KIARO BRANDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended July 31, 2020

The following management's discussion and analysis ("MD&A") of financial condition and results of operations of Kiaro Brands Inc. ("Kiaro" or the "Company") should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended July 31, 2020, and the accompanying notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A has been prepared as of October 22, 2020, pursuant to the disclosure requirements under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

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 Company's annual audited consolidated 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 consolidated 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 income (loss) excluding finance income (expense), accretion, income taxes, depreciation, amortization, share-based compensation, loss on debt modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, lease termination loss and loss on sublease and non-cash impairment of equity investments, goodwill, and other assets. 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 FV 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 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.

TABLE OF CONTENT

BUSINESS OVERVIEW

Kiaro Brands Inc. ("Kiaro" or the "Company") was formed on September 9, 2019, through the amalgamation of Aura Cannabis Inc. and Elora Capital Ltd., via an amalgamation agreement entered into on July 24, 2019. See "*Material Transactions and Developments - Amalgamation of Elora Capital Ltd. and Kiaro Brands Inc.*" for more details.

In addition to its retail operations, Kiaro, through its wholly owned subsidiary, National Cannabis Distribution Inc. ("NCD"), wholesales cannabis products to other retailers in Saskatchewan (see "*Material Transactions and Developments*").

The seven month period from January 1, 2019 to July 31, 2019, is used as the basis for comparison for the six month period from February 1, 2020 to July 31, 2020. The additional one month on a year to year comparative basis is the result of a change in the fiscal year end from December 31, 2018 to January 31, 2020.

The head office of the Company is located at 300 - 110 East Cordova Street, Vancouver, British Columbia, Canada V6A 1K9.

DESCRIPTION OF BUSINESS

Kiaro is a cannabis retail company based in Vancouver, British Columbia and holds operating licences in three provincial jurisdictions: British Columbia, Saskatchewan, and Ontario. The core values of Kiaro's business are an operational focus on individual location profitability, carefully selected real estate with economically viable leases, multi-channel immersive customer experiences, staff training and engagement at the store level, and project management excellence.

Values-Centric Organization

Kiaro operates with core values as the center of Kiaro's operational decision making. Accountability, courage, collaboration and creativity are the basis for hiring and training at all levels within the organization. These core values extend to not only how Kiaro operates internally, but also how Kiaro builds partnerships within the extended cannabis community. Kiaro is an equal opportunity employer and as Kiaro grows, Kiaro intends to continue to find ways to demonstrate that belief in action.

OPERATIONAL HIGHLIGHTS IN THE 2021 FISCAL YEAR

Retail Operations

The Kiaro retail portfolio increased from four cannabis retail stores as at January 31, 2020, to seven open and operating cannabis retail stores as at the date of this MD&A. Each of Kiaro's operating stores contributed positive cash flows to the Company within one to six months of opening. In the second quarter of fiscal year 2021, Kiaro's average month over month revenue increase was 8.9% and product margins averaged 38%.

Retail operations generated $4,350,363 in revenue for the six month period ended July 31, 2020. Retail gross profit for the same period was $1,643,688.

British Columbia

Kiaro opened a new cannabis retail location in each of March 2020, July 2020 and September 2020, for a total of three new locations in the 2021 fiscal year. Kiaro's Port Moody location, its fifth location, is between Coquitlam and Burnaby, two municipalities that currently have no framework for regulated cannabis retail, allowing Kiaro to capture a wider consumer base than the population of Port Moody alone. The Company successfully completed the build out of its Port Moody location on time and under budget, despite opening during the COVID-19 pandemic on March 20, 2020. Kiaro's sixth store located in Vancouver opened on July 1, 2020, in the historic Commercial Drive neighborhood. In the period subsequent to July 31, 2020, Kiaro opened a seventh location in Nanaimo on September 8, 2020.

Saskatchewan

In February 2019, Kiaro launched its e-commerce platform for customers across Saskatchewan. The company's e-commerce platform was built on the Shopify Plus platform and allows customers to choose last mile delivery in the Saskatoon area through Pineapple Express Delivery or standard shipping through Purolator to any home address in Saskatchewan. Kiaro intends to continue its e-commerce offerings and expansion as more jurisdictions in which the Company operates permit private online cannabis sales, and increase enforcement efforts against unregulated online cannabis sales.

Ontario

In January 2020, when the Alcohol and Gaming Commission of Ontario repealed the lottery process and began accepting applications for Retail Operator Licenses ("ROL"), Kiaro applied and was awarded a ROL on June 18, 2020. With this approval, Kiaro is currently evaluating opportunities to open a cannabis retail store in Ontario to continue to grow its retail network in Canada.

COVID-19

As COVID-19 has changed the retail shopping experience, Kiaro modified 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 option for consumers. Kiaro also eliminated all unnecessary in-store touch points and is following British Columbia and Saskatchewan Health Authority and WorkSafe guidelines. Kiaro expects to continue to monitor direction given by applicable health authorities and adjust its retail experience accordingly. Although there have not been any significant impacts to the Company's 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

Saskatchewan's geographic size versus its population density presents certain retail challenges to the Company. In order to meet this challenge, the Company, through its wholesale subsidiary NCD, is able to access and deliver product from a diverse range of sources and at competitive price points.

Wholesale operations generated $2,316,450 in revenue (exclusive of intercompany revenue) during the six month period ended July 31, 2020, with corresponding gross profit of $316,430 in the same period.

HIGHLIGHTS FOR THE SIX MONTHS ENDED JULY 31, 2020

- Kiaro opened a total of three new cannabis retail stores: one located in Port Moody on March 30, 2020, one located in Vancouver on July 1, 2020, and a third one located in Nanaimo in the period subsequent to July 31, 2020 on September 8, 2020;
- Retail revenue of $2,787,198 (Q2 2020 - $660,516) and gross profit of $1,050,466 (Q2 2020 - $201,126);
- Wholesale revenue of $1,212,904 (Q2 2020 - $118,800) and gross profit of $190,759 (Q2 2020 - $22,266);
- Expansion of product offering to include more edibles, cannabis extract products, and beverages; and
- Hosting of virtual "420" event, "Virtual Vibe", with ninety-six participants attending and ten industry partners presenting at the event.

FUTURE DEVELOPMENTS

Retail

The Company is currently evaluating opportunities to open one additional store in either British Columbia or Ontario in Q4 2021 or Q1 2022.

