KIARO HOLDINGS CORP.

(FORMERLY DC ACQUISITION CORP.)

Management's Discussion and Analysis

For the years ended January 31, 2022 and 2021

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of Kiaro Holdings Corp. ("**Kiaro**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2022, and the accompanying notes thereto (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of May 25, 2022, pursuant to the disclosure requirements under National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators.

All dollar amounts are expressed in Canadian dollars, except where otherwise indicated.

This MD&A contains forward-looking information within the meaning of Canadian securities laws, and the use of non-GAAP measures. Refer to "Cautionary Statement Regarding Forward-Looking Statements" included within this MD&A. This MD&A and the Financial Statements have been filed in Canada on SEDAR at www.sedar.com. Additional information regarding the Company can also be found on the Company's website at www.kiaro.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**" or "**FLS**"). 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 FLS, except as required under applicable securities legislation. FLS relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, FLS 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 FLS 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 FLS. The Company provides no assurance that FLS 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 FLS.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these FLS are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such FLS are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements.

CAUTIONARY STATEMENT REGARDING CERTAIN NON-GAAP PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "**Non-GAAP Measures**"). As a result, this data may not be comparable to data presented by other cannabis retail or wholesale companies. For an explanation of these measures to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP measures include, but are not limited, to the following:

- Adjusted EBITDA is calculated as net loss excluding finance income (expense), income taxes, depreciation, amortization, share-based compensation, loss on modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, inventory write-down, lease termination loss and loss on sublease and non-cash impairment of equity investments, loss on sale of financial instruments, impairment of intangible assets and goodwill, and the transaction cost of certain transactions. Adjusted EBITDA is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Kiaro to its competitors and derive expectations of future financial performance for Kiaro. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on financial instruments, which may be volatile and fluctuate significantly from period to period.

Non-GAAP measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to Kiaro's management. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

BUSINESS OVERVIEW

Business Description

Kiaro is a public company trading on the TSX-V under the symbol "KO". Based in Vancouver, British Columbia, Kiaro is a diversified, omni-channel cannabis retailer and distributor. The Company through its three key business segments (retail, wholesale and eCommerce), is a multi-provincial operator in Canada, with eCommerce businesses in Canada, the US and Australia. With more than 85 years of collective retail-focused experience, Kiaro's leadership team has a proven track record of growing retail brands across North America. Kiaro continues to focus on the fundamentals of great business operations, evaluating all potential transactions through the lens of accretive value for shareholders, coupled with the basic valuation of assets that have the potential to outperform our peers.

During fiscal year 2022 ("**FY2022**"), the Company grew its brick and mortar footprint from 7 to 17 retail stores, strengthened its management and operations team in its Wholesale division, and added a new eCommerce business segment to support its diversification strategy. The growth stemmed from: one retail store asset purchase in British Columbia and two business acquisitions in Ontario of 8651159 Canada Inc. (formerly "Sculthorp SEO Inc.") ("**Sculthorp SEO**"), and 2734524 Ontario Inc. (dba Hemisphere Cannabis Co ("**Hemisphere**")) from Aegis Brands Inc. ("**Aegis**"). The first acquisition closed in July 2021 and included Kiaro's first Ontario retail location along with an eCommerce consumption accessories business platform in Canada, the United States of America, and Australia. The second acquisition closed in September 2021, adding seven licensed retail cannabis locations in Ontario, and an additional two under development at the time of acquisition.

Kiaro's head office is located at 300 - 110 East Cordova Street, Vancouver, British Columbia, Canada V6A 1K9.

OPERATIONAL HIGHLIGHTS IN THE FISCAL YEAR 2022

- Strong performance delivering 58% revenue growth over prior year from:
    - Retail revenue growth of 45%, with same store sales increase of 8%,
    - Retention of strong retail margins at 37%,
    - Increase in wholesale revenue of 62% with expansion of services to over 70% of all licensed retailers in Saskatchewan, and
    - Newly added eCommerce assets delivering positive EBITDA contributions since acquisition on July 12, 2021.

- Execution of Financings and Acquisitions during the year include:
    - Completion of a $3 million bought deal lead by Canaccord Genuity on March 11, 2021;
    - The opening of a new retail store in Kelowna, British Columbia. An asset purchase agreement was completed March 16, 2021 to acquire certain assets from Grasshopper Cannabis;
    - The launch of Kiaro into the eCommerce market in Canada, US and Australia through the Sculthorp SEO acquisition on July 12, 2021;
    - Acquisition of Hemisphere Cannabis on September 24, 2021 which added 8 operational retail stores by year end; and
    - Financing of $3.8M closed October 28, 2021, by convertible debenture to improve cash position.

Retail Operations

In addition to the expansion of physical retail locations, Kiaro continues to evolve its key retail programs such as MyKiaro and Ask Kiaro Anything, ensuring a best-in-class experience for both consumers and employees. To establish a great experience, Kiaro in its infancy invested in a strong data-driven foundation and continues to leverage Microsoft Dynamics with Power BI. The Company's buying decisions are informed by consumer trends (including qualitative feedback from consumers), our front-line team, Licensed Producers ("**LPs**"), and industry associations. This targeted approach to category assortment has allowed the Company to capture continuous revenue growth and support sustainable margin performance.

Brick and Mortar Operations

The Kiaro retail portfolio increased from seven cannabis retail stores as at January 31, 2021 ("**FY2021**"), to 17 operating cannabis retail stores as of FY2022. In FY2022 compared to FY2021, Kiaro increased total retail revenue by 45%. Retail gross profit contributed $6,500,612 (37% gross margin) in FY 2022 compared with $4,585,635 (38% gross margin) in the prior year.

On March 16, 2021, Kiaro announced the completion of the Grasshopper Cannabis acquisition. The purchased asset included one brick and mortar municipally licensed location in Kelowna B.C., Kiaro's first retail location in a key consumer market in the interior of British Columbia. This location is one of three locations opened in Q4 of FY2022.

On July 12, 2021, Kiaro announced the completion of the acquisition of Sculthorp SEO. Although the acquisition was mainly eCommerce assets, it also included one brick and mortar location in Toronto, Ontario operating as Cozy Cannabis. Following the acquisition of the Hemisphere Ontario stores, the Cozy Cannabis branded store was closed on April 30, 2022.

On September 24, 2021, Kiaro completed the acquisition of Hemisphere including seven licensed retail stores and two development locations in Ontario. At the date of the acquisition, under the Hemisphere brand, six stores were operational and one additional store opened in Orleans, Ontario on November 10, 2021. Of the two development locations, Napanee opened under the Kiaro brand on January 19, 2022 and the lease of the ninth location was terminated due to being an unsuitable location.

COVID-19

As COVID-19 impacted the retail shopping experience, Kiaro revised its business practices to ensure a safe environment for customers and employees. Kiaro modified its in-store experience and introduced a reserve online and pick up in store and delivery for consumers. Kiaro is monitoring and following the direction of provincial Health Authority and WorkSafe guidelines and continues to adjust its retail experience accordingly. Kiaro has experienced isolated impacts to its Ontario Retail segment performance during the recent November and December 2021 omicron government escalated restrictions but has not seen significant impacts to the Company's overall operations to date. The Company cannot provide assurance that there will not be disruptions to its operations in the future. Refer to the "*Risk Factors*" section below for further discussion on the potential impacts of COVID-19.

