The following discussion and analysis of the results and financial position of SpeakEasy Cannabis Club Ltd. (the "Company" or "SpeakEasy") should be read in conjunction with the Company's consolidated financial statements for the years ended July 31, 2020, and 2019, and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated December 2, 2020 and discloses specified information up to that date. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise cited, references to dollar amounts are in Canadian dollars. This MD&A contains "forward-looking statements" that are subject to risk factors including those set out in the "Cautionary Statement" at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Company's Board of Directors as of November 30, 2020, unless otherwise indicated. Throughout this report we refer to "SpeakEasy", the "Company", "we", "us", "our", or "its". All these terms are used in respect of SpeakEasy Cannabis Club Ltd. We recommend that readers consult the "Cautionary Statement" on the last page of this report. Additional information relating to the Company is available on the Company's website at www.speakeasygrowers.com and on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Overview

Speakeasy Cannabis Club Ltd. (the "Company") is a publicly traded company listed on the Canadian Securities Exchange ("CSE"), trading under the symbol EASY. The Company's wholly-owned subsidiary, 10161233 Canada Ltd, is a Licence Holder under the Cannabis Regulations, licenced for cultivation, processing and medical sales of cannabis since November 8, 2019. The head office of the Company is located at 1520-6 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

The Company, situated on 290 acres of fertile land in the Okanagan's renowned Golden Mile, has demonstrated adherence to the industry's rigorous compliance standards, and can now grow, process and its high quality, small-batch cannabis to certain markets.

In November 2019, the Company announced that it has received Health Canada's licence for cultivation, processing and medical sales and then in October 2020 it received an amendment to its licence to include:

- an additional 13,300 sq ft of processing and secure storage space in the Company's newly licenced cannabis facility, will be used for extractions, concentrates and flower processing labs, occupying 1 of the 4 floors of the complex,
- the remaining 39,900 sq ft of the facility is nearing completion and will be used for flower production, which once fully operational, will provide an estimated 2,000 pounds (indoor craft cannabis) per month,
- fully encloses the SpeakEasy cannabis campus with the addition of 6 acres and a combined total of over 63,200 sq ft of production and processing space.

The Company expects that in 2021 there will be a shift in the global cannabis industry into a consumer-packaged goods industry with the introduction of new product categories and increased segmentation in existing ones. The Company continues to develop a business model to include core value add ons that amplifies brand differentiation in what is expected to be a flourishing market. Building on its solid foundation, the Company intends to identify multiple revenue sources and replicate its operations in emerging global cannabis markets.

Moving from speculation to reality, a correction in the industry has taken place as dissatisfaction with current product offerings impacts sales projections. By focusing on both indoor and outdoor cultivation and following the proven business frameworks of successful multinational farming cooperatives, SpeakEasy is well positioned to cultivate premium BC cannabis and cost efficiencies.

DISCUSSION ON OPERATIONS

Management Changes

Dr. Bin Huang resigned and Malcolm Davidson was appointed as its Chief Executive Officer. Dr. Bin Huang, who had served as the Company's CEO and director since June 2019, resigned effective July 31, 2020. Dr. Huang remains a key strategic advisor to the Board of Directors of the Company. Mr. Malcolm Davidson, CPA, CA, is an outgoing and dynamic corporate executive with nearly 20 years of experience operating, financing, and developing TSX and NYSE listed mining companies.

On February 3, 2020, Bill Fleming was appointed a director of the Board.

Outdoor Cultivation

The Company completed the preparation of its 2.6M sq. ft (60 acres) outdoor facility. The cost of construction for the outdoor production facility, is expected to be approximately $10 per sq. ft, compared to $100-150 per sq. ft for greenhouse, and $150-200 per sq. ft for indoor construction. The resulting low cost to build for the Company, is expected to result in a favorable return on investment (ROI) in comparison to the traditional greenhouse and indoor grow facilities.

The Company received Health Canada approval for the outdoor campus on April 3, 2020, enabling the harvest of approximately 72,000 kg of cannabis and biomass (see breakdown below) in fiscal 2020. The Company developed its Phase 1 outdoor grow facility on the remaining land suitable for growing cannabis on its 290 acre property. Due to the long summer and dry harvest season, and favorable growing conditions, internal estimates project that SpeakEasy is positioning itself to be one of Canada's largest cannabis producers of low-cost products and to be one of the lowest cost producers in the industry for trimmed flower and biomass for extraction .