The Company expects all operational cannabis stores to contribute positive cash flow within one to six months of opening.

Wholesale

In 2020, the Saskatchewan Liquor and Gaming Authority (“SLGA”) altered the provincial regulations to allow new proponents to apply for cannabis retail permits in Saskatchewan. NCD plans to expand its customer base of retailers as new permits are issued over the next twelve to eighteen months and continues to seek advantageous partnerships with licensed producers to expand its product offering.

NCD expects higher gross margins in the 2021 fiscal year due to improvements to supply chain reporting, and with a continued focus on reasonable margins, unique product offerings and fair pricing to retailers.

KEY DEVELOPMENTS FOR THE SIX MONTHS ENDED JULY 31, 2020

On February 1, 2020, the Company entered into an agreement with a third party for a convertible debenture in the amount of $100,000. The convertible debenture bears interest at eight percent per annum and is to mature on February 1, 2022. The lender may, at any time, convert all or any portion of the principal into common shares of the Company at a value of $0.432 per common share. The Company recognized a derivative liability of $24,281 on inception of the convertible debentures.

In February 2020, the Company entered an unsecured $500,000 short-term loan with the CEO of the Company. The loan bears interest of prime plus one percent per annum and is payable on demand. As of April 30, 2020, the balance of the loan was $358,166, which included an interest accrual of $3,985.

On March 13, 2020, the Company settled a promissory note in the amount of $600,000, which beared interest of ten percent per annum, for $613,644.

In March 2020, the Company liquidated all class 2 common shares it held in Tilray Inc. for net proceeds of $910,183, resulting in a realized and recognized loss of $2,105,548 and a realized foreign exchange gain of $38,413.

In March 2020, the Company provided a termination notice for the lease of a property located in the District of North Vancouver (the “North Vancouver Lease”). As at June 30, 2020, the North Vancouver Lease has been terminated.

On April 7, 2020, one of the promissory notes with a face value of $100,000 and a compounding interest rate of 14%, was settled for $104,181, which includes accrued interest of $4,181.

In April 2020, the Company sublet a portion of a leased property located in Victoria, British Columbia, which resulted in a partial derecognition of the right-of-use asset and an increase in net investment in leases.

On April 29, 2020, the Company entered into an agreement with a third party for a Canada Emergency Business Account (“CEBA”) loan in the amount of $40,000. The loan bears interest at 0% until December 31, 2022, and 5% thereafter from January 1, 2023 until the loan is repaid in full. The loan is to be repaid by interest only payments beginning on January 1, 2023, and the balance by December 31, 2025.

On May 11, 2020, the Company closed a non-brokered private placement of 1,000 units of the Company (“Units”) at a price per Unit of $1,000 for aggregate gross proceeds of $1,000,000. Each Unit was comprised of one (1) secured convertible debenture of the Company with a principal amount of $1,000 (a “2020 Debenture”), and five thousand (5,000) common share purchase warrants of the Company (“Warrants”). Each Debenture was automatically converted into 10,000 preferred shares of the Company (“Preferred Shares”) at a price per Preferred Share of $0.10 immediately following the creation of the Preferred Shares at a meeting of the shareholders of the Company held on July 7, 2020 (the “Meeting”). Had the creation of the Preferred Shares not been approved at the Meeting, the 2020 Debentures would have commenced bearing interest at the simple rate of 10% per annum maturing on the two (2) year anniversary of the date of issuance thereof. On inception of the 2020 Debentures, the fair value of the debt component of $672,869 was measured at the net present value of future cash flow using an effective rate of 20%. The fair value of the five purchase warrants issued with the convertible debenture of $98,329, and the fair value of the conversion feature of $228,892 were calculated using Black-Scholes model with a risk-free interest rate of 0.26% and were recorded as a long-term liability reserve and shareholders’ equity respectively. As of the date hereof, following conversion, no 2020 Debentures remain outstanding. Immediately prior to the completion of the Transaction (as defined and described below), each Preferred Share was automatically converted into one (1) common share of the Company. Each Warrant was exercisable to acquire one (1) common share of the Company at a price per common share of $0.13 following the earlier of: (A) the Company delivering written notice to the holder permitting such exercise; and (B) if the Company does not complete a go-public event by October 31, 2020, October 31, 2020. Warrants are only exercisable if the Company does not complete a go-public event prior to October 31, 2020, and would have been exercisable until the earlier of the three (3) year anniversary of the date of issuance thereof and the two (2) year anniversary of the go-public event, subject to acceleration. As the Company completed the Transaction prior to October 31, 2020, the Warrants were rendered null and void and are no longer issued and outstanding.

On May 31, 2020, the Company settled the remaining portion of the promissory note units totaling $1,750,000 with three new convertible debentures totaling $1,750,000 to companies related to a director of the Company. The convertible debentures bear interest of 8% and mature on May 31, 2022. The lender may, on the date of maturity, convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a deemed issue price of $0.30 per common share. Subject to the Company going public, the holders have the option to convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a discounted go-public issue price equal to 80% of the issue price in connection with a go-public transaction. On July 31, 2020, one convertible debenture issued for $300,000 was settled as part of the settlement of a loan receivable with an arms' length party, including accrued interest of $4,332.

On June 9, 2020, the Company entered into a definitive agreement with DC Acquisition Corp. ("DCA") to combine the businesses of the two companies (the "Transaction"). The Transaction was an arms' length transaction, and constituted the Company's "Qualifying Transaction" (as such term is defined in Policy 2.4 of the Exchange). Between June and July 2020 and in accordance with the policies of the TSX Venture Exchange, DCA advanced Kiaro a loan of $225,000 on commercial terms, with interest rates at 4% and maturing one year from the date of issuance, such loans were subsequently cancelled following completion of the Transaction.

On July 31, 2020, the Company settled a loan receivable for the amount of $341,214, which included accrued interest of $33,534. The Company settled the loan for $35,000 cash, with the remaining loan balance being assigned to a related party entity, in exchange for the settlement of a convertible debenture issued to the related party with an equal principal balance of $300,000.

KEY DEVELOPMENTS SUBSEQUENT TO JULY 31, 2020

In connection with the Transaction, DCA filed its filing statement in respect of the Transaction on its profile on SEDAR at www.sedar.com on October 2, 2020. Kiaro subsequently completed the Transaction by way of reverse take-over of DCA pursuant to the Merger Agreement on October 13, 2020 by way of a three-cornered amalgamation of Kiaro with 1251542 B.C. Ltd., a wholly owned subsidiary of DCA. Following completion of the Transaction, the resulting issuer, now named Kiaro Holdings Corp. (the "Resulting Issuer") commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "KO". The Resulting Issuer carries on the business of the Company and is listed on the Exchange as a Tier 2 issuer.