Wholesale Operations

The NCD wholesale business now services over 70% of licensed retailers in the province of Saskatchewan compared to 60% in the prior year. In addition to this increased market reach, the Saskatchewan Retail Cannabis market size has grown over 150% since January 31, 2021. With consistent accretive growth in market size, the Company continues to build its foundation to support both existing and new customers and promote the representation of licensed producers to improve retailer access to the best products for their customers.

NCD has invested in its sales and management team to support the growing market and has seen an increase in wholesale revenues of 62% in FY2022 compared to the prior year.

In addition to the Company's focus on hiring top talent to support business growth, NCD customers have benefitted from overall product selection that continues to broaden with the increase in Saskatchewan excise stamped brands that are ready for distribution. NCD is focused on expanding categories in vaporizers, edibles, extracts, and beverages to diversify the product offering. Since January 2021, NCD has doubled the number of licensed producers it represents and 80% of all LP's have signed exclusive distribution agreements.

eCommerce

On July 12, 2021, Kiaro announced that it completed the acquisition of Sculthorp SEO, of which its primary operations include three global eCommerce platforms (Vaped.ca, Vaped.com, Vaporizersdirect.com.au ("**Vaped**")). The transaction expands business operations in Canada and adds new business and revenue streams in Australia and the United States, collectively providing positive EBITDA contributions. In FY2022 and for the approximate half year of Kiaro-controlled operations, eCommerce assets contributed $1,326,793 in revenue and 20% gross profit, net of freight. This represents a 42% growth over the same period from the prior operator.

The addition of the Vaped eCommerce assets, when combined with investment into both management and the technology stack, demonstrates a commitment to building a digital ecosystem that enables Kiaro's expansion as a leader in omni-channel retail and distribution. This will ensure Kiaro's customers can access information services, and cannabis and non-cannabis products in ways that are convenient, safe, and accessible.

Corporate

On April 29, 2022, Kiaro announces that Mr. Daniel Petrov, Chief Executive Officer of the Company, has advised the board of directors of the Company (the "Board") that he is taking a medical leave of absence, effective immediately. The Board and Mr. Petrov have agreed that during his absence the Company's current Chief Operating Officer, Ms. Eleanor Lynch, possesses the necessary skills and experience to act as the Company's interim Chief Executive Officer and Ms. Lynch has agreed to assume this interim role.

SELECTED FINANCIAL RESULTS

The following selected financial data was prepared in accordance with IFRS and should be read in conjunction with the Company's Financial Statements for the years ended January 31, 2022 and 2021, and the accompanying notes thereto.

	Year ended		
	January 31, 2022	**January 31, 2021**	**Change**
	$	$	%
Revenue	26,902,623	17,071,866	58%
Gross profit	7,697,453	5,114,208	51%
Gross profit %	29%	30%	-1%
Operating expenses	(12,229,454)	(8,843,117)	38%
Other expenses	(5,200,192)	(5,608,128)	-7%
Adjusted EBITDA (1)	(1,504,543)	(726,162)	107%
Net loss and comprehensive loss	**(9,191,446)**	**(9,337,037)**	-2%
Loss per share, basic and diluted	**(0.04)**	**(0.08)**	

(1) This term is defined in the "Cautionary Statement Regarding Certain NON_GAAP Performance Measures" section of this MD&A. Refer to the "Adjusted EBITDA" section for reconciliation of the IFRS equivalent.

Revenue

During FY2022, the Company generated revenue of $26,902,623 compared to $17,071,866 in FY2021, representing an increase of 58% for the twelve-month period. Revenue growth for the fiscal year was driven by:

- Increase in retail segment sales of 45%;
- Increase in same-store sales growth of 8% and the expansion of total stores from 7 to 17;
- Increase in wholesale revenue of 62%; and
- Addition of eCommerce channels on July 12, 2021.

Gross profits

Gross profit percentages are presented as a blend of retail, wholesale, and eCommerce business unit contributions. Retail margins were at 37% compared to 38% in the prior year, and the newly added eCommerce segment was at 25% before freight. The blended decrease in gross margins from 30% to 29% was primarily due to a change in the mix of revenue contributions by channel in accordance with the Company's planned diversification strategy, whereby retail made up 65% of total revenue as compared to 71% in the prior year, eCommerce contributed 5%, and Wholesale at 30% did not materially change.

Operating expenses

The following table outlines the operating expenses for the year ended January 31, 2022 and 2021 and the percentage of expenses to revenue for comparison:

	Year ended			
	January 31, 2022		January 31, 2021	
	$		$	
Revenue	26,902,623		17,071,866	
Consulting and professional fees	1,097,836	4%	1,009,706	6%
Depreciation and amortization	2,383,683	9%	1,866,786	11%
General and administration expenses	1,730,940	6%	829,351	5%
Inventory write-down	-	0%	19,188	0%
Marketing, meals and entertainment	458,226	2%	242,376	1%
Salaries and employee benefits	5,914,994	22%	3,739,749	22%
Share-based compensation	643,775	2%	1,135,961	7%
Total operating expenses	**12,229,454**	**45%**	**8,843,117**	**52%**

For the year ended January 31, 2022, the total operating expenses as a percentage of revenue decreased from 52% to 45% compared to the prior year as efficiencies were gained by utilizing existing overheads and fixed costs to support the growth in sales.

The 1% increase in each general and administration expenses was mainly due to additional human resources to support the onboarding and training of new employees, one-time professional fees, and direct operational costs attributed to the integration of the newly acquired companies.

Marketing, meals and entertainment increased $215,850 compared to the prior year. Three areas specifically saw an increase during the year ended January 31, 2022 in digital marketing and promotion:

- Retail segment of $95,000;
- Wholesale segment of $10,000; and
- Investor relations and public relations of an additional $110,000.

Share-based compensation decreased $492,186 or 5% of revenue, which is mainly due to the higher issuance of new and replacement options to the Company's advisory board members and employees prior to and shortly after going public in October 2020. Prior year issuances included 729,290 fully vested options at $0.17 granted to consultants of the go-public vehicle, DC Acquisitions Corp., where all other options vest between nine and thirty-six months.

Other expenses and income

The following table outlines the other expenses and income for the year ended January 31, 2022 and 2021:

	Year ended		
	January 31, 2022	January 31, 2021	Change
	$	$	%
Realized loss on sale of marketable securities	-	(2,105,548)	-100%
Transaction cost of qualifying transaction	-	(1,792,073)	-100%
Impairment of goodwill and intangible assets	(4,084,051)	-	N/A
Finance expense	(924,413)	(1,598,042)	-42%
Transaction cost of business combinations	(629,633)	-	N/A
Realized foreign exchange gain/(loss)	(3,017)	38,413	-108%
Other income	164,335	182,032	-10%
Gain/(loss) on modification and termination on leases	231,747	(205,750)	-213%
Gain/(loss) on modification and extinguishment of debt	44,496	(99,441)	-145%
Change in fair value of derivative liabilities	344	(27,094)	-101%
Loss on disposal of assets	-	(625)	-100%
Total other (expenses) income	**(5,200,192)**	**(5,608,128)**	**-7%**

During FY2022, the Company incurred other expenses of $5,200,193 compared to $5,608,128 in FY2021, a reduction of 7%.