On October 13, 2020, the Company received a third amendment to its licence to include 13,300 sq ft of its 53,300 sq ft new facility to be used to process the Company's outdoor crop. Outdoor harvest started in September 2020 and yielded over 72,000 kg of dried, fresh frozen and biomass.

Harvest yield breakdown of 72,000 kg:

- Dried Flower yielded 11,400 kg and will be used for a multitude of products including flower as a finished product, pre-rolls, shatter, distillate and a range of value-added products.
- Fresh Frozen flower yielded 13,684 kg and was harvested and immediately frozen to minus 30 degrees allowing preservation of volatile terpenes. This method of harvest allows for the creation of certain types of high value extracts only possible when made from fresh frozen material.
- Biomass, which was received subsequent to July 31, 2020 via an LOI with a related party, yielded 47,250 kg and will be used for bulk extraction, the cannabinoids gleaned from that process will be the input material for many value add products.
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- The Company entered into an agreement dated November 1, 2020 for the purchase of hemp biomass from a related party for consideration to be determined based on the ultimate sales price of the hemp. The seller retains a security interest in the hemp until paid in full.

Indoor cultivation
In November 2019, the Company received a cannabis license from Health Canada for its 10,000 sq. ft purpose built indoor facility ("LP1").

In May 2020, we completed work on our processing building and expanded the perimeter. The Company submitted an evidence package and application for amendment to its licence to Health Canada in June 2020receiving the amendment in October 2020. The, amendment included 53,300 square feet of indoor production and processing area, an expanded perimeter fence that ties the first building, the outdoor field and the production and processing area together, bringing SpeakEasy's cannabis campus to over 66 acres.

Indoor Craft Grow to Scaleup
The process building will provide ample drying, processing and secure storage area for this year's outdoor harvest leaving the remaining 40,000 square feet for indoor production. With the amendment to our licence approved in October 2020, combined with the completion of our cannabis complex, SpeakEasy will be able to begin full scale indoor production beginning fiscal 2021.

Extraction processing
The Company is developing one of its state-of-the-art 26,000 sq. ft processing and extraction facility, which it expects to complete in the winter of 2021. Once in operational, the Company expects to augment operations by processing up to 350,000 kilograms of cannabis products annually.

Upon receipt of appropriate amendments to its current licence, the Company intends to sell flower as a finished smokable product, made into pre-rolls and used in extractions for concentrates. Bulk biomass will be extracted on site and made into distillate for bulk sale and in-house value-added products.

BCSC Settlement
In May 2020, SpeakEasy entered into a settlement agreement with the British Columbia Securities Commission ("BCSC") in connection with certain of the Company's historical activities. This settlement resolves the BCSC's review of SpeakEasy's involvement in the ongoing BCSC investigation relating to, among other things, the use of the consultant exemption from prospectus requirements as part of financings conducted by CSE-listed companies in British Columbia (the "BCSC Matter"). Under the terms of the settlement, the BCSC will not seek any orders against the Company, including financial orders.

SpeakEasy has also taken additional measures to improve corporate governance and internal control, and to strengthen its management team. These include: (a) creation of a Compliance Officer position to focus on governance and legal compliance issues; (b) appointment of a new CEO who is a CPA with extensive public company experience; (c) appointment of a new CFO; (d) reviewing, updating and implementing of its governance policies and procedures, including board mandate, committee charters and a disclosure policy, which now govern SpeakEasy and its business; (e) continuous efforts to a board of directors committed to corporate governance best practices.

Collectively, SpeakEasy believes its current group of management and directors have significantly more public company experience and expertise and are in a much better position to oversee SpeakEasy's business and ensure compliance with legal requirements. In accordance with BCSC, SpeakEasy has undertaken to retain an independent monitor for a period of at least one (1) year to review SpeakEasy's corporate governance and compliance policies, procedures and processes. SpeakEasy is committed to implementing best practices in corporate compliance and governance.