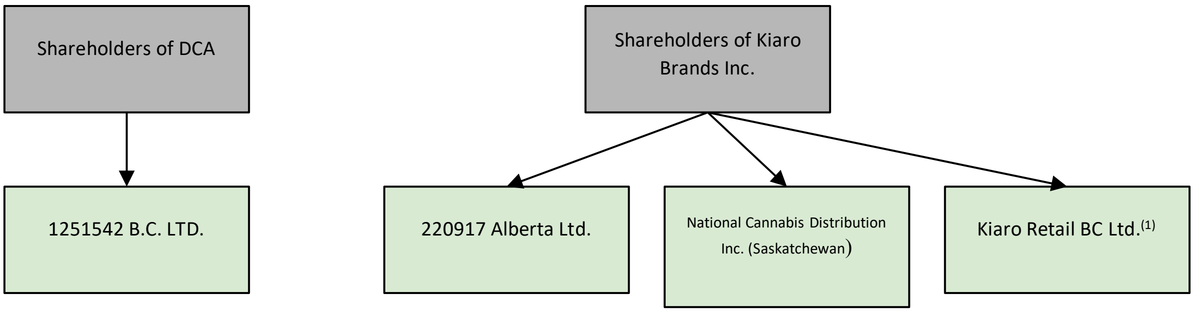
Immediately prior to the completion of the Transaction, approximately $6,502,364 of principal and accrued interest on convertible debentures of the Company were converted into common shares of the Company in accordance with the conversion terms underlying such Kiaro Debentures. Upon completion of the Transaction, the Company had access to approximately $2 million in cash, being the net assets of DCA.

MATERIAL TRANSACTIONS AND DEVELOPMENTS

Kiaro Brands Inc. and DCA

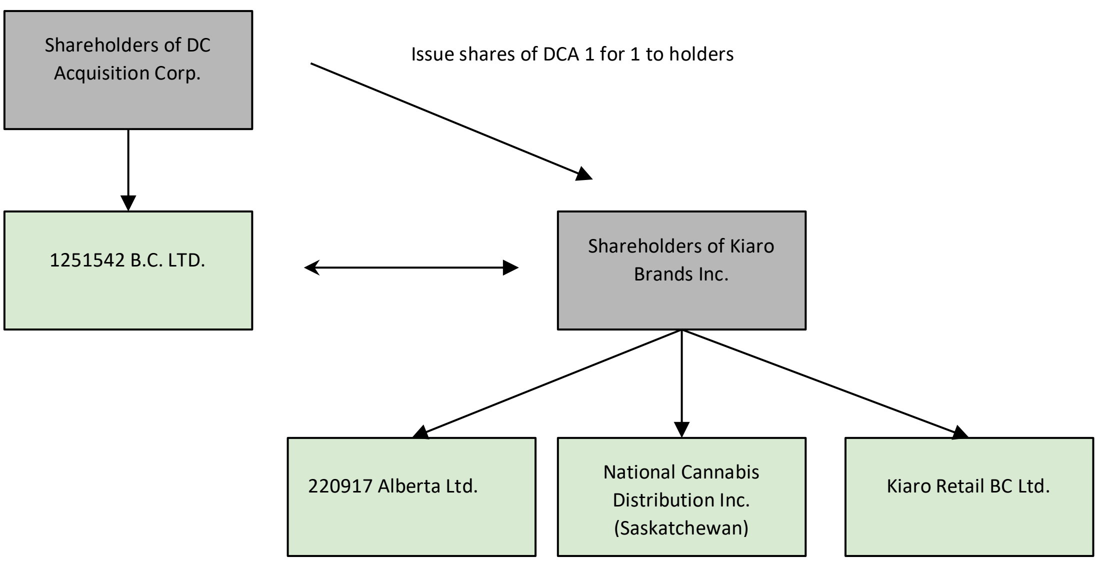
DCA, Kiaro and 1251542 B.C. LTD. ("DCA Subco") entered into the Merger Agreement on June 9, 2020, which set out the principal terms and conditions of the Transaction. Pursuant to the Merger Agreement, DCA Subco and Kiaro amalgamated and holders all of the issued and outstanding shares in the capital of Kiaro were issued an equal number of common shares in the capital of DCA ("DCA Share") on October 13, 2020. Immediately prior to effecting the above share exchange, DCA completed a share consolidation of its shares on the basis of one post-consolidation DCA Shares for every 1.7142857143 pre-consolidation DCA Shares in order to establish a one for one exchange ratio of common shares of the Company for DCA Shares.

The following was the organizational structure of prior to the Amalgamation:

