NEWLEAF BRANDS INC.
(Formerly New Age Brands Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the period ended September 30, 2019, compared to the year ended December 31, 2018. This report prepared as at November 28, 2019 intends to complement and supplement our condensed interim consolidated financial statements (the "financial statements") as at September 30, 2019 and should be read in conjunction with the financial statements and the accompanying notes. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "New Leaf", we mean NewLeaf Brands Inc. and/or its subsidiaries, as it may apply.

Additional information, including news releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at www.sedar.com or the Company's website https://nabrandsinc.com/.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued development of our real estate holdings, among others, including those identified in the Risk Factors section. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions.

Readers are cautioned that these forward looking statements are neither promises nor guarantees, and are subject to risks and uncertainties that may cause future results to differ materially from those expected including, but not limited to

- *Fluctuations in the fair market value of land;*
- *Demand for CBD products and cannabis related derivatives;*
- *Expected number of users of CBD products and CBD related derivatives in the United States;*
- *Demand for the development of turnkey properties in the state of Washington;*
- *Product sales expectations and corresponding forecasted increases in revenues;*
- *Successful marketing and promotion of We are Kured's lifestyle brand and products;*
- *The Company's expectations regarding the adoption and impact of certain accounting pronouncement's;*
- *The availability of financing needed to complete the Company's planned improvements on commercially reasonable terms;*
- *Federal status that may contradict local and state legislation respecting legalized marijuana;*
- *The Company's expectations with respect to the Company's future financial and operating performance; and,*
- *The Company's expectations with respect to future performance, results and terms of strategic initiatives, strategic agreements and supply agreements.*

These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf except as may be required by securities laws.

NEWLEAF OPERATIONS

The Company was incorporated under the *Business Corporations Act* (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. The Company subsequently changed its name to New Age Brands Inc. on November 14, 2018 and to NewLeaf Brands Inc. on April 2, 2019.

The Company listed its common shares on the Canadian Securities Exchange and began trading under the symbol NF on August 18, 2014. The Company is also quoted on the Frankfurt Exchange under the symbol 0NF and on the OTC under the symbol NLBIF

The Company has five subsidiaries:

- New Age Farm Washington, LLC ("NAF WA");
- 1176392 B.C. Ltd. ("Oregon Properties");
- Drink Fresh Water, LLC ("DFW");
- Relyfe Brands LLC ("Relyfe");
- Tealief Brands LLC ("Tealief");
- Kured Latin America, LLC. ("Latin Kured"); and,
- We Are Kured LLC ("Kured").

The Company is an innovative online Cannabidiol ("CBD") and lifestyle Company. Through the Company's wholly owned subsidiaries, Kured and DFW, the Company's main business activities encompass the development, market and distribution of CBD products including, but not limited to, CBD vaporizer pens, topicals, gel capsules and more. Kured launched its first product, a fully loaded, 250 mg disposable terpen infused, hemp derived CBD vaporizing pen and is available in three variations. In addition, the Company has extensive retail and cultivation land investments in Oregon.

We are Kured

The Company is primarily a CBD oil lifestyle Company that is interested in working with Kured to launch its products.

During the period ended December 31, 2017, the Company was approached by the principals of We Are Kured, LLC ("Kured"), a Colorado based CBD oil lifestyle company that was interested in working with the Company to launch its products. Management reviewed the proposal and the Company entered into a definitive agreement with Kured in December 2017 as a new division and to support its principal business. Kured is led by Benjamin Martch, a cannabis marketing entrepreneur. Kured has partnered with hemp cultivators, edible manufacturers, and product formulators to develop, market and distribute multiple lines of CBD products including, but not limited to, CBD vaporizer pens, topicals, gel capsules and more. Unlike THC, CBD, is a non-psychoactive cannabinoid and does not result in any type of high and can be legally extracted from the hemp plant and consumed. All of Kured's products are 100% THC free and will be available for purchase internationally. THC, or tetrahydrocannabinol, is the primary active ingredient in cannabis.