The prior year included the completion of the qualifying transaction, and recorded transaction related costs of $1,792,073, and the disposal of its investment in marketable securities in March 2020, resulting in a realized loss of $2,105,548. In FY22, there were impairment charges of $4,084,052 related to the write down of goodwill and definite life intangible assets.

Finance expenses and other income decreased a net amount of $655,932. This is from interest accrued on convertible debentures and promissory notes, of which most were converted into the Company's common shares in October 2020 when the Company went public. A gain on modification and termination on leases and sub-leases in the current year, whereas a loss was recorded in the prior year.

ADJUSTED EBITDA

The following is the Company's adjusted EBITDA for the most recent five quarters in fiscal year 2022 and 2021:

	Quarterly				Year Ended	
	January 31, 2022	**October 31, 2021**	**July 31, 2021**	**April 30, 2021**	**January 31, 2022**	**January 31, 2021**
	$	$	$	$	$	$
Net loss and comprehensive loss	(6,068,261)	(1,079,666)	(1,063,598)	(979,921)	(9,191,446)	(9,337,037)
Deferred income tax (recovery)/liability	(278,565)	(262,182)	-	-	(540,747)	-
Depreciation and amortization	765,309	667,019	417,065	534,290	2,383,683	1,866,786
Other income	(17,924)	(32,054)	(53,210)	(61,147)	(164,335)	(182,032)
Finance expense	382,507	249,930	151,388	140,588	924,413	1,598,042
EBITDA	(5,216,934)	(456,953)	(548,355)	(366,190)	(6,588,432)	(6,054,241)
Change in fair value of derivative liabilities	369	(955)	1	241	(344)	27,094
Foreign exchange (gain)/loss	2,725	210	82	-	3,017	(38,413)
(Gain)/Loss on modification and termination on leases and sub-leases	(211,272)	(20,475)	-	-	(231,747)	205,750
(Gain)/Loss on modification and extinguishment of debt	-	(35,750)	(8,746)	-	(44,496)	99,441
Impairment of goodwill and intangible assets	4,084,051	-	-	-	4,084,051	-
Loss on disposal of assets	-	-	-	-	-	625
Realized loss on sale of marketable securities	-	-	-	-	-	2,105,548
Share-based compensation	19,760	164,786	273,244	185,985	643,775	1,135,961
Transaction cost of qualifying transaction	-	-	-	-	-	1,792,073
Transaction cost of business combinations	328,112	116,329	185,192	-	629,633	-
Adjusted EBITDA (1)	**(993,189)**	**(232,808)**	**(98,582)**	**(179,964)**	**(1,504,543)**	**(726,162)**

(1) This term is defined in the "Cautionary Statement Regarding Certain NON_GAAP Performance Measures" section of this MD&A. Refer to the "Adjusted EBITDA" section for reconciliation of the IFRS equivalent.

Adjusted EBITDA is a non-GAAP performance measures, however, is intended to help the reader view the operational results excluding one-time and accounting transactions.

Adjusted EBITDA over the past four quarters has fluctuated. In Q3 and Q4 FY2022, costs from additional human resources and other direct operating costs to support the onboarding of over 70 employees, one-time professional fees, and technical integration which completed on November 15, 2021, all of which supported the newly acquired companies, equated to approximately $452,000. In Q4, retail revenues were affected primarily in Ontario due to temporary omicron restrictions, which were lifted in January 2022. Further impacts to net loss and comprehensive loss were the carrying costs of non-operational leases from acquisitions in March to September 2021, until retail store opening dates of November 10, 2021, December 31, 2021 and January 19, 2022.

STATEMENT OF FINANCIAL POSITION INFORMATION

The following table outlines the Company's assets, liabilities, and equity position as at January 31, 2022 and 2021:

	January 31, 2022	January 31, 2021
	$	$
Assets		
Cash and cash equivalents	2,351,758	1,304,829
Trade and other receivables	297,799	142,083
Prepaids and deposits	545,667	280,759
Inventory	2,771,763	1,744,244
Net investment in finance lease	207,537	369,362
Property and equipment, including ROU assets	12,269,291	5,215,452
Intangible assets and goodwill	2,250,420	608,588
	20,694,235	**9,665,317**
Liabilities		
Accounts payable and accrued liabilities	3,004,235	1,473,238
Lease liabilities	6,099,480	2,310,950
Purchase liability	-	103,230
Long-term liabilities	3,477,616	740,519
Embedded derivative liabilities	199,298	208,386
Deferred tax liability	230,303	-
	13,010,932	**4,836,323**
Equity	**7,683,303**	**4,828,994**

As at January 31, 2022, the Company had total assets of $20,694,235, an increase of $11,028,918 from total assets of $9,665,317 as at January 31, 2021. The change in cash and cash equivalents was due to net proceeds of the private placements in March 2021 and October 2021, the purchase of a licensed retail location in the City of Kelowna, acquisition of Sculthorp SEO, acquisition of Hemisphere, and cash invested in operations.

As at January 31, 2022, the Company had total liabilities of $13,010,932, an increase of $8,174,609 from total liabilities of $4,836,323 as at January 31, 2021. Accounts payable and accrued liabilities increase from $1,530,997 to $3,004,235 was primarily to support the revenue growth in NCD and timing of payments shortly after year end. Lease liabilities increased due to the addition of ten leases from the acquisitions of Sculthorp SEO and Hemisphere. The final purchase liability instalment payment towards the acquisition of NCD was made in March 2021. On October 28, 2021, the Company completed a $3,759,000 private placement of convertible debentures, maturing in 2024. Deferred tax liability arises this fiscal year from the acquisitions of Sculthorp SEO and Hemisphere.

Equity increased by $2,854,309 over the last year. The value increase is a combination of the issuance of shares in connection with the bought deal private placement in March 2021, acquisition of Sculthorp SEO, acquisition of Hemisphere, and the Company's financial performance.

SUMMARY OF QUARTERLY RESULTS

The following tables set out certain selected financial information for most recent eight fiscal quarters (Three months ended):

	January 31, 2022	October 31, 2021	July 31, 2021	April 30, 2021
	$	$	$	$
Revenue	8,061,222	7,484,158	6,190,179	5,167,064
Net loss and comprehensive loss	(6,068,261)	(1,079,666)	(1,063,598)	(979,921)
Net loss and comprehensive loss per share - Basic & Diluted	(0.03)	(0.01)	(0.01)	(0.01)

	January 31, 2021	October 31, 2020	July 31, 2020	April 30, 2020
	$	$	$	$
Revenue	5,214,123	5,190,930	4,000,102	2,666,711
Net loss and comprehensive loss	(1,188,609)	(2,893,792)	(1,443,805)	(3,810,831)
Net loss and comprehensive loss per share - Basic & Diluted	(0.01)	(0.03)	(0.01)	(0.04)

Revenue increased 202% from the three months ended April 30, 2020, through to the three months ended January 31, 2022. The retail same store sales and wholesale performance results coupled with retail expansion through the eight quarters were large contributors, and the addition of the third revenue channel through the eCommerce acquisition in July 2021 has created further opportunities for accretive results.