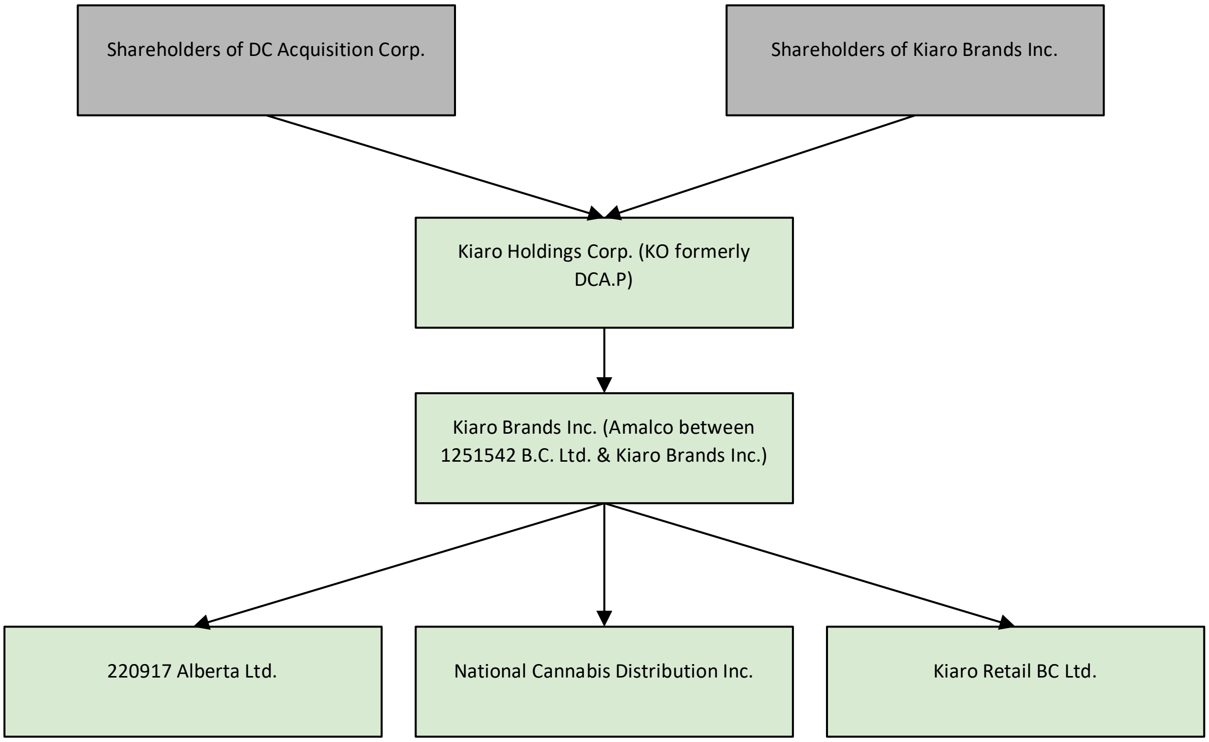


(1) On October 10, 2019, the Company incorporated the wholly owned subsidiary, Kiaro Retail BC Ltd., for the purposes of holding BC cannabis retail licences. This transfer of licence has not been completed as of the date of this MD&A.

The following is the organizational structure of the 3-corner Amalgamation:



The following is the Post-Amalgamation organizational structure:



Upon completion of the Transaction, shareholders of the Company and shareholders of DCA became shareholders of the Resulting Issuer. Immediately prior to the completion of the Transaction, approximately $6.5 million of principal and accrued and unpaid interest on convertible debentures of the Company were converted into common shares of the Company in accordance with the conversion terms underlying such Kiaro Debentures. All securities entitling holders to acquire common shares of the Company outstanding at the time of the consummation of the Transaction were exchanged for equivalent securities of the Resulting Issuer on a one for one basis, subject to adjustment in accordance with the certificates evidencing such securities. Replacement Resulting Issuer options issued to current Kiaro option holders are governed by the DCA option plan.

SELECTED FINANCIAL INFORMATION

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2020, and the accompanying notes thereto. All dollar amounts are in Canadian dollars.

Statement of Comprehensive Loss

	Three months ended July 31, 2020	**Three months ended April 30, 2020**	**% Change**	**Six months ended July 31, 2020**	**Seven months ended July 31, 2019**	**% Change**
	$	$		$	$	
Revenue	4,000,102	2,666,711	50%	6,666,813	1,279,997	421%
Gross profit	1,236,246	715,285	73%	1,951,531	380,768	413%
Operating expenses	2,091,454	1,918,486	9%	4,009,940	4,693,248	-15%
Loss from operations	(855,208)	(1,203,201)	-29%	(2,058,409)	(4,312,480)	-52%
Other expense	(588,597)	(2,607,630)	-77%	(3,196,227)	(443,589)	621%
Net loss	(1,443,805)	(3,810,831)	-62%	(5,254,636)	(4,756,069)	10%
Adjusted EBITDA (1)	(136,363)	(513,204)	73%	(649,567)	(3,359,231)	81%

(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 to the IFRS equivalent.

For more information relating to factors that have caused period to period variation, see "*Key Developments for the Year Ended January 31, 2020*" and "*Material Transactions and Developments*".

DISCUSSION OF FINANCIAL RESULTS

The following table outlines the key financial results:

	Three months ended July 31, 2020	Three months ended July 31, 2019	Six months ended July 31, 2020	Seven months ended July 31, 2019
	$	$	$	$
Revenue	4,000,102	779,316	6,666,813	1,279,997
Cost of sales	2,763,856	562,214	4,715,282	899,229
Gross profit	1,236,246	217,102	1,951,531	380,768
Gross profit %	31%	28%	29%	30%
Net loss and comprehensive loss	**(1,443,805)**	**(2,630,484)**	**(5,254,636)**	**(4,756,069)**
Loss per share, basic and diluted	**(0.01)**	**(0.13)**	**(0.05)**	**(0.25)**

Revenue

In Q2 2021, the Company generated revenue of $4,000,102, in comparison to $779,316 in Q2 2020. The increase in revenue in comparison to the prior year is due to the opening of new retail locations, the increase in sales of recreational cannabis within retail locations, and entry into the wholesale cannabis business as a result of the NCD acquisition in March 2019.

Cost of sales

In Q2 2021, cost of sales totaled to $2,763,856, in comparison to $562,214 in Q2 2020. The increase in cost of sales is in line with the Company's revenue.

Operating expenses

The following table outlines the operating expenses for the three and six months ended July 31, 2020:

	Three months ended July 31, 2020	Three months ended July 31, 2019	Six months ended July 31, 2020	Seven months ended July 31, 2019
	$	$	$	$
Consulting	126,735	412,999	179,980	626,656
Depreciation and amortization	474,623	597,849	768,538	884,960
Maintenance	50,926	67,517	86,833	142,875
Marketing and brand development	64,133	190,469	98,616	426,128
Meals and entertainment	238	6,700	1,673	19,278
Office and administration	136,490	125,465	283,908	363,820
Professional fees	174,550	132,932	358,891	263,626
Salaries and employee benefits	817,943	906,672	1,564,638	1,802,801
Share-based compensation	244,222	24,081	640,304	68,289
Travel	1,594	37,497	7,371	94,815
Inventory write-down	-	-	19,188	-
Total operating expenses	**2,091,454**	**2,502,181**	**4,009,940**	**4,693,248**

The decrease in operating expenses during Q2 2021 is a continuation of the Company continuing its efforts in efficiencies in its operations and controlling overhead spending. The key areas that occurred in Q2 2021 compared to Q2 2020 are as followed:

- Decrease in consulting expense was due to lease commissions paid in Q2 2020 for new retail locations opened in fiscal 2021 and fee for lease termination of the Kensington retail location.
- Decrease in marketing and brand development expenses was due to a refinement of marketing efforts. In addition, in anticipation of the Company's first BC retail store opening, Kingsway, Vancouver, additional promotional spending occurred in fiscal 2020.
- Decrease in salaries and employment benefits expense in comparison to Q2 2020 was due to a significant headcount reduction at corporate level and partially offset by an increase in headcount with the new retail store openings.