In January 2018, Kured became a wholly owned subsidiary of New Leaf Brand. Since joining the New Leaf Brand's family, Kured has launched its brand by attending trade shows, developing a fully built out ecommerce website at www.wearekured.com, and delivering its first product, the CBD oil vaporizer pen filled with terpene infused hemp derived CBD oil. Kured's terpene blends were created by global terpene developer Eybna Technologies Ltd. Each of Kured's vape pens is infused with one of three specific terpene flavour profiles. The three variations are Moonlight, an Indica blend infused with OG Kush Terpenes; Daylight, a Sativa blend infused with Pineapple Express Terpenes; and Allday, a Hybrid blend infused with Strawberry Diesel Terpenes. Kured has worked closely with the manufacturing and design team to ensure that the look, feel and overall experience of the pen would be both ergonomically and esthetically pleasing. Kured announced the launch a second generation vape pen in May 2018.

NEW LEAF FARM OPERATIONS (Continued)

We are Kured (Continued)

During the year ended December 31, 2018 and period ended September 30, 2019, Kured was actively promoting the brand through attendance at trade shows, presentations and marketing outreach. The Company is now working with various distributors and marketers to gain market share. Kured believes that as it launches the next generation pen and cements these relationships with retailers, marketers, and distributors that sales will increase and Kured will begin to see positive margins in future quarters. In addition to the vape pens, Kured has been actively developing its product lines and the Company will report on these as information becomes available. On August 22, 2019, the Company announced that We are Kured will be offering new 500MG Gem Pod (the "Gem Pod") in addition to the Company's current product offering to capitalize on the recent craze of the Gem Pods in the tobacco space. The Company is looking to provide a healthier derivative of the product and will be available in a 1 unit packet and a 3 unit packet that will be distributed in the United States.

Drink Fresh Water, LLC

On September 25, 2018, the Company signed a definitive agreement with Drink Fresh Water LLC. ("DFW"), a CBD infused beverage company. DFW further augments the Company's vision of creating a lifestyle brand using CBD products and other cannabis derivatives. DFW was established in California by a group of industry leaders and is known for their flagship product, a CBD infused, nano amplified alkaline water that is in over 100 unique retail stores. The Company intends to provide its marketing and distribution expertise to create shareholder value.

On February 8, 2019, the Company completed the acquisition of Drink Fresh Water LLC and issued 345,280 common shares with a fair value of $1,009,994. During the year ended December 31, 2018, the Company advanced $98,070 to DFW pursuant to the terms of the acquisition.

Real Estate Investments

From time to time, the Company seeks for value- added real estate investments. These properties acquired are assets in which the Company hopes to be able to earn positive cash flows and gain appreciation on in their respective markets.

In August 2018, the Company acquired 1175987 B.C. Ltd. ("Oregon Properties") to further develop and grow its business. 1175987 B.C. Ltd. was later amalgamated with the Company's wholly owned subsidiary, 1176392 B.C. Ltd. Through the acquisition of the Oregon Properties, the Company acquired 111 acres of land, divided into two legal plots, located at Cave Junction, Oregon, and a start of the art outdoor and greenhouse cultivation facility. Cave Junction has been historically known as one of the best microclimates in the world for successful cultivation of cannabis. During the six-month period ended June 30, 2019, the Company has finalized its lease agreements with its lessee's.

On August 9, 2019, the Company acquired approximately 400 acres of property located in Pottus, Texas, with the intent for a large scale hemp farm. The purchase price of the property is US $1,300,000 and the Company has provided a non-refundable deposit of $50,000.

BUSINESS DEVELOPMENTS

Acquisition of Drink Fresh Water, LLC.

On September 25, 2018, the Company entered into a definitive agreement to acquire 100% of Drink Fresh Water LLC. ("DFW"). In consideration, the Company paid USD $75,000 (paid) in cash and USD $1,200,000 in common stock of the Company. Pursuant to the acquisition of DFW, the Company issued 345,280 common shares during the six month period ended June 30, 2019.

<u>NEW LEAF FARM OPERATIONS (Continued)</u>

Acquisition of Drink Fresh Water, LLC. (Continued)

<u>Business Rationale</u>

DFW further augments the Company's vision of creating a lifestyle brand using CBD products and other cannabis derivatives. DFW was established in California by a group of industry leaders and is known for their flagship product, a CBD infused, nano amplified alkaline water that is in over 100 unique retail stores. The Company intends to provide its marketing and distribution expertise to create shareholder value.