Licence Agreement
In July 2020, the Company entered into a licence agreement with Phenome One Corp ("Phenome" and the License Agreement"), whereby SpeakEasy was granted a revocable, non-transferable, nonexclusive, non-assignable, non-sub-licensable, indivisible right and licence to propagate, cultivate, harvest, process and breed Phenome cultivars at its Rock Creek facility.

In consideration of the Licence Agreement, and subject to compliance with applicable laws, including the policies of the Canadian Securities Exchange (the "CSE"), SpeakEasy has issued Phenome 5,000,000 common shares in the capital of the Company valued at $2,200,000. The SpeakEasy Shares will be subject to such restricted periods as are required under applicable securities laws and the policies of the CSE. Further, the Company will pay a royalty to Phenome of 5% of gross sales of flower or any product other than Flower that specifically utilizes Phenome One genetics to produce such product.

<u>During the year ended July 31, 2020</u>

On April 21, 2020, the Company (the "**Guarantor**") entered into a convertible loan agreement with 1244726 B.C. Ltd. (the "**Lender**"), Bhayana Ventures Ltd. and 1193213 B.C. Ltd. (the "**Finder**") pursuant to which the Lender has agreed to loan the Company an aggregate of $2,000,000.

The loan is a senior secured convertible loan in the aggregate principal amount of $2,000,000 and will accrue interest at a rate of 55% per annum and will be repayable as to $1,810,000 (inclusive of interest) on the first anniversary of the closing date and as to $1,999,500 on the second anniversary date of the closing date. The Guarantor has guaranteed SpeakEasy's obligations under the Loan agreement.

In connection with the loan, the Company has agreed to pay the Finder a fee of $190,000 and is payable on the first anniversary of the closing date.

The loan, including accrued interest, is convertible into common shares of the Company at a price of $1.00 per share, subject to adjustment on the terms and condition set forth in the agreement.

As security for the loan, the Company will cause the grant to the Lender of a first mortgage over the Guarantor's property in Rock Creek, British Columbia and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

<u>Subsequent to year ended July 31, 2020</u>

Financing
In August 2020, the Company announced a non-brokered private placement of up to 5,405,405 units of the Company (the "Units") at a price of $0.37 per Unit for aggregate gross proceeds of up to $2,000,000 (the "Offering"). Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant").

Each Warrant will entitle the holder thereof to acquire an additional Common Share at a price of $0.60 for a period of 24 months from the closing of the Offering. The Units will be made available by way of prospectus exemptions in Canada, and in such other jurisdictions as the Company may determine and where the Units can be issued on a private placement basis, exempt from any prospectus, registration or other similar requirements.

In August 2020, the Company closed the first tranche of its previously announced non-brokered private placement (the "Private Placement") for aggregate gross proceeds of $1,306,100. The first tranche closing consisted of the issuance of 3,530,000 units of the Company (the "Units").

In October 2020 the Company closed the second tranche of its previously announced non-brokered private placement (the "Private Placement") for deemed aggregate gross proceeds of $1,392,536. The second tranche closing consisted of the issuance of 3,763,610 units of the Company (the "Units")

Each Unit was priced at a price of $0.37 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (each whole warrant, a "Warrant").

In connection with the completion of the first tranche of the Private Placement, the Company paid cash finders fees of $78,366 and issued 211,800 non-transferable broker warrants (the "Broker Warrants"). In connection with the completion of the second tranche of the Private Placement, the Company paid cash finders fees of $47,952 and issued 129,600 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder to acquire one Common Share at an exercise price of $0.60 per share for a period of 24 months following closing.

The Company also issued an additional 877,973 Common Shares in settlement of a bona fide debts to arm's length creditors in the aggregate amount of $324,850.

Warrant Extension

On September 28, 2018, the Company issued an aggregate of 3,863,804 units (the "2018 Units"). Each 2018 Unit was comprised of one common share in the capital of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitled the holder to acquire an additional Common Share at a price of $1.00 per share until September 28, 2020. In accordance with the policies of the Canadian Securities Exchange (the "CSE"), the Company has extended the expiry date of the Warrants for an additional 12 month period, such that the new expiry date of the Warrants will be September 28, 2021. The CSE granted the Company an exemption from the requirement set forth in Section 7.4.1(d) of CSE Policy 6 that 10 trading days remain prior to the original expiry date when applying to amend the terms of the Warrants.