- Increase in Q2 2021 share-based compensation expense was due to an increase in options granted to officers, employees and consultants of the Company.

Other expenses and income

The following table outlines the other expenses and income:

	Three months ended July 31, 2020	Three months ended July 31, 2019	Six months ended July 31, 2020	Seven months ended July 31, 2019
	$	$	$	$
Change in fair value of derivative liabilities	(2,382)	27,855	(25,883)	27,855
Lease termination loss and loss on sublease	(1,788)	(17,110)	(55,210)	(17,110)
Loss on modification and extinguishment of debt	(93,344)	-	(93,344)	-
Foreign exchange gain	-	-	38,413	-
Finance income	45,866	18,617	45,866	35,278
Finance expense	(536,949)	(374,767)	(1,000,521)	(489,612)
Realized loss on sale of marketable securities	-	-	(2,105,548)	-
Total other expenses	**(588,597)**	**(345,405)**	**(3,196,227)**	**(443,589)**

In Q2 2021, other expenses totaled to $588,597, in comparison to $345,405 in Q2 2020. This is mostly comprised finance expense of $536,949 (Q2 2020 – $374,767) due to the increase of accretion expense on promissory notes and convertible debentures issued in the prior year, and loss on modification and extinguishment of debt of $93,344 (Q2 2020 - $Nil) upon conversion of promissory notes to convertible debentures.

In Q1 2021, other expenses comprised of a realized loss on the sale of marketable securities of $2,105,548 from the declining share price on Tilray Inc. shares.

DISCUSSION OF FINANCIAL POSITION

The following table outlines the key financial position for the six months ended July 31, 2020:

	Six months ended July 31, 2020	Thirteen months ended January 31, 2020
	$	$
Inventory	1,371,091	841,829
Total Assets	9,945,197	13,992,304
Non-Current Liabilities	9,303,264	9,712,063

As at Q2 2021, inventory increased to $1,371,091 due to additional retail store openings and bringing inventory to appropriate levels to support expected retail needs.

The decrease in total assets from FY 2020 to Q2 2021 relates primarily to the sale on the investment of marketable securities of $2,986,518.

ADJUSTED EBITDA

The following is the Company's adjusted EBITDA:

	Quarterly			Year-to-date	
$	July 31, 2020	April 30, 2020	July 31, 2019	July 31, 2020	July 31, 2019 (1)
Net loss and comprehensive loss	(1,443,805)	(3,810,831)	(2,630,484)	(5,254,636)	(4,756,069)
Depreciation and amortization	474,623	293,915	597,849	768,538	884,960
Finance income	(45,866)	-	(18,617)	(45,866)	(35,278)
Finance expense	536,949	463,572	374,767	1,000,521	489,612
EBITDA	(478,099)	(3,053,344)	(1,676,485)	(3,531,443)	(3,416,775)
Share-based compensation	244,222	396,082	24,081	640,304	68,289
Change in fair value of derivative liabilities	2,382	23,501	(27,855)	25,883	(27,855)
Lease termination loss and loss on sublease	1,788	53,422	17,110	55,210	17,110
Loss on modification and extinguishment of debt	93,344	-	-	93,344	-
Foreign exchange gain	-	(38,413)	-	(38,413)	-
Realized loss on sale of marketable securities	-	2,105,548	-	2,105,548	-
Adjusted EBITDA (2)	**(136,363)**	**(513,204)**	**(1,663,149)**	**(649,567)**	**(3,359,231)**
Less: lease payments (3)	(269,354)	(243,028)	(418,015)	(512,382)	(683,101)
Adjusted EBITDA less lease payments	**(405,717)**	**(756,232)**	**(2,081,164)**	**(1,161,949)**	**(4,042,332)**

(1) For the seven months ended July 31, 2019.

(2) Adjusted EBITDA is a non-GAAP financial measure and is not a recognized, defined, or standardized measure under IFRS. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of the MD&A.

(3) Under IFRS 16, leases that were previously classfied as operating leases are now on-balance sheet. Instead of recognizing rent expenses, the company now recognizes amortization and interest expense related to these operating and non-operating leases.

SEGMENT INFORMATION

Throughout the period ended July 31, 2020, the Company operated in two segments;

- **Wholesale Cannabis Business** - the Company owns and operates wholesale cannabis business through its wholly owned subsidiary NCD in the Province of Saskatchewan.
- **Retail Cannabis Stores** – The Company operates retail locations to sell and distribute cannabis and cannabis related products.

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

Three months ended July 31, 2020	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
Revenue	1,212,904	2,787,198	-	-	4,000,102
Intercompany revenue	409,921	-	-	(409,921)	-
Total revenue	1,622,825	2,787,198	-	(409,921)	4,000,102
Cost of sales	1,432,065	1,736,732	-	(404,941)	2,763,856
Gross profit	190,760	1,050,466	-	(4,980)	1,236,246
Net profit (loss) for the period	121,120	196,145	(1,756,090)	(4,980)	(1,443,805)

Three months ended July 31, 2019	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
Revenue	118,800	660,516	-	-	779,316
Intercompany revenue	270,596	-	-	(270,596)	-
Total revenue	389,396	660,516	-	(270,596)	779,316
Cost of sales	367,130	459,390	-	(264,306)	562,214
Gross profit	22,266	201,126	-	(6,290)	217,102
Net loss for the period	22,266	201,126	(2,847,586)	(6,290)	(2,630,484)

Six months ended July 31, 2020	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
Revenue	2,316,450	4,350,363	-	-	6,666,813
Intercompany revenue	642,571	-	-	(642,571)	-
Total revenue	2,959,021	4,350,363	-	(642,571)	6,666,813
Cost of sales	2,642,590	2,706,675	-	(633,983)	4,715,282
Gross profit	316,430	1,643,688	-	(8,588)	1,951,531
Net profit (loss) for the period	138,178	19,953	(5,404,180)	(8,588)	(5,254,636)
Total assets	952,523	7,145,106	1,856,156	(8,588)	9,945,197

Seven months ended July 31, 2019	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
Revenue	125,827	1,154,170	-	-	1,279,997
Intercompany revenue	263,224	-	-	(263,224)	-
Total revenue	389,051	1,154,170	-	(263,224)	1,279,997
Cost of sales	368,028	789,512	-	(258,311)	899,229
Gross profit	21,023	364,658	-	(4,913)	380,768
Net loss for the period	(64,498)	(515,534)	(4,171,123)	(4,913)	(4,756,068)
Total assets	174,049	8,437,045	2,848,659	(4,913)	11,454,840

The wholesale cannabis business was acquired in Q1 2020 and sales begun in Q2 2020, and has seen significant growth since then.