<u>Accounting Treatment</u>

The acquisition of DFW does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

The purchase price was determined based on IFRS 2 - Share Based Payments and allocated as follows using a relative fair value approach:

Consideration paid:		
Cash	$	102,315
Common shares		1,009,944
Total consideration paid	$	1,112,259
Intangible assets	$	1,112,259

<u>Acquisition of ReLyfe</u>

On August 13, 2019, the Company acquired 100% of ReLyfe Brands LLC ("ReLyfe"). ReLyfe main product offering is a 25MG soft gel CBD capsule that provides high quality CBD to the market. As consideration, the Company issued 8,433,191 common shares of the Company. The Company issued 843,319 finder common shares to an arm's length party. The Company is also looking to expand ReLyfe's product offering by adding additional SKUs in the near future.

The acquisition of Relyfe does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The purchase price was determined based on IFRS 2 – Share Based Payments and $8,627,155 has been capitalized to intangible assets.

<u>Acquisition of Tealief</u>

On August 13, 2019, the Company acquired 100% of Tealief Brand LLC ("Tealief"). Tealief is a provider of teabags and main product offering is a 25MG teabags that comes in high-caffeine, mild-caffeine and non-caffeinated assortment. These blends of tea are created from herbs and spices from around the world. The Company issued 8,433,191 common shares of the Company. The Company issued 843,319 finder common shares to an arm's length party.

The acquisition of Tealief does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The purchase price was determined based on IFRS 2 – Share Based Payments and $8,627,155 has been capitalized to intangible assets.

NEW LEAF FARM OPERATIONS (Continued)

Rationale for acquisition:

Relyfe and Tealif expands and diversifies the Company's product offering into soft gel CBD capsules and teas, to provides its customers with a wide array of product to buy from that fit within the Company's overall vision of the Company.

Significant Equity Transactions

On July 25, 2019 and August 1, 2019, the Company completed a private placement and issued 2,154,580 common shares for gross proceeds of $657,147. The Company issued 83,137 finder common shares.

During the period ended September 30, 2019, 345,778 options at an exercise price ranging from $2.25 to $2.70 were exercised for gross proceeds of $826,600. Fair value of $928,096 was re-allocated from contributed surplus to share capital.

During the period ended September 30, 2019, the Company acquired a 100% interest in DFW. As consideration the Company issued 345,280 common shares with a fair value of $1,009,944.

On August 13, 2019, the Company issued 8,433,191 common shares each pursuant to the acquisition of Relyfe Brands LLC and Tealief Brands LLC. The Company issued 843,319 common shares for each transactions with a fair value of $782,287.

During the period ended September 30, 2019, the Company issued 4,916,240 common shares with a fair value of $1,843,590 to settle promissory and convertible loans. The Company recorded a loss on settlement of debt of $49,162.

On March 26, 2019, the Company has consolidated all of its issued and outstanding share capital on the basis of one (1) post- consolidation share for each forty- five (45) pre- consolidation common share s. Unless otherwise noted, all figures have been retroactively restated to reflect the share consolidation.

SELECTED QUARTERLY INFORMATION

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

	Three months ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Sales revenue	$ 85,445	$ 85,654	$ 29,642	$ 44,502
Interest income	-	-	-	-
Expenses	906,386	390,049	1,555,993	2,136,524
Total assets	23,477,965	5,957,183	6,167,507	5,207,790
Total liabilities	77,675	145,215	1,864,069	1,844,640
Net loss	(840,596)	(365,811)	(1,547,243)	(2,129,316)
Net loss and comprehensive loss per share and diluted loss per share	(0.04)	(0.05)	(0.21)	(0.30)

SELECTED QUARTERLY INFORMATION (CONTINUED)

	Three months ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total Revenue	$ 66,649	$ 88,487	$ 8,017	$ -
Interest income	-	1,592	9,288	-
Expenses	1,489,180	1,309,311	4,008,839	5,072,727
Total assets	5,435,401	902,668	4,111,496	2,785,706
Total liabilities	1,837,550	1,790,792	1,365,540	1,531,838
Net loss	(1,424,908)	(5,841,339)	(4,009,289)	(6,973,893)
Net loss and comprehensive loss per share and diluted loss per share	(0.00)	(0.05)	(0.02)	(0.08)

Fluctuations in Assets are mostly due to cash on financing activities and deployed to consultants and marketing professionals to support Kured's business. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners.