A public health emergency was declared in the province of British Columbia on March 17, 2020, and despite added restrictions and challenges, the Company added to its then four retail brick and mortar stores, by opening a further three locations in March 2020, July 2020, and September 2020. With seven locations and a public listing at the quarter end October 31, 2020, the Company turned its focus on operational efficiency, fundraising, and acquisitions. In February 2021, the Company closed a purchase and sale agreement for a lease in British Columbia. The sixth location in British Columbia opened on December 31, 2021. In July 2021, the Company added its eighth retail store, first in Ontario, and a new revenue channel through the acquisition of the eCommerce Vaped assets and the Cozy Cannabis brand. The quarter ending October 31, 2021, includes the first full quarter of the Vaped eCommerce assets, and five weeks of the acquisition of Hemisphere Cannabis which, at closing on September 24, 2021, included six operational Ontario locations. In Q4 ending January 31, 2022, a further three retail stores opened, signifying all acquired assets in operation, and setting up FY2023 Q1 to be the first fully operational quarter. At no time did any locations close as a result of public health orders.

On October 13, 2020, the Company completed a reverse takeover of DC Acquisitions Corp. by way of a three-cornered amalgamation, resulting in the subsequent go-public event on the TSX Venture exchange. In tandem with the go public event, the Company converted $6.5 million in convertible debt and accrued interest. Costs associated with the transaction of $1.7 million were reflected in the three months ended October 31, 2020, net loss and comprehensive loss, in addition to the decrease in earnings per share during that one quarter only.

The loss per share over the last quarters remains consistent as the Company targets profitability through the operationalization of acquired assets and continued growth.

SEGMENT INFORMATION

Throughout the year ended January 31, 2022 the Company operated in three segments compared to two segments for the year ended January 31, 2021. The segments are as follows:

- **Retail Cannabis Stores** – The Company operates retail locations to sell and distribute cannabis and cannabis related products to individual consumers, with current brick and mortar store fronts in the provinces of British Columbia, Saskatchewan, and Ontario.
- **Wholesale Cannabis Business** – The Company owns and operates its wholesale cannabis business through a wholly owned subsidiary, National Cannabis Distribution, in the province of Saskatchewan. NCD purchases finished goods from licensed producers and sells to licensed retail cannabis operators in the province.
- **eCommerce** – The Company owns and operates its eCommerce businesses in Canada, Australia, and the United States of America, that sell consumption accessories through its wholly owned subsidiaries Kiaro Digital Ltd. and Kiaro Australia Pty Ltd.

Corporate is not an operating segment and contains the Company's corporate, strategic, and administrative activities. Most of the Company's revenue is earned in Canada, and most assets are located in Canada.

Year ended January 31, 2022	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$	$
Revenue	17,434,588	8,141,242	1,326,793	-	-	26,902,623
Intercompany revenue	-	1,789,501	-	-	(1,789,501)	-
Total revenue	17,434,588	9,930,743	1,326,793	-	(1,789,501)	26,902,623
Cost of sales	10,933,976	9,007,971	1,056,072	-	(1,792,849)	19,205,170
Gross profit (loss)	6,500,612	922,772	270,721	-	3,348	7,697,453
Net profit (loss)	(5,043,710)	381,325	46,386	(4,578,795)	3,348	(9,191,446)
Total assets	14,093,362	2,077,536	1,412,573	3,110,764	-	20,694,235
Total liabilities	6,570,756	1,140,231	143,718	5,156,227	-	13,010,932

Year ended January 31, 2021	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$	$
Revenue	12,045,863	5,026,003	-	-	-	17,071,866
Intercompany revenue	-	1,542,629	-	-	(1,542,629)	-
Total revenue	12,045,863	6,568,632	-	-	(1,542,629)	17,071,866
Cost of sales	7,460,228	6,036,319	-	-	(1,538,889)	11,957,658
Gross profit (loss)	4,585,635	532,313	-	-	(3,740)	5,114,208
Net profit (loss)	647,647	197,603	-	(10,178,547)	(3,740)	(9,337,037)
Total assets	4,842,232	2,007,247	-	2,819,578	(3,740)	9,665,317
Total liabilities	1,672,046	704,460	-	2,459,817	-	4,836,323

The retail cannabis segment revenues for the year ended January 31, 2022 increased 45% as compared to the prior year. The revenue increases were attributed to both an 8% same store sales increase for the same period, and the addition of new retail store locations in Ontario through recent acquisitions. The Ontario expansion has added nine additional retail stores during this fiscal year. All were added through two acquisitions - Trinity Bellwoods location on July 12, 2021, plus six Hemisphere Cannabis locations in the GTA and Ottawa areas on September 24, 2021, a seventh Hemisphere Cannabis location which opened on November 10, 2021, and Kiaro's first branded store in Ontario opened on January 19, 2022. The Company opened its sixth BC location on December 31, 2021, which resulted in 17 stores as at the fiscal year end: 6 in British Columbia, 2 in Saskatchewan, and 9 in Ontario.

Margins in retail held steady at 37% and 38%, respectively, for the year ending January 31, 2022 and 2021. The successful management of retail margins reflects Kiaro's strong core competency in buying strategies that encompass category management, consumer engagement, promotional cadence and market pricing research.

Additional marketing initiatives including Reserve Online Pick Up In Store, MyKiaro membership program, gift card launch, an overhaul to the Company's website and social media platforms, and community initiatives have all contributed to the increase in same-store sales year over year.

For the year ended January 31, 2022, the retail cannabis segment net loss included an impairment loss of $4,084,051 (January 31, 2021 – $nil).

The wholesale cannabis segment in Saskatchewan is seeing positive impacts from: the SLGA provincial legislation changes announced in September 2020 resulting in market size increase, improvements and investment in management and sales teams resulting in market reach increases, improved supply of premium products and doubling of Licensed Producer agreements, all equating to a 62% revenue increase over prior year.

A new eCommerce segment was added in late Q2 FY 2022 which further contributed to both revenue and EBITDA numbers, despite added integration costs and Australian subsidiary formation.

The significant reduction of corporate net losses by 55% in the corporate segment was due to the realized loss on the sale of marketable securities in the prior year, Q1 FY 2021, and expense efficiency. Increase in liabilities in the current year is due to a promissory note from the Hemisphere acquisition and a new convertible debt entered at the end of Q3 FY 2022, whereas in the prior year, $6.5 million of debt was converted to equity in October 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2022, the Company had a positive working capital of $1,127,902 (January 31, 2021 - $1,108,870) and had a current ratio of 1.23 as compared to 1.46 on January 31, 2021.

The Company expects cash resources to be sufficient to meet its short-term needs, including maintaining inventory to meet customers' needs. Management estimates that the current cash position should be sufficient for the Company to carry out the costs to maintain current operations through FY 2023 and any excess working capital will be applied to the Company's growth strategy.

Cash Flow Information

	Year ended	
	January 31, 2022	**January 31, 2021**
	$	$
Cash provided by (used in) operating activities	(1,115,703)	(1,414,780)
Cash provided by (used in) investing activities	(2,686,360)	1,803,698
Cash provided by (used in) financing activities	4,848,992	(502,853)
Net change in cash and cash equivalents	1,046,929	(113,935)
Cash and cash equivalents, beginning	**1,304,829**	**1,418,764**
Cash and cash equivalents, ending	**2,351,758**	**1,304,829**

Overall cash position improved by $1,046,929 on January 31, 2022 as compared to January 31, 2021.