The retail cannabis segment has continued to grow significantly since Q2 2020 with the opening of three new stores, two of which were in the six month period ended July 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2020, the Company had negative working capital of $413,538 (January 31, 2020 - positive $2,815,847).

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the expansion phase by opening and acquiring cannabis retail locations throughout Canada. While these condensed consolidated interim financial statements have been prepared on a going concern basis, the Company continues to remain dependent on its ability to obtain sufficient funding to sustain operations and continue with its current expansion projects. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. Several alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. The Company has incurred a net loss of $5,254,636 and negative cash flows from operations and as at July 31, 2020, has an accumulated deficit of $20,377,018. These factors indicate a material uncertainty that may cast significant doubt about the Company being able to continue as a going concern.

The condensed consolidated interim financial statements for the period ended July 31, 2020, do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and the statements of financial position. Such adjustments, if required, could be material.

The Company's expected cash resources are sufficient to meet its short-term needs, including maintaining inventory to meet customers' needs. Management estimates that the current cash position and future cash flows from new equity financings and/or related party loans should be sufficient for the Company to carry out its anticipated costs of operations through 2020. There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its business objectives. There is no legal or practical restriction on the ability of subsidiaries to transfer funds to Kiaro.

Between June to August 2020, the Company had capital expenditures in the amount of $230,000 towards the build out of its sixth retail cannabis store located in Vancouver, British Columbia. In Q3 2021, the build out of its seventh retail cannabis store located in Nanaimo, British Columbia was $160,000 in capital expenditures.

Funds allocated to capital expenditures will be used from the proceeds of the financing closed May 11, 2020 of $1,000,00 and the cash received relating to the DCA amalgamation (See "*Key Developments Subsequent to July 31, 2020*").

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its business objectives.

See "*Fair Value Measurement and Financial Instruments – Liquidity Risk*", for additional information regarding market risks and how they relate to the Company.

OFF-BALANCE SHEET TRANSACTIONS

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

RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel, independent directors and shareholders. 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.

The following table outlines key management personnel compensation for the three and six months ended July 31, 2020:

	Three months ended July 31, 2020	Three months ended July 31, 2019	Six months ended July 31, 2020	Seven months ended July 31, 2019
	$	$	$	$
Salaries and benefits	102,956	96,547	148,352	312,811
Consulting fee	75,000	-	120,000	-
Share-based compensation	327,234	26,202	485,829	50,817
Total key management compensation	505,190	122,749	754,181	363,628

On February 14, 2020, the Company entered an unsecured $500,000 short-term loan with the CEO of the Company. The loan bears interest of prime plus one percent per annum and is payable on demand. As of July 31, 2020, the loan had been fully repaid including accrued interest of $4,571.

On May 31, 2020, Kiaro issued 416,666 common shares at a price of $0.1440 per common share for services rendered to a Company owned by the CFO of the Company.

During the period ended July 31, 2020, the Company settled two promissory notes issued to companies related to the CEO of the Company for $1,000,000 and $750,000 by converting the notes to convertible debentures. One of the debentures issued for $300,000 was settled with a loan receivable from an arms' length party.

PROPOSED TRANSACTION

The Company had no proposed transactions.

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 is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Goodwill and intangible assets

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each cash-generating unit ("CGU") containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGUs 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 judgment. 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 a fair value less costs of disposal. 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

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 fluctuation and fluctuations in inventory levels.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in the Note 3 of the annual consolidated financial statements for the year ended January 31, 2020, have been consistently applied to all periods presented in the Interim Financial Statements.

FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

	July 31 , 2020	January 31, 2020
Financial assets	$	$
FVTPL		
Investments in marketable securities	-	2,986,518
Amortized cost		
Cash and cash equivalents	992,408	1,418,764
Trade and other receivables (exclude GST receivable)	130,876	107,850
Loan receivable	-	297,382
Net investment in the lease	548,970	591,391
Total financial assets	1,672,254	5,401,905
Financial liabilities		
Financial liabilities at FVTPL		
Embedded derivative liability	1,695,787	1,285,000
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (exclude PST payable)	1,845,342	1,438,865
Due to related parties	1,246	18,861
Purchase liabilities	296,315	473,410
Lease liabilities	2,541,824	3,171,100
Long-term liabilities	5,968,511	6,530,767
Total financial liabilities	12,349,025	12,918,003

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 it relates to financial instruments are reflected below:

Market Risk

Currency risk

The Company does not operate outside of Canada, does not transact in foreign currency; therefore, there is no inherent currency risk.

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. The Company's long-term liabilities with an interest rate of prime rate plus a margin will be affected by fluctuations in the Canadian prime interest rate, which can have an impact on the interest expense recognized. The Company's long-term liabilities have fixed interest rates, and therefore the Company is not exposed to this risk.

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, the Company's investments in the marketable securities are 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 July 31, 2020, the Company had $992,408 in cash and cash equivalents (January 31, 2020 - $1,418,764). The Company is obligated to pay financial liabilities with total carrying amounts and contractual cash flows amounting to $3,045,833 in the next 12 months (January 31, 2020 - $3,229,502).

As at July 31, 2020, 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 PST payable)	1,845,342	-	-	-	-	1,845,342
Due to related parties	1,246	-	-	-	-	1,246
Lease liability	676,194	769,958	780,696	268,666	46,310	2,541,824
Embedded derivative liability	-	1,695,787	-	-	-	1,695,787
Purchase Liability	296,315	-	-	-	-	296,315
Long-term liabilities	226,664	5,741,847	-	-	-	5,968,511
Total	3,045,761	8,207,592	780,696	268,666	46,310	12,349,025

As at January 31, 2020, 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 PST payable)	1,438,865	-	-	-	-	1,438,865
Due to related parties	18,861	-	-	-	-	18,861
Lease liability	683,979	781,753	908,122	624,239	173,007	3,171,100
Embedded derivative liability	-	1,285,000	-	-	-	1,285,000
Purchase Liability	370,180	103,230	-	-	-	473,410
Long-term liabilities	694,055	5,836,712	-	-	-	6,530,767
Total	3,205,940	8,006,695	908,122	624,239	173,007	12,918,003

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, trade and other receivable (excluding GST receivable), and loan receivables. 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.