Growth in sales quarter over quarter shows significant potential in Kured's development as a lifestyle brand. The Company is continuing to increase brand awareness through marketing campaigns in the United States. Furthermore, the Company anticipates increasing acceptance of CBD vaporizes as general acceptance of CBD products rises. During the period ended September 30, 2019, the Company signed lease agreements with arm's length parties and the Company recorded rental revenues of $99,586 during the nine month period ended September 30, 2019. During the period ended September 30, 2019, the Company has begun to utilize their distribution channels and have brought product to sale, with quarterly income of $41,871 during the three month period ended September 30, 2019.

PROPOSED TRANSACTIONS

There were no proposed transactions that have not been previously disclosed in subsequent events or disclosure.

RESULTS OF OPERATIONS – REVENUES

For the period ended September30, 2019 compared to the period ended September 30, 2018 – Revenue

	Three month period ended		**Six month period ended**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Sales	**85,445**	66,649	**199,761**	163,153
Cost of goods sold	**(19,655)**	(2,377)	**(51,821)**	(107,239)
Gross profit	**65,790**	64,272	**147,940**	55,914

- Cost of sales include all expenditures related to the product. This includes shipping fees, import duties, storage costs, handling charges and the cost of the product itself.
- During the period ended September 30, 2019, the Company recorded rental income of $99,586 and relates to the Company signing leases with its lessee's.
- During the nine month period ended June 30, 2018, the Company kicked off its We are Kured vape pens, and saw strong demand for its product. However, the Company noticed that gross margins were not ideal and has worked to improve them. Gross margin has improved as the Company has been negotiating with its suppliers. The Company has continued to work hard to market its product at trade shows and promotional events.

CONDENSED INTERIM CONSOLIDATED RESULTS OF OPERATIONS

All of the balances set out in this and following sections, including the Summary of results conform to IFRS standards.

	Three month ended		Nine month ended	
	September 30, 2019 $	**September 30, 2018 $**	**September 30, 2019 $**	**September 30, 2018 $**
Sales	**41,871**	66,649	**100,175**	163,153
Rental income	**43,574**	-	**99,586**	-
Cost of goods sold	**(19,655)**	(2,377)	**(51,821)**	(107,239)
	65,790	64,272	**147,940**	55,914
Expenses				
Advertising	**(14,769)**	(228,479)	**(30,094)**	(725,724)
Amortization	**(16,116)**	(8,558)	**(48,353)**	(8,558)
Bank charges	**(1,768)**	(3,669)	**(6,482)**	(7,890)
Consulting	**(140,664)**	(275,951)	**(862,759)**	(1,805,326)
Director and management fees	**(91,539)**	(58,482)	**(368,270)**	(111,632)
Foreign exchange loss (gain)	**21,262**	(56,510)	**(24,057)**	14,767
Interest	**994**	(29,736)	**(54,549)**	(39,675)
Office and miscellaneous	**(31,010)**	(73,867)	**(102,989)**	(103,445)
Professional fees	**(84,349)**	(35,000)	**(162,016)**	(81,857)
Transfer agent, listing and filing fees	**(17,245)**	(2,926)	**(39,703)**	(16,557)
Share based payments	**(531,182)**	(716,002)	**(1,153,156)**	(716,002)
Total expenses	**(906,386)**	(1,489,180)	**(2,852,428)**	(3,744,055)
Other income (expense)				
Management termination cost	**-**	-	**-**	(4,535,000)
Consideration paid in excess of net assets acquired from WAK	**-**	-	**-**	(3,101,176)
Interest income	**-**	-	**-**	10,880
Loss on settlement of debts	**-**	-	**(49,162)**	37,901
Loss for the period	**(840,596)**	(1,424,908)	**(2,753,650)**	(11,275,536)
Foreign currency translation adjustment	**(5,505)**	3,659	**(9,613)**	(20,945)
Comprehensive loss for the period	**(846,101)**	(1,421,249)	**(2,763,263)**	(11,296,481)

For the nine month period ended September 30, 2019 and September 30, 2018

The Company recorded net loss of $2,753,650 and comprehensive loss of $2,763,263 for the nine month period ended September 30, 2019, compared to a net loss and comprehensive loss $11,296,481 for the corresponding period in 2018. Some of the significant charges to operations are as follows:

- The Company incurred advertising and promotion expense in the amount of $30,094 (2018 - $725,724). The Company completed limited advertising and promotion programs due to limited cash reserves in the current period whereas in the comparative period, the Company had funds to complete promotional programs.
- The Company incurred amortization of $48,353 (2018 - $8,558) on the Company's building facility and equipment. In the comparative period, the Company did not have any equipment and therefore, recorded no amortization.