During the year ended of January 31, 2022, cash used in investing activities were primarily related to the purchase and build out of the Kelowna location (Grasshopper Cannabis in March 2021), the acquisition and integration capital expenditure costs of Sculthorp SEO and Hemisphere, and the build out of the development locations from the Hemisphere acquisition.

Cash provided by financing activities in the year ended January 31, 2022, were due to issuance of common shares related to the bought deal private placement in March 2021 ($3.0 million) and convertible debenture issuance in October 2021 ($3.8 million) less payments in connection with the financings and lease obligations.

Commitment and contractual obligations

In October 2021, the Company entered into insurance contracts with an original term of 12 months. Payments are made monthly to satisfy these obligations.

As at January 31, 2022, the Company's financial liabilities have contractual maturities as summarized below:

	Due within Less than 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities (excluding sale taxes payable)	2,859,910	-	-	-	-	2,859,910
Due to related parties	50,000	-	-	-	-	50,000
Lease liabilities	1,815,507	1,533,523	1,142,920	1,018,251	4,012,892	9,523,093
Long-term liabilities	1,217,349	303,720	4,010,929	61,500	-	5,593,498
Total	5,942,766	1,837,243	5,153,849	1,079,751	4,012,892	18,026,501

As at January 31, 2022, the Company leased its corporate office, eighteen retail locations, and wholesale distribution warehouse. The lease liability represented the Company's commitment to these leases until their expiration date. All retail leases that the Company holds are operational, except one location in Belleville that was subsequently terminated on February 3, 2022.

The Company's long-term liabilities included the CEBA loan of $60,000, an interest-free promissory note in the amount of $104,629, and convertible debentures issued in the total principal amount of $3,759,000, plus interest payable assuming not converted before maturity.

OFF-BALANCE SHEET TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

For the year ended January 31, 2022, the Company had the following transactions with related parties as defined in *IAS 24 – Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing. Transactions with related parties were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

On April 1, 2021, the Company issued 2,800,000 options at an exercise price of $0.20 per option to the Company's Officers and Directors which will vest over a period of 9 months.

On September 24, 2021, the Company issued 1,333,333 common shares at a price of $0.10 per common share to the Company's Officers.

On October 28, 2021, the Company issued 3,759 debenture units of the Company (the "**Debenture Units**"), with each Debenture Unit consisting of one 8.0% convertible debenture of the Company with a maturity of three years from the date of issuance and 3,846 common share purchase warrants, with each warrant exercisable to acquire one common share of the Company at an exercise price of $0.16 for a period of three years from the date of issuance, all at a price of $1,000 per Debenture Unit. A company controlled by the CEO, participated in the offering and was issued 1,280 Debenture Units.

On December 31, 2021, interest was paid to all Debenture Unit holders, of which $17,636 was paid to a company controlled by the CEO.

As at January 31, 2022, the Company has a convertible debenture with a balance of $700,000 maturing May 31, 2022, owing to a company controlled by the CEO, with interest owing on the convertible debenture of $93,333 (January 31, 2021 – $51,163).

As at January 31, 2022, the Company has payables to related parties of $50,000 (January 31, 2021 – $147,817).

CRITICAL ACCOUNTING ESTIMATES

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or during the period of the revision and further periods if the review affects both current and future periods.

The areas involving a higher degree of judgment of complexity or where assumptions and estimates are significant to the Financial Statements are as follows:

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. For a business combination, judgement is also made on identifying assets acquired. In determining the allocation of purchase price, the most significant estimates generally relate to the present value of future consideration and fair value of intangible assets. Management exercises judgment in estimating the discount rate to be used to determine the present value of future consideration. Identified intangible assets are fair valued using appropriate valuation techniques. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Useful lives of property and equipment and impairment

Depreciation of property and equipment and amortization of intangible assets are dependent upon estimates of useful lives and residual values which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

When impairment indicators are noted, management estimates the recoverable amount of each asset or cash-generating units ("**CGU**") based on a value in use ("**VIU**") model, using expected future cash flows, or a fair value less costs of disposal model, using recent sales data or appraisal reports. VIU is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs. Actual results could vary from these estimated future cash flows.

Cash-generating units

Assets are grouped into CGUs at the lowest level of separately identified cash flows. The determination of a CGU is based on management's judgement and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is allocated to CGUs or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgement. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on the assets' VIU. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. The key assumptions used in the calculation of the recoverable amount relate to future cash flows and growth projections, future weighted average cost of capital and the terminal growth rate. These key assumptions are based on historical data from internal sources as well as industry and market trends. Fair value of financial instruments

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques.

The carrying value of loans and borrowings for disclosure purposes is derived using the amortized cost method, by calculating the accretion expense at market-related interest rate less the actual interest expense. Where the carrying value does not approximate the fair value of financial assets and liabilities, valuation techniques such as the discounted cash flow model are used.

The fair value of conversion feature is dependent upon estimated probability and timing of conversion. In addition, estimated benefit the holder will get from conversion were also considered in determining the fair value of the conversion feature.

The inputs to the appropriate models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments also include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Share-based compensation and warrants

The estimation of share-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Inventory

Inventory is carried at the lower of cost and net realizable value. In estimating net realizable value, the Company considers the impact of obsolescence, price fluctuations, and fluctuations in inventory levels.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in the Note 3 of the Company’s audited consolidated financial statements for the year ended January 31, 2022, have been consistently applied to all periods presented in the Financial Statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risk, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as they relate to financial instruments is reflected below:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of the acquisition of Sculthorp SEO, the Company began to operate outside of Canada with foreign currency bank accounts and to transact in foreign currencies. The Company’s exposure to currency risk as at January 31, 20202, represented approximately 3.4% of sales and 0.9% of total operating expenses. The Company was not exposed to currency risk as at January 31, 2022. Based on the balances as at January 31, 2022, a 1% increase or decrease in the Canadian dollar exchange rate against all of the other currencies on that date would have resulted in an increase or decrease of approximately $18,000 (January 31, 2021 – $nil) in loss before taxes.

b) 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. Cash bears interest at market rates. The Company’s long-term liabilities with fixed rates of interest do not expose the Company to interest rate risk.

c) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is currently not subject to price risk. In the prior year and until date of sale, the Company’s investments in the marketable securities were susceptible to price risk arising from uncertainties about their future values. The fair value of these investments is based on quoted market prices which the shares of the investments can be exchanged for.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

As at January 31, 2022, the Company had $2,351,758 in cash and cash equivalents (January 31, 2021 – $1,304,829). The Company is obligated to pay financial liabilities with total carrying amounts to $4,869,676 (January 31, 2021 – $2,420,655) in the next 12 months.

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, trade and other receivable (excluding sales tax receivable), and loan receivable. The Company does not have a significant concentration of credit risk with any customer and its maximum risk exposure is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent loss on financial assets. The Company minimizes credit risk as cash and cash equivalents are held by reputable financial institutions. The Company is not aware of any material collection issues. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. Trade receivables are written off when there is no reasonable expectation of recovery.