The following table summarizes the Company's aging of trade and other receivables (excluding GST receivable) and expected credit losses as at July 31, 2020:

	Trade and other receivables (excluding GST receivables)	Expected credit losses
	$	$
0 - 30 days	129,812	-
31 - 61 days	-	-
61 - 90 days	179	-
> 90 days	885	-
Total	130,876	-

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.

				July 31, 2020
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	$	$	$	$
Embedded derivative liability	-	-	1,695,787	1,695,787
	-	-	1,695,787	1,695,787

For cash and cash equivalents, trade and other receivables (excluding GST receivable), loan receivable, accounts payable and accrued liabilities (excluding PST payable), and due to related parties, fair value approximates their carrying value at the year 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 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. The following share capital data is current as at October 12, 2020, being the date immediately prior to the completion of the Transaction:

Securities	**Balance**
Issued and outstanding common shares	97,993,707
Issued and outstanding preferred shares	10,000,000
Stock options	5,307,500
Warrants	13,331,560
Convertible debentures	50,656,104

As at the date hereof, the Resulting Issuer's authorized share capital consists of an unlimited number of common shares. The following share capital data is current as at the date hereof:

Securities	Balance
Issued and outstanding common shares	173,565,679
Stock options	6,036,667
Warrants	8,331,560
Convertible debentures (1)	6,019,387

(1) Includes accrued and unpaid interest up to October 22, 2020, which would be convertible to common shares.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

RISK FACTORS

In addition to the other information included in this report, readers should consider carefully 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 of, 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. As the Company has completed the Transaction as of the date hereof, any reference to Company herein should also be read to imply a corresponding reference to the Resulting Issuer, as applicable.

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

Market Risk for Securities

The Resulting Issuer's common shares are listed for trading on the Exchange under the symbol "KO". There can be no assurance that an active trading market for the Resulting Issuer's common shares will be established and sustained. The market price for Resulting Issuer's common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- actual or anticipated fluctuations in the Resulting Issuer's results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the same industry in which the Resulting Issuer operates;
- addition or departure of the Resulting Issuer's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Resulting Issuer's common shares;
- sales or perceived sales of additional Resulting Issuer's common shares;
- operating and financial performance that varies significantly from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Resulting Issuer's industry, business and operations;
- announcements of developments and other material events by the Resulting Issuer or its competitors;
- fluctuations in the costs of vital production inputs, materials and services;
- changes in global financial markets, global economies and general market conditions, such as interest rates and product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Resulting Issuer or its competitors;

- operating and share price performance of other companies that investors deem comparable to the Resulting Issuer; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Resulting Issuer's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values, or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Resulting Issuer's common shares may decline even if our operating results, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted, and the trading price of the Resulting Issuer's common shares may be materially adversely affected.

In addition, the Resulting Issuer may sell or issue additional equity securities in subsequent offerings (including through the sale of securities convertible into equity securities and the issuance of equity securities in connection with acquisitions). We cannot predict the size of future issuances of equity securities or the size and terms of future issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that future issuances and sales of our securities will have on the market price of the Resulting Issuer's common shares.

Additional issuances of our securities may involve the issuance of a significant number of Resulting Issuer's common shares at prices less than the current market prices. Issuances of a substantial number of Resulting Issuer's common shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of the Resulting Issuer's common shares. Any transaction involving the issuance of previously authorized but unissued Resulting Issuer common shares, or securities convertible into Resulting Issuer common shares, may result in significant dilution to security holders.

Sales of substantial amounts of our securities by us or our existing shareholders, or the availability of such securities for sale, could adversely affect the prevailing market prices for our securities and dilute investors' earnings per share. Exercises of presently outstanding share options or warrants may also result in dilution to security holders. A decline in the market prices of our securities could impair our ability to raise additional or sufficient capital through the sale of securities should we desire to do so.

Failure to Maintain Listing Standards

We must meet continuing listing standards to maintain our listing on the Exchange. If we fail to comply with listing standards and the Exchange delists the Resulting Issuer Common Shares, we and our shareholders could face significant material adverse consequences, including:

- a limited availability of market quotations for the Resulting Issuer Common Shares;
- reduced liquidity for the Resulting Issuer Common Shares;
- a determination that the Resulting Issuer Common Shares are "penny stock", which would require brokers trading in the Resulting Issuer Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the Resulting Issuer Common Shares;
- a limited amount of news and analyst coverage of the Resulting Issuer; and
- a decreased ability for the Resulting Issuer to issue additional equity securities or obtain additional equity or debt financing in the future.

As a public company, the business is subject to evolving corporate governance and public disclosure regulations that may from time to time increase both the Resulting Issuer's compliance costs and the risk of non-compliance, which could adversely impact the price of the Resulting Issuer Common Shares.

Negative Operating Cash Flows

As the Company is at the early stage start up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Key Personnel Risk

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 its ability to execute 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.

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.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. In the event that its operations are affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact sales and profitability, the Company may be dependent upon the capital markets to raise additional financing in the future. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on its operations and ability to expand or operate through unanticipated expenses and delays. **Share Price Volatility Risk**

It is anticipated that the Company's common shares will be listed for trading on the Exchange. As such, external factors outside of the Company's control, such as government regulation, commodity pricing, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of its common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Future Expansion efforts may not be successful

There is no guarantee that the Company's current expansion strategy will be completed in the currently proposed form, if at all, nor is there any guarantee that the Company will be able to expand into additional jurisdictions. There is also no guarantee that expansions to our marketing and sales initiatives will be successful. Any such activities will require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. There is also no guarantee that we will be able to complete any of the foregoing activities as anticipated or at all. Our failure to successfully execute our expansion strategy could adversely affect our business, financial condition and operations and may result in our failing to meet anticipated or future demand for products, when and if it arises.

In addition, the construction of future facilities is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond our control, including the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by our suppliers, difficulties in integrating new equipment with its existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, or insufficient funding or other resource constraints. Moreover, actual costs for construction may exceed our budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, we may not be able to achieve the intended economic benefits, which in turn may materially and adversely affect our business, prospects, financial condition and operations.