CONDENSED INTERIM CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

- Foreign exchange loss of $24,057 (2018 – gain of $14,767) is due to fluctuations in the USD and CAD foreign exchange rates. The Company's parent Company is denominated in Canadian whereas the US subsidiaries are denominated in the US dollar, resulting in fluctuations in foreign exchange.
- Director fees of $368,270 (2018 - $111,632) is attributed to the overall change in management and the cost to hire industry experts.
- Interest expense increased to $54,549 from $39,675 in the comparable period as the Company entered into convertible loan agreements with previous management bearing interest of 8% . During the six month period ended June 30, 2019, the Company settled its outstanding promissory and convertible notes with shares.
- Office and miscellaneous decrease to $102,989 from $103,445 in the comparable period as the Company initiative cost cutting measures to preserve cash. In general, office and miscellaneous relates to costs incurred by Kured in marketing, travelling and general expenses associated with increasing awareness of Kured's lifestyle brand.
- Professional fees increased to $162,016 from $81,857 in the comparative period and relates to the due diligence and legal and accounting work in connection to the various completed acquisitions.
- Share based payments increased to $1,153,156 from $716,002 in the comparative period. During the period ended March 31, 2019, the Company granted stock options to directors, officers, and consultants of the Company.
- In the comparative period and as a result of issuing 10,000,000 common shares to complete the acquisition of Kured, the Company incurred a loss of $3,101,176 by writing off unidentifiable assets from the acquisition because the Company determined the unidentifiable assets did not meet the definition of an intangible asset. WAK had no identifiable assets including any intangibles, therefore the consideration paid is for unidentifiable asset acquired which is written off as an impairment in the consolidated statement of comprehensive loss.
- In the comparative period, the Company terminated former management, and paid $4,535,000 in a mixture of shares and cash.
- During the period ended September 30, 2019, the Company settled promissory and convertible notes with shares resulting in a loss on settlement of debt of $49,162. In the comparative period, the Company settled a loan with an arm's length party and recorded a gain on settlement of debt of $37,901.
- Consulting Fees - The Company relies heavily on Consultants to help them achieve their goals on all facets of business. Consultants include Management, Advisors, Technical Support, Due Diligence on potential investment opportunities and other support roles. There was an overall decrease in consulting fees from the comparative period as the Company closed on fewer investment opportunities in the current period.

During the three month period ended September 30, 2019, the Company incurred a loss of $846,101 compared to $1,421,249 in the comparative period. A significant variance quarter over quarter is primarily attributed to a one-time management termination cost of $4,535,000 being recorded in the comparative period. Also, the Company initiated cost-cutting measures to preserve cash and maintain operations. Many of the variances and relevant discussion for the three month period ended is similar to six month discussion.

CONDENSED INTERIM CONSOLIDATED RESULTS OF OPERATIONS (CONTINUED)

LIQUIDITY

The Company is a startup agricultural and CBD based company that has received minimal revenues to date and may have incidental interest income it may earn on funds invested in short-term deposits. As a result, its ability to conduct operations is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so. The Company's continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately, the attainment of profitable operations and positive cash flows. The Company's loans, lease payments and debt covenants are in good standing as of the date of this MD&A.

During the nine-month period ended, the Company raised $826,600 from stock option exercises and raised $657,147 pursuant to the completion of private placements. These are insufficient cash reserves to implement the complete business plan therefore the Company will need to generate additional working capital.

At September 30, 2019, the Company's working capital (deficiency) is $321,944 (2018 – ($1,351,296)) and cash of $195,770(2018 - $11,085). During the period ended, the Company raised gross proceeds of $357,147 by issuing 2,154,580 common shares, which improved the Company's financial position. Furthermore, the Company is receiving rental income and collecting on the loan settlement every month.

During the nine-month period ended September 30, 2019, the Company settled $1,637,500 in promissory and convertible debenture notes through the issuance of 4,916,240 common shares. This greatly alleviated the Company's working capital position as the Company works to establish itself in the CBD marketplace.

The Company currently has five wholly owned subsidiaries and these subsidiaries have not yet generated any significant income but revenues is expected to increase over time. This will contribute to the Company's overall liquidity and the Company intends to use income from operations to satisfy long term liquidity needs. Until these subsidiaries generate significant revenue, their ability to assist the Company by providing increased liquidity is very limited.