Fair Value Measurement

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

				January 31, 2022
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	$	$	$	$
Embedded derivative liability	-	-	199,298	199,298
	-	-	199,298	199,298

The Company estimates the fair value of embedded derivative liability at each reporting date using discounted cash flow model. The significant unobservable input used in the model was the interest rate of 1.23% (January 31, 2021 – 0.14%).

For cash and cash equivalents, trade and other receivables (excluding GST receivable), loan receivable, accounts payable and accrued liabilities (excluding GST and PST payable), and due to related parties, fair value approximates their carrying value at the period end due to their short-term maturities. For net investment in finance lease, purchase liability and long-term liabilities, fair value approximates their carrying value at the fiscal year end as the interest rates used to discount the host contracts approximate market rates.

SUMMARY OF OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without a par value and an unlimited number of preferred shares without par value.

As at January 31, 2022, and the date of this MD&A, the Company had the following securities outstanding:

Securities	**January 31, 2022**	**Date of report**
Issued and outstanding common shares	268,160,546	268,160,546
Stock options	10,782,600	10,074,265
Warrants	36,104,990	36,015,407
Convertible debentures [(1)]	32,431,275	32,544,787

[(1)] Includes accrued and unpaid interest up to May 25, 2022, which would be convertible to common shares.

RISK FACTORS

In addition to the other information included in this report, readers should carefully consider the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect our business, products, financial condition and operating results. There are many factors that affect our business and our results of operations, some of which are beyond our control. The following is a description of some of, but not all, the important factors that may cause our actual results of operations in future periods to differ materially from those currently expected or discussed in the FLS set forth in this report relating to our financial results, operations and business prospects. Except as required by law, we undertake no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

For the purposes of this section, "**Material Adverse Change**" means any change of circumstances or any event which has, or would reasonably be expected to have, a material adverse effect in respect of the Company, any one or more changes, events or occurrences, and "**material adverse effect**" means, in respect of the Company, any change (or any condition, event or development involving a prospective change) in the business, operations, affairs (including the employment status of key employees), assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise) capitalization, financial condition, licenses, permits, rights or privileges of Kiaro or any of its subsidiaries which in the judgment of the Company, acting reasonably in the circumstances, could reasonably be expected to materially and adversely affect the Company and its subsidiaries taken as a whole or the value of the securities of the Company.

These risks include, but are not limited to the following:

Potential Issuance of Additional Equity Securities

The Company may issue equity securities to finance its activities. If the Company were to issue additional equity securities, the ownership interest of existing shareholders may be diluted and some or all the Company's financial measures on a per share basis could be reduced. Moreover, as the Company's intention to issue additional equity securities becomes publicly known, the Company's common share price may be materially adversely affected.

Market Price Volatility

Securities markets have a high level of price and volume volatility. The market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors have included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's common shares listed on the TSX Venture Exchange is likely to be significantly affected by changes in the financial condition or results of operations of the Company as reflected in its financial reports. The market price of the Company's common shares at any given point in time may not accurately reflect the long-term value of the Company.

Sales of a substantial number of Company's common shares or other equity securities in the public markets by the Company or its significant shareholders could depress the market price of the Company's common shares and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of Company's common shares or other equity securities would have on the market price of the Company's common shares. The price of the Company's common shares could be affected by hedging, short selling or arbitrage trading. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

As a result of any of these factors, the market price of the Company's common shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation has, in some cases, been initiated against companies following periods of volatility in the market price of their securities. The Company could, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Financial markets have historically, seen significant price and volume fluctuations that have impacted the market prices of equity securities unrelated to the operating performance, underlying asset values or prospects of the issuers. In particular, the armed conflict between Russia and Ukraine and any restrictive actions that are or may be taken by Canada, the United States and other countries in response thereto, such as sanctions or export controls, could have negative implications on the financial markets generally. Accordingly, the market price of the Company's common shares may decline even if the Company's operating results, underlying asset values or prospects have not deteriorated. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that fluctuations in price and volume will not occur. If such volatility and market turmoil occur, the Company's operations could be adversely impacted and the trading price of the Company's common shares may be materially adversely affected.

Control of Large Percentage of Company's Common Shares by Directors and Officers of the Company

The Company's shareholders nominate and elect the board of directors, which generally have the ability to control the acquisition or disposition of the Company's assets, and the future issuance of the Company's common shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Company's common shares may be required by law, Mr. Daniel Petrov may have the ability to control such matters. Because Mr. Petrov controls a substantial portion of the Company's shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated. Furthermore, the interests of Mr. Petrov and other shareholders are not necessarily aligned in all respects and there can be no assurance that Mr. Petrov will exercise his rights as the Company's largest shareholder in a manner consistent with the best interests of the Company's other shareholders.

From time to time the directors and executive officers of the Company may sell their common shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, the directors and executive officers of the Company may sell a significant number of their common shares for a variety of reasons unrelated to the performance of the Company's business. The shareholders of the Company may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their common shares. These sales could cause the market price of the Company common shares to drop.

Dependence on Key Management Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management as well as certain consultants (the "**Key Personnel**"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a Material Adverse Effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Conflicts of Interest

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

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time-to-time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Factors which may prevent the Company from the realization of growth targets

The Company will be in the expansion from the early development stage. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- Inability to acquire assets permitting the operation of additional retail locations on acceptable commercial terms;

- delays in obtaining, or conditions imposed by, regulatory approvals;
- non-performance by third party contractors;
- increases in materials or labour costs;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply chain; and
- major incidents and/or catastrophic events such as fires, explosions, storms, pandemic, or physical attacks.

Licenses and Permits

The operations of the Company will require licenses and permits from various governmental authorities. The Company currently has all permits and licenses that it believes are necessary to carry on its current business operation with the intention of obtaining additional licenses and permits for additional operations. The Company may require additional licenses or permits in the future to achieve its intended operations and there can be no assurance that the Company will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing license or permit will be renewed if and when required or that such existing licenses and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licenses for its operations. Obtaining, amending, or renewing the necessary governmental permits and licenses can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend, and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of and amendments to applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a Material Adverse Effect on the Company's business, financial condition, results of operations or prospects.

The Company will be dependent on suppliers and distributors being able to provide certain products. The type of supplier or distributor will vary amongst the provinces. In some provinces, independent suppliers are allowed to operate provided that they have the appropriate licenses, while in other provinces the governing body administers the entirety of the wholesale and distribution operations in the province. In those provinces that allow independent licensed suppliers to operate, the Company will rely on the suppliers' licenses, or ability to obtain additional licenses, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licenses or any failure to obtain or maintain such licenses could have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantee that the provincial regulator will issue, extend or renew these licenses or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to the Company's suppliers and the Company. Should the provincial cannabis regulators not issue, extend or renew the licenses or should they issue or renew the licenses on terms that are less favourable to such supplier and the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Changes in Laws, Regulations, and Guidelines

The *Cannabis Act* came into force on October 17, 2018 and was subsequently amended on October 17, 2019. However, uncertainty remains with respect to the implementation of the *Cannabis Act* and federal regulations thereunder, as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. The implementation of the legislative framework pertaining to the Canadian cannabis market remains ever changing and uncertain. The impact of new laws, regulations, and guidelines on the business of the Company, including increased costs of compliance and other potential risks, cannot be predicted, and accordingly, the Company may experience adverse effects.