Licences and Permits

The operations of the Company require licences and permits from various governmental authorities. The Company understands that the Transaction does not require any prior regulatory approval, but if the cannabis regulators take a different view, it may be required to make submissions to such regulators in support of the Transaction and the Company cannot predict with any certainty the ultimate success of such submissions. The Company currently has all permits and licences that it believes are necessary to carry on its current business operation with the intention of obtaining additional licences and permits for additional operations. The Company may require additional licences or permits in the future to achieve its intended operations and there can be no assurance that it will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licence or permit will be renewed if and when required or that such existing licences and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on its part. The duration and success of the Company’s efforts to obtain, amend and renew permits and licences 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 licences 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 licences 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 its business, financial condition, results of operations or prospects.

The Company is 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 licences, 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 relies on the suppliers’ licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain such licences 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 licences or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to its suppliers and the Company. Should the provincial cannabis regulators not issue, extend or renew the licences or should they issue or renew the licences 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 everchanging 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, it may experience adverse effects.

Compliance with Laws

The Company's and many of its suppliers' operations are subjected to various laws, regulations, and guidelines. The Company endeavours to comply with all applicable laws, regulations, and guidelines. However, there is a risk that its 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 and 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 its 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 its 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 it being unable to enter into certain commercial agreements or provide certain services which could have a material adverse effect on the business, results or operations and financial condition of the Company.

The Company incurs 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 its 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 its profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company.

Due to the nature of its 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.

Resulting Issuer as a Holding Company

The Resulting Issuer is a holding company. Essentially all of our operating assets are the capital stock of the Resulting Issuer's subsidiaries and substantially all of our business is conducted through subsidiaries which are separate legal entities. Consequently, our cash flows and ability to pursue future business and expansion opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

Uninsured or Uninsurable Risk

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

Conflicts of Interest Risk

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

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

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 its suppliers and, accordingly, may have an indirect material adverse effect on the Company.

Reliance on Supplier Facilities

The facilities of its 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 its suppliers' ability to continue operating under their licences or the prospect of renewing their licences, which may have an adverse effect on the Company.

Competition

The private retail cannabis industry is very competitive, with the most significant competition from other entities with multiple licences 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.

- Vertically Integrated Competitors are generally licensed producers that are able to produce the products sold at retail stores and may have significant scale and international operations. These competitors are generally well capitalized and have an established operating history in Canada; however, they are also subjected to regulatory operating restrictions in certain markets and thus significantly limits their ability to compete directly with the Company in those markets. Examples of such competitors include, but are not limited to: Canopy Growth Corp. (through its retail brands “Tokyo Smoke” and “Tweed”); DecibelNational Access Cannabis (under its Meta and NewLeaf Cannabis brands); and Choom Holdings Inc. (which is a retail brand with a number of licensed producer subsidiaries and medical clinic holdings).

- Existing retailers are competitors that generally have an existing business with some kind of retail footprint and are potentially entering the private retail cannabis market as a growth opportunity. These competitors are also generally well capitalized with an established retail operating history in Canada. However, as they are also operating other non-cannabis businesses, the Company believes that its sole focus on cannabis will allow it to continue to effectively compete with such entities. Examples of competitors with an existing retail footprint include, but are not limited to: Alcanna Inc. (under its Nova Cannabis brand) that principally operates a large number of private liquor stores; Aldershot Resources Ltd. (Solo Growth Corp.) that also operates a number of private liquor stores; and National Access Cannabis (under its Meta and New Leaf Cannabis brands) that also operates a number of medical cannabis referral clinics.

- Government Competition in the form of government wholesalers that sell directly to consumers online, such as the Ontario Cannabis Store also represents competition to the Company’s business. In British Columbia, the Company will face additional direct competition from the government in the form of government-owned retail.

- Unregulated market still represents a significant competitor to the Company’s business. Management of the Company believes that until there is sufficient private retail coverage, methods of engaging potential customers and types of products legally available to consumers, competition from the unregulated market will remain significant, both brick and mortar and ecommerce/delivery options.

Cannabis Prices

The price of the common shares of the Company 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 is directly related to the price of cannabis. The Company’s operating income is 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.

There is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using the products sold by the Company. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

Intellectual Property

Our success depends in part on our ability to protect our ideas and technology. Even if we move to protect our technology with trademarks, patents, copyrights or by other means, we are not assured that competitors will not develop similar technology and business methods or that we will be able to exercise our legal rights. Policing the unauthorized use of 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. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions may have a materially adverse impact our ability to successfully grow our business. 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 our business, financial condition and operations.

Breach of Security

Given the nature of our product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in our facilities, despite meeting or exceeding applicable security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of our facilities could expose us to additional liability, potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential customers from choosing our products.

In addition, we collect and store personal information about our customers and are responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Data theft for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence, or through a deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on our business, reputation, financial condition and results of operations.

Furthermore, there are several federal and provincial laws protecting the confidentiality of certain health information, and restricting the use and disclosure of that protected information. If we were found to be in violation of the privacy or security rules or other laws protecting the confidentiality of information we hold, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities, harm our reputation, and have a material adverse effect on our business, financial condition and operations.

Cyber-Security

Our operations depend, in part, on how well we and our suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Our 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. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems, depending on the nature of any such failure, could adversely impact our business, financial condition and operations.

Cyber-attacks could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation, and reputational harm affecting customer and investor confidence, which ultimately could materially adversely affect our business, financial condition and operations.

We have not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Customer Acquisitions

The Company's success depends, in part, on its 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 sales and 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.

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 inaccurate labeling disclosure. If any of the products produced by its 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. 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 its 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 management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

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. 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.

Product Liability

As a seller of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if 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 it, could adversely affect its reputation with its clients and consumers generally, and could have a material adverse effect on its results of operations and financial condition of the Company. There can be no assurances that the Company or its 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.

Political and Economic Instability

We may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, and high rates of inflation. Changes in development or investment policies or shifts in political viewpoints of our operating segment may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, income taxes, employment, and maintenance of assets, among others. The effect of these factors cannot be accurately predicted.

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 Resulting Issuer's ability to operate its business and its sales revenue, results of operations, cashflow 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 our 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.

During this period of uncertainty, it is our priority to safeguard the health and safety of our personnel, support and enforce government actions to slow the spread of COVID-19, and continually assess and mitigate the risks to our business operations. Any action already taken by us or may be taken by us in the future may have a material adverse impact on our 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.

Dividend Risk

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

OTHER INFORMATION

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