The agricultural and CBD business is risky and dependent on many factors. There is certain stigmatism to cannabis and cannabis derivatives and cannabis is federally illegal in the united states. Revenue from operations consisted of $100,175 from the sale of pens and vaporizers and $99,586 (2018 - $Nil) from rental income. This revenue will contribute to the Company's liquidity and the Company intends to collect rent to alleviate some of the liquidity issues. However, if the Company develops the Company's brand unsuccessfully, revenues will be limited. There is no assurance that the Company will successfully grow its brand.

LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW

OPERATING ACTIVITIES:

Cash used in operating activities for the period ended September 30, 2019 and 2018 was $1,326,465 as compared to $4,035,802 in the prior period. The Company paid various consultants to advise on potential cannabis related deals and incurred cost related to due diligence, legal and accounting work for the Company's various acquisitions. The Company's cash reserve ran lower than expected during the nine month period ended, and the Company initiated cost-cutting measure to preserve cash and maintain operations.

LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW (CONTINUED)

INVESTING ACTIVITES:

In the comparative period, the Company paid 98,070 (US $75,000) deposit pursuant to the acquisition of Drink Fresh Water and paid transaction costs of $19,728.

FINANCING ACTIVITIES:

Cash provided by financing activities for the period ended September 30, 2019 was $1,510,287 (September 30, 2019 - $1,923,896). The Company exercised stock options and raised gross proceeds of $826,600 (2018 - $212,500). The Company received cash from a loan settlement of $26,540 (USD $20,000) and the Company expects to receive USD $30,000 over the next 6 months. The Company completed a private placement and raised gross funds of $657,147 (2018 - $Nil). In the comparative period, the Company exercise warrants of $2,243,240, exercised options of $752,500 and repaid outstanding loans of $1,062,950.

CAPITAL RESOURCES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, due to related parties, loan payable, notes payable, and the components of shareholders' equity. The Board of Directors 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 the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended June 30, 2019. The Company is not subject to externally imposed capital requirements.

TRANSACTIONS WITH RELATED PARTIES

The Directors and Executive Officers of the Company are as follows:

Benjamin Martch	CMO and Director
Joshua Bartch	CEO, Interim CFO and Director
Michael A. Connolly	Chief Compliance Officer and Director
Erik Knutson	Director

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

Management Compensation *Period ended September 30, 2019*	Director fees $	Legal $
Director of the Company	91,876	7,500
Benjamin Martch, CEO of WAK	105,034	-
Joshua Bartch, CEO Of the Company	171,359	-
Total	368,269	7,500

Management Compensation *Period ended September 30, 2019*	Director fees $	Consulting Fees $
Carmen Parente, former CEO and Director	17,050	102,750
Anthony Chan, former CFO and Director	13,500	54,538
David Johnson, former Director	10,600	23,152
Lorraine Pike, former Director	12,600	36,736
NHS Industries Ltd, Company with common management	-	18,000
Director of the Company	19,494	-
Benjamin Martch, CEO of WAK	19,494	26,392
Joshua Bartch, CEO	19,494	458,636
Total	111,632	720,204

b) As at September 30, 2019 accounts payable and accrued liabilities were due to related parties of $Nil (2018 - $Nil).

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2019, the Company had no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

Issued and Outstanding:

As of the date of this MD&A the Company has 33,438,216 common shares, 1,152,955 stock options and 174,889 warrants outstanding.

CONTINGENCIES

Except for the commitments mentioned in Liquidity subsection (a), there is no other contingency outstanding as of date of this discussion.

RISKS AND UNCERTAINTIES

Selling vaporizers in the United States

Selling vaporizers in the United States can involve significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the demand for vaporizers is wide spread and can result in substantial reward, marketing will be a significant influencer in development of the Company. The Company is creating a lifestyle brand around the Company and is significantly influenced by how the Company appears in the market place. Significant expenses may be required to establish the lifestyle brand to be accepted in the market place.