Regulatory Investigations

From time to time, the Company may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Company to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Company to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

Compliance with Laws

The Company's and many of its suppliers' operations will be subject to various laws, regulations, and guidelines. The Company will endeavour to comply with all applicable laws, regulations, and guidelines. However, there is a risk that the Company's interpretation of laws, regulations, and guidelines, including, but not limited to the *Cannabis Act*, the regulations thereunder, applicable provincial licensing rules and regulations, and applicable stock exchange rules and regulations, may differ from those of others, and the Company's or its suppliers' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a Material Adverse Effect on the business, results of operations and financial condition of the Company. Any potential non-compliance could cause the business, financial condition and results of the operations of the Company to be adversely affected. Further, any amendment to or replacement of the *Cannabis Act* or other applicable rules and regulations governing the activities of the Company and its suppliers may cause adverse effects to the Company's operations. The risks to the business of the Company or its suppliers associated with the decision to amend or replace the *Cannabis Act* and subsequent regulatory changes, could reduce the potential customers of the Company and could materially and adversely affect the business, financial condition and results of operations of the Company.

It is unclear how certain regulatory bodies will interpret commercial agreements with respect to licensed retail cannabis operations. The Company intends to enter into commercial agreements in compliance with all applicable law, however provincial regulators are continuing to provide guidance on how cannabis retailers should interpret certain provincial rules and regulations. In the event provincial regulators indicate that they shall interpret certain rules and regulations in a manner inconsistent with that of cannabis retailers, including, but not limited to the Company, this could result in the Company being unable to enter into certain commercial agreements or provide certain services which could have a Material Adverse Effect on the business, results of operations, and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Company or its suppliers, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a Material Adverse Effect on the Company.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favourably, there may be a Material Adverse Effect on the Company. There are also risks to the business of the Company represented by court rulings or legislative changes.

Strains on Company's Resources as a Public Company

As a reporting issuer, the Company, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it would be listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Company's legal and financial costs as compared to the Company's current activities making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including costs associated with loss of client's productivity. There is no assurance that the foregoing risks and hazards will not result in personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. Also, the Company may be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Additional operational risks are outlined below.

Risks Relating to its Suppliers

In addition, the risk factors that may impact the business, operations and financial condition of the Company and its suppliers noted above, the risk factors contemplated herein may directly impact the business, operations, and financial condition of the Company's suppliers and, accordingly, may have an indirect Material Adverse Effect on the Company.

Reliance on Supplier Facilities

The facilities of the Company's suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by governmental authorities, could also have an impact on the Company's suppliers' ability to continue operating under their licenses or the prospect of renewing their licenses, which may have an adverse effect on the Company.

Risks Inherent in Strategic Alliances

The Company may enter into strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

Equipment Failure

The Company's projects are subject to the risk of equipment failure due to deterioration of assets from use or age, latent defect and design or operator error, among other things. To the extent that the Company's equipment requires longer-than-forecast down times for maintenance and repair, or suffers disruptions of service for other reasons, the Company's business, operating results, financial condition or prospects could be adversely affected.

Dependence on Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Evolving Industries

The industries in which the Company operates in continue to evolve. The Company's future revenue and expectations regarding the growth of its market are somewhat dependent on the advancement of technology and could be impacted by changes and advancements in technology. To the extent that technological advancements are delayed or fail to function as expected, the Company's assumptions about its future revenue and operations could be adversely affected. There is also no assurance that the Company will be able to respond effectively to technological advancements, which could have an adverse impact on the Company's revenue and operations.

Negative Public Response

Negative public or community response to projects undertaken by the Company or its industry participants could adversely affect the Company's ability to supply and operate the Company's projects. Opposition to the Company's requests for permits or successful challenges or appeals to permits issued to it could lead to legal, public relations and other drawbacks and costs that impede the Company's ability to meet its growth targets, achieve commercial operations for a project on schedule and generate revenues.

Requirements for Further Financing

The Company may need to obtain further financing, whether through debt financing, equity financing or other means. The Company must obtain such financing through a combination of equity and debt financing and there can be no assurance that the Company can raise the required capital it needs to build and expand its current operations, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost.

Competition

The private retail cannabis industry is very competitive, with the most significant competition from other entities with multiple licenses in multiple jurisdictions, which may have greater resources or longer operating histories. The Company believes that its competition can be broadly grouped into four categories: (a) large vertically integrated competitors; (b) competitors with existing retail operations; (c) government retailers; and (d) the unregulated market.

Leases

The Company may enter into lease agreements for locations in respect of which at the time of entering such agreement, it does not have the appropriate zoning, permit or licence to sell cannabis products. In the event the Company is unable to obtain the appropriate zoning, permit and/or licence to sell cannabis products at such locations in compliance with applicable law, such leases may become a liability of the Company without a corresponding revenue stream (subject to stores where the Company may sell cannabis accessories only, in compliance with applicable law). In the event that the Company is unable to obtain the appropriate zoning, permits and/or licences at numerous locations for which it has or will have a lease obligation, this could have a material adverse effect on the Company's business, financial conditions and operating results.

Limited Operating History

The Company has a limited history of operations and will be in the early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the cannabis industry. The Company will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of sufficient revenues. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company may be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (a) government regulations; (b) federal and provincial healthcare fraud and abuse laws and regulations; or (c) laws that require the true, complete, and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter such misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, such actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Company's operations, any of which could have a Material Adverse Effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, including those imposed on the Company under applicable law, in each case the Company cannot be certain that such measures will ensure that the Company maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's Financial Statements and could result in a Material Adverse Effect.

General Economic Risks

The Company's operations could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability.

Any investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company's securities.

Uncertainty of Use of Proceeds

Although the Company has set out its intended use of proceeds, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

Failure to Successfully Integrate Acquired Businesses and/or Realize Benefits from Such Acquisitions

The Company expects to grow by acquiring assets and businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to:

- through suppliers of the Company which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those suppliers' ability to perform their obligations under agreements with the Company;
- through financial institutions that may hold the Company's cash and cash equivalents;
- through companies that will have payables to the Company;
- through the Company's insurance providers; and
- through the Company's lenders, if any.

The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted, and the price of the Company's common shares could be adversely affected.

Liquidity and Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Company's financial estimates, projections and other forward-looking information herein were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events.

There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operational expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company and its subsidiaries might achieve.

Difficulty to Forecast

The Company will need to rely largely on its own market research to forecast industry statistics as detailed forecasts are not generally obtainable, if obtainable at all, from other sources at this early stage of the adult-use cannabis industry. Failure in the demand for the adult-use cannabis products as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Cannabis Prices

The price of the Company's common shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently no established market price for cannabis, and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a Material Adverse Effect on the Company.

The profitability of the Company's may be directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as its operating income will be derived in part from royalty payments or cannabis streams.

