

Third-party transportation Disruptions

As a business revolving mainly around the growth of an agricultural product, the ability to obtain cost-effective and efficient transport services will be essential to the prolonged operations of the Company's business. Should such third-party transportation become unavailable for prolonged periods of time, there may be a material adverse effect on the Company's business, financial situation, and operations.

Unfavorable Publicity or Consumer Perception

The success of the cannabis industry may be significantly influenced by the public's perception of medical and recreational cannabis. Cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favorable. The cannabis industry is at an early stage that is constantly evolving with no guarantee of viability. The market for cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis may have a material adverse effect on our operational results, consumer base and financial results.

Significant Ownership Interest of Management, Directors and Employees

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares. As a group, these individuals could exercise substantial control or influence over matters requiring shareholder approval, such as election of directors, approval of transactions, determination of significant corporate actions and changes to share structure. In addition, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

Speculative Nature of Investment

An investment in the Company's common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has a limited history of earnings and operating history, has not paid dividends, and is unlikely to pay dividends in the near future. The Company launched mid-year its cultivation activities and is in preparation for the commercialization of its cannabis products, but the Company is dependant on receiving its amended sale license from Health Canada. The operations are not yet sufficiently established such that the Company can mitigate the risks associated with its activities.

RISK FACTORS *(continued)*

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise future equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

COVID-19

The COVID-19 outbreak has been declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruptions to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. Currently, the effects of COVID-19 have had limited impact on our business, however, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and on our business is not known at this time.

SUMMARY OF OUTSTANDING SHARE DATA

Summary of Outstanding Share Data as of December 15, 2020:

Authorized:	Unlimited number of voting and participating common shares without par value.
Issued and outstanding:	737,839,535 common shares
	39,600,001 options

Zohar Krivorot
Director, CEO and President