Plant Growing, Warehousing and Processing Industry

The plant growing, warehousing and food processing industry involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the development of such facilities may result in substantial rewards, marketing will also play a significant role in developing the Company and its level of success. Major expenses may be required to establish the facilities to be accepted in the marketplace. It is impossible to ensure that the current facilities and market strategy planned by the Company will result in profitable commercial sales. Whether the Company will be commercially viable depends on a number of factors, some of which are the particular attributes of the industry the facilities is geared toward and the existing infrastructure, as well as competitors strategies and market factors. Some of these factors are cyclical and government regulated, including regulations relating to agriculture and food processing procedures and protocols.

Plant Growing, Warehousing and Processing Industry

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Agriculture and food processing operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the public health sectors inherited in the agriculture and food processing industry. Although adequate precautions to minimize risk will be taken, operations are subject to hazards that are unforeseeable or beyond the company's control and their consequent liability.

Some of these risks include the following:

The Company is largely dependent on the success of constructing and marketing its warehousing and processing facilities and cannot be certain that its facilities will be successfully commercialized. NHS currently has minimal revenue from renting out its greenhouse facility. The successful addition of agriculture and food warehousing / processing facilities will also augment its ability to rent out unused greenhouse space and facilities. There is no guarantee that it will ever have marketable facilities.

Risks in design, development and manufacture of agriculture and food warehousing / processing facilities which may have adverse effect on public's health.

If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained, or any approved facilities are not commercially successful, the company's business, financial condition, and results of operations may be materially harmed.

The Company's facilities may never achieve market acceptance even if the company obtains regulatory approvals.

The

RISKS AND UNCERTAINTIES (CONTINUED)

Company's activities are directed towards the warehousing and processing of agriculture and food. There is no certainty that any expenditure to be made by the Company as described herein will result in market acceptance of the Company's facilities offerings. There is aggressive competition within the agriculture and food warehousing / processing marketplace. The Company will compete with other interests, many of which have greater financial resources than it will have for marketing towards target customers. Significant capital investment is required to achieve commercialization from the current start-up and development stage of the Company.

Government Regulation

In addition to various trade organizations that the Company will be subject to, the consumer agriculture and food warehousing / processing industry is subject to various federal, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters from regulatory bodies such as Canadian Food Inspection Agency **(**CFIA**),** BC FoodSafe Program and the department of Health Protection in Fraser Health. Regulatory approvals by government agencies on the Company's facilities may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the company heavily relies on the company officers.

Conflicts of Interest

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Negative Operating Cash Flows

As the Company is at the start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

RISKS AND UNCERTAINTIES (CONTINUED)

Risks Related as a Going Concern

At March 31, 2019, the Company had not yet achieved profitable operations, has accumulated losses of $45,058,324 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned business and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these unaudited condensed interim consolidated financial statements.

Reliance on Key Personnel and Advisors

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Licenses, Patents and Proprietary Rights

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

Uncertainty Regarding Penetration of the Target Market

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the consumer community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer acceptance and the Company's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner.

In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's facilities and services will be accepted and recommended.

RISKS AND UNCERTAINTIES (CONTINUED)

Competition, Technological Obsolescence

The agriculture and food warehousing / processing industries are competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and facilities offerings to become obsolete or may reduce their market acceptance.

Operating History and Expected Losses

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

Reliance on Joint Ventures, License Assignors and Other Parties

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, other agriculture and food warehousing / processing facilities, and equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

Growth Management

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

Potential Liability

The Company is subject to the risk of potential liability claims with respect to its agriculture and food warehousing / processing facilities. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

Regulatory Risks

The U.S. legal cannabis industry is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may impact on actual results.

Participants in the U.S. legal cannabis industry will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or 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, results of operations and financial condition of the participant and, thereby, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct its business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The U.S. legal cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the participant and which cannot be predicted, such 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 investments' earnings and could make future investments uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company expects to derive its revenues from the U.S. legal cannabis industry, which industry is illegal under U.S. federal law. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

The Company's financings are expected to be focused in those U.S. states that have legalized the medical and/or adult-use of cannabis. Almost half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. The federal government of the U.S. has specifically reserved the right to enforce federal law in regards to the sale and disbursement of medical or adult-use use cannabis, even if state law sanctioned such sale and disbursement. It is presently unclear whether the U.S. federal government intends to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law. This risk was further heightened by the revocation of the Cole Memorandum (defined below) in January 2018.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Regulatory Risks (continued)

Further, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, then the Company's investments in such businesses would be materially and adversely affected notwithstanding that the Company may not be directly engaged in the sale or distribution of cannabis. U.S. federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana-related legislation could adversely affect the Company, its business and its investments. The Company's funding of businesses involved in the medical and adult-use cannabis industry may be illegal under the applicable federal laws of the United States and other applicable law. There can be no assurances the federal government of the United States or other jurisdictions will not seek to enforce the applicable laws against the Company. The consequences of such enforcement would be materially adverse to the Company and the Company's business and could result in the forfeiture or seizure of all or substantially all of the Company's assets.