Reputational Risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis stocked at retail locations of the Company. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, 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 favourable 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 favourable than, or that question, earlier research reports, findings or publicity could have a Material Adverse Effect on the demand within the cannabis industry, which could affect the business, results of operations, financial condition and cash flows of the Company. The Company's dependence on consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a Material Adverse Effect on the Company, the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a Material Adverse Effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

In addition, the parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. For example, the Company could receive a notification from a banker advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a Material Adverse Effect on the Company.

Management of Growth

The Company may be subject to growth-related risks. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a Material Adverse Effect on the Company's business, financial condition, results of operations and growth prospects.

No Assurance of Profit

There is no assurance as to whether the Company will be profitable or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements.

There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Inability to Keep Pace with Market Developments

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce in-demand products and brands in the future to their stock. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully procure and generate revenues from, in-demand products and brands. The Company may also be required to obtain additional regulatory approvals from applicable authorities which may take significant time. The Company may not be successful in procuring in-demand products and brands, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Equity Price Risk

The Company may be exposed to equity price risk as a result of holding long-term investments in other companies. Just as investing in the Company is inherent with risks such as those set out in this MD&A, by investing in these other companies, the Company may be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Uncertain Tax Burdens

Tax regimes, including excise taxes and sales taxes, can disproportionately affect the price of the Company's products, or disproportionately affect the relative price of the Company's products versus other cannabis products. Tax regimes based on sales price can place the Company at a competitive disadvantage in certain price-sensitive markets. As a result, the Company's volume and profitability may be adversely affected in these markets.

Anti-Money Laundering Laws and Regulation Risks

The Company is subject to a variety of laws and regulations domestically and internationally that concern money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally.

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

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a Material Adverse Effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company may enter. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a Material Adverse Effect on the Company.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a Material Adverse Effect on the Company. Even if the Company is involved in litigation and is successful, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company. Securities litigation could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on the Company's financial position.

Hedging Risk

The Company may hedge or enter into forward sales of its forecasted right to purchase cannabis. Hedging involves certain inherent risks including:

- Credit risk – the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company;
- Market liquidity risk – the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and
- Unrealized fair value adjustment risk – the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefiting from positive changes.

Cybersecurity Risks

The information systems of the Company and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The operations of the Company depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation and results of operations of the Company.

Security Breaches

Given the nature of the Company's products and its lack of legal availability outside of legally approved channels, as well as the concentration of inventory in its stores, there remains a risk of shrinkage as well as theft. If there was a breach in security systems and the Company becomes victim to a robbery or theft, the loss of cannabis products or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Company's reputation, business continuity and results of operations. A security breach at one of the Company's stores could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential customers from choosing to shop at the Company's stores.

Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Company's board of directors and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

Operating Risks

Cannabis operations generally involve a high degree of risk. The Company's suppliers will be subject to all of the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect its suppliers generally, it could result in the delay of product supplied or increase the price of the product generally. The occurrence of either of the above mentioned risks or hazards could have a Material Adverse Effect on the ability of the Company to carry out its business and the price of the Company's securities.

Customer Acquisitions

The Company's success depends, in part, on the Company's ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the successful implementation of marketing plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a Material Adverse Effect on the Company's business, operating results and financial condition.

Constraints on Marketing Products

The development of the Company's businesses and operating results may be hindered by applicable restrictions on marketing. The Canadian federal regulatory regime requires plain packaging of products, and has further prohibitions with respect to marketing, including prohibitions on testimonials, lifestyle branding and packaging that is appealing to youth.

The regulatory environment in Canada and abroad limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected, which could have a materially adverse effect on the Company's business, financial condition and operating results.

Risks Inherent in an Agricultural Business

The business of certain of the Company's suppliers involves the growing of cannabis. Cannabis is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. In the case of outdoor cultivation, weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company's suppliers. Significant fluctuations in the total harvest will impact the Company's ability to operate. High degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have a Material Adverse Effect on the production of products by the Company's supplier, which may have a Material Adverse Effect on the Company.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company's suppliers are recalled due to an alleged product defect or for any other reason, the Company may be required to incur unexpected expenses relating to the recall, such as finding a suitable alternative to the recalled product, and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company's suppliers were subject to recall, the image of that product, the supplier and the Company's reputation as a carrier of that product could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a Material Adverse Effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

Product Liability

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

A product liability claim or regulatory action against the Company could result in increased costs to the Company, could adversely affect the Company's reputation with its clients and consumers generally, and could have a Material Adverse Effect on our results of operations and financial condition of the Company. There can be no assurances that the Company or the Company's suppliers will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Uninsurable Risks

The Company may become subject to liability for pollution, certain fire and explosion events, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material adverse effect on the financial position of the Company.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages.

Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such articles and reports.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products which could in turn have a material adverse effect on its business, operating results and financial condition.

Environmental and Employee Health and Safety Regulations

The Company's operations may be 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. Accordingly, 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 costs for corrective measures, penalties or in restrictions on certain of the Company's 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.

Reliance on Key Inputs

Certain of the Company's businesses are dependent on a number of key inputs and their related costs including supplies and stock related to their retail operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the financial condition and operating results of these suppliers. Any inability to secure required supplies, stock, and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of these suppliers, in which circumstance there could be a materially adverse effect on the financial results of the Company.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights brought in from the acquisition of Kiaro are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Transportation Risks

The Company's suppliers will depend on fast and efficient courier services. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company and/or the suppliers. Due to the nature of the business of the Company, security of product during transport is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and prospects of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada or other regulatory agencies, could also have an impact on the Company's and/or its suppliers' ability to continue operating.

Forward-Looking Information May Prove Inaccurate

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Readers should carefully consider the risk factors set out in this MD&A and consider all other information contained herein before making a decision with respect to the Amalgamation Agreement. If any of the risks described above materialize, the business, financial condition or results of operations of the Parties could be materially and adversely affected. Additional risks and uncertainties not currently known to or currently seen as immaterial by management of Company may also materially and adversely affect the business, financial condition or results of operations of the Parties.

Challenging Global Financial Conditions

Global financial conditions, particularly in light of the recent COVID-19 pandemic and the armed conflict between Russia and Ukraine, have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a Material Adverse Effect on the Company and the price of the Company's securities could be adversely affected.

Global Pandemic

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a "pandemic", certain actions are being taken by governments and businesses around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. As such, the Company's ability to operate its business and its sales revenue, results of operations, cash flow and liquidity may be adversely impacted.

The COVID-19 pandemic, the measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade, and the resulting changes in customer and consumer behaviours have disrupted and will continue to disrupt the Company's normal operations and impact employees, suppliers, partners, and customers. The degree to which COVID-19 will affect the Company's results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the COVID-19 pandemic, the impact of the COVID-19 pandemic and related restrictions on economic activity and domestic and international trade, and the extent of the impact of these and other factors on the Company's employees, partners, suppliers, and customers.

The COVID-19 pandemic and related restrictions could limit customers' ability to continue to operate, lead to disruption in the Company's supply chain, disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by key suppliers, increase vulnerability of the Company and its partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events. COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops or continues to develop, consumers may not have the financial means to make purchases from the Company and may delay or reduce discretionary purchases, negatively impacting the Company's operations.

Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in the Company's results of operations until future periods. Further, volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of the Company's common shares, increasing the risk that securities class action litigation could be instituted against the Company.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.