On December 6, 2019, the Company closed a private placement for aggregate gross proceeds of $1,315,000. The Private Placement consisted of the issuance of units of the Company (the "Units") at a price of $0.40 per Unit. Each Unit consisted of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitled the holder to acquire an additional Common Share at a price of $0.80 for a period of 12 months from closing. In accordance with the policies of the Canadian Securities Exchange (the "CSE"), the Company extended the expiry date of the Warrants for an additional 12 month period, such that the new expiry date of the Warrants will be December 6, 2021.

During the year end July 31, 2020

On April 21, 2020, the Company (the "**Guarantor**") entered into a convertible loan agreement with 1244726 B.C. Ltd. (the "**Lender**"), Bhayana Ventures Ltd. and 1193213 B.C. Ltd. (the "**Finder**") pursuant to which the Lender has agreed to loan the Company an aggregate of $2,000,000.

The loan is a senior secured convertible loan in the aggregate principal amount of $2,000,000 and will accrue interest at a rate of 55% per annum and will be repayable as to $1,810,000 (inclusive of interest) on the first anniversary of the closing date and as to $1,999,500 on the second anniversary date of the closing date. The Guarantor has guaranteed SpeakEasy's obligations under the Loan agreement.

In connection with the loan, the Company has agreed to pay the Finder a fee of $190,000 and is payable on the first anniversary of the closing date.

The loan, including accrued interest, is convertible into common shares of the Company at a price of $1.00 per share, subject to adjustment on the terms and condition set forth in the agreement.

As security for the loan, the Company will cause the grant to the Lender of a first mortgage over the Guarantor's property in Rock Creek, British Columbia and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

FINANCIAL STATEMENTS GOING CONCERN ASSUMPTION

The financial statements have been prepared on the basis of accounting principles applicable to a going concern under IFRS. The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company's operations to date have been financed by issuing common shares. The ability of the Company to arrange such financing in the future depends in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at July 31, 2020, the Company has yet to generate revenues from operations and had a deficit of $37,062,817 (2019 - $34,384,895). The Company is actively seeking additional sources of financing. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern that these uncertainties are material and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and discharge its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. These adjustments could be material.

RESULTS OF OPERATIONS

For the year ended July 31, 2020, the Company incurred a loss and comprehensive loss of $2,677,922 (2019 - $13,612,426); $0.03 loss per share (2019 –$0.20).

Changes during the year ended July 31, 2020 as compared to the year ended July 31, 2019 relate primarily to costs directly, or indirectly, related to the facility buildout. Significant changes include the following:

- Accretion of $24,000 (2019 - $Nil) primarily as a result of the discount on the promissory note as finder's fee in connection with the convertible loan.
- Advertising and promotion of $360,399 (2019 - $155,158) increased primarily as a result of increase in activities in the current period to raise awareness regarding the Company's activities.
- Amortization and depreciation of $248,989 (2019 - $Nil) increased primarily due to an increase in additions to right-of-use assets and equipment becoming available for use during the current year.
- Consulting fees of $750,521 (2019 - $2,505,670) decreased as a result of a decrease in consultants used as the Company advances towards the grant of its licence to cultivate.
- Interest expense of $293,933 (2019 - $Nil) increased due to accretion of interest with the right-of-use assets and the convertible loan during the current year.
- Office and general expenses of $518,121 (2019 - $772,867) decreased due to capitalization of expenditures in connection to biological assets during the current year.
- Other income of $65,000 (2019 - $Nil) due the Company leased its land to a related party for non-cash proceeds consisting of installed irrigation equipment.
- Share-based compensation of $1,572,868 (2019 - $5,152,465) increased primarily as a result of option grant and common shares issuance pursuant to prior commitment related to performance agreements during the current year.
- Travel of $78,690 (2019 - $162,937) decreased primarily as a result of less trips taken during the current year.
- Wages and salaries of $1,092,150 (2019 - $4,200,221) decreased primarily as a result of capitalization of wages and salaries costs in connection to biological assets during the current year.
- Write-off of receivable of $53,195 (2019 - $Nil) due to recoverable sales taxes that are assessed to be uncollectability.

- Unrealized gain on change in fair value of biological assets of $3,130,311 (2019 - $Nil) as a result of the cash flow the management expecting to generate from the biological assets.

Depending on future events, the rate of expenditures and general and administrative costs could increase or decrease.

For the year ended July 31, 2020:

i) the net cash used in operating activities was $5,693,242 (2019 - $6,601,903). Operating activities consist of cash used for items on the consolidated statement of loss and comprehensive loss, adjusted for timing/changes in non-cash working capital items.

ii) net cash used in investing activities was $2,060,042 (2019 - $6,309,227). The cash used in both 2020 and 2019 consisted primarily of expenditures on property, plant and equipment and obligations to right-of-use assets.

iii) net cash provided by financing activities was $3,956,250 (2019 - $16,246,010). The cash provided in 2019 consisted of cash received for the issuance of shares less share issuance costs. The cash provided in 2020 consisted of $1,253,750 in cash received for the issuance of shares less share issuance costs, proceeds from exercise of option of $24,000 received, convertible loan of $2,000,000 received, and advances of $678,500 received.

SELECTED ANNUAL INFORMATION

	2020	2019	2018
	$	$	$
Loss and comprehensive loss	2,677,922	13,612,426	20,772,469
Basic and diluted loss per share	(0.03)	(0.20)	(0.60)
Total Assets	23,804,245	17,308,129	5,531,656
Total Liabilities	6,327,085	3,112,161	912,258

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Jul. 31, 2020	Apr. 30, 2020	Jan. 31, 2020	Oct. 31, 2019
	$	$	$	$
Net income (loss)	1,564,586	(233,971)	(2,091,141)	(1,917,396)
Current Assets	7,187,463	4,576,879	1,032,014	1,813,691
Total Assets	23,804,245	18,064,206	14,315,504	14,942,402
Total Liabilities	6,327,085	4,624,898	2,648,584	2,663,830
Total Shareholders' Equity	17,477,160	13,439,308	11,583,531	12,278,572
Quarter ended	**Jul. 31, 2019**	**Apr. 30, 2019**	**Jan. 31, 2019**	**Oct. 31, 2018**
	$	$	$	$
Net loss	(5,982,395)	(5,377,260)	(1,082,089)	(1,170,682)
Current Assets	4,636,770	11,728,310	615,954	1,958,251
Total Assets	17,308,129	19,037,514	6,317,718	6,917,642
Total Liabilities	3,112,161	1,431,748	1,158,926	1,042,898
Total Shareholders' Equity(deficiency)	14,195,968	17,605,766	4,858,792	5,874,744

FOURTH QUARTER

During the quarter ended July 31, 2020, the Company incurred a net income of $1,564,586 primarily attributable to unrealized gain on change in fair value of biological assets of $3,130,311 and capitalization of costs of $3,778,257 to biological assets, including significant amounts such as $340,007 of consulting, $2,615,269 of salaries and wages, $31,492 of vehicle. The Company leased its land to a related party for non-cash proceeds consisting of installed irrigation equipment with a fair value of $65,000, which is recorded as other income.

LIQUIDITY AND SOLVENCY

At July 31, 2020, the Company had a working capital of $2,041,254 (2019 – $1,524,609).

The Company continues to use its cash resources to fund its administrative requirements and to complete its facility expansion plans. As the Company does not currently generate revenue, cash balances will continue to decline as funds are used to conduct its operations and on-going expansion plans, unless replenished by capital fundraising. The Company is actively seeking additional sources of financing. While the Company has been successful in the past, there is no guarantee that the Company will be successful at raising addition funding in the future.

During the year ended July 31, 2020, the Company has secured interest-free loans in the aggregate principal amount of $403,500 from Marc Geen, an insider of the Company, and certain non-arm's length parties. Each of the interest free loans are repayable by the Company upon receipt of demand from the lender, which demand shall not occur until the proceeds of the secured loan (as defined below) are received by the Company.

The Company and the lender entered into a definitive agreement on April 22, 2020, with the aggregate principal amount revised to $2,000,000 but other terms unchanged, as described in the following paragraphs