Nature of the Company's Involvement in the U.S. Cannabis Industry

Through the acquisition of WAK, the Company will have involvement in the cannabis industry in the United States. The Company is engaged in the distribution of vape pens and CBD and THC derivatives in the United States.

Illegality under U.S. Federal Law

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult-use level. However, notwithstanding the permissive regulatory environment of cannabis at the state-level, cannabis continues to be categorized as a controlled substance under the CSA in the U.S. and, as such, activities within the cannabis industry are illegal under U.S. federal law.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis-related businesses in the U.S. are subject to a higher degree of uncertainty and risk. Unless and until the U.S. federal government amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendment there can be no assurance), there can be no assurance that it will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings 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. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The inconsistent regulation of cannabis at the federal and state levels was addressed in 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") acknowledging that although cannabis is a controlled substance at the federal level, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. However, the Department of Justice ("**DOJ**") has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is regulated. Sessions also issued a one-page memorandum (the "**Sessions Memorandum**"). This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum's guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the CSA. Adam Braverman, Interim U.S. Attorney for the Southern District of California, has stated that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the CSA. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity; and his office published a statement that cannabis remains illegal under federal law, and that his office would "evaluate violations of those laws in accordance with our district's federal law enforcement priorities and resources."

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625–a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("Leahy Amendment"). The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018; however, Congress approved a nine-week continuing resolution from the 2018 fiscal year (the "Continuing Resolution"). The Continuing Resolution has the result of providing ongoing and consistent protection for the medical cannabis industry until December 7, 2018. Congress has been negotiating the 2019 fiscal year appropriations since February 2018. Although we expect that language protecting the medical cannabis industry will be included in the final 2019 fiscal year appropriations bill, there can be no assurance that the final 2019 fiscal year appropriations bill will include appropriations protecting the medical cannabis industry.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business, even those that have fully complied with state law, could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Rohrabacher-Farr Amendment in future budget resolutions, or by failing to pass necessary budget legislation and causing another government shutdown, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital CSA violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's adult-use cannabis laws.

As previously stated, 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, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is 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. The approach to the enforcement of laws related to cannabis may be subject to change or may not proceed as previously outlined.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

The Company's activities in the U.S. cannabis industry will be made: (i) only in those states that have enacted laws legalizing cannabis in an appropriate manner; and (ii) only in those entities that have fully complied with such state (and local) laws and regulations and have the licenses, permits or authorizations to properly carry on each element of their business.

The Company will continue to monitor, evaluate and re-assess the regulatory framework in each state in which it may hold an investment, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

Anti-Money Laundering Laws and Regulations

The Company is subject to a variety of laws and regulations in Canada and the U.S. that involve money laundering, financial record-keeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act* of 1970 (commonly known as 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, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the FinCEN issued the FinCEN Memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance in a DOJ memorandum issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA (the "**2014 Cole Memo**"). The 2014 Cole Memo was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Overall, since the production and possession of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. As the Company will have a material ancillary involvement in the U.S. legal cannabis industry, the Company may find that it is unable to open bank accounts with certain Canadian financial institutions, which in turn may make it difficult to operate the Company's business.

The Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Canadian Securities Regulatory Matters

The Company's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid and, until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange, should the Common Shares have become listed on a stock exchange.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The 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 U.S. The 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 U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of the Common Shares through the facilities of the applicable stock exchange.

Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry (continued)

Heightened Scrutiny

For the reasons set forth above, the Company's future investments in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges 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 invest in the U.S. or any other jurisdiction, in addition to those described herein.

Change in Laws, Regulations and Guidelines

The Company's proposed business operations will indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plans and result in a material adverse effect on certain aspects of its planned operations.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the United States is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Company's ability to gain and increase market acceptance of its proposed investment business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Company.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the period ended September, 2019, there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim Filings on SEDAR at www.sedar.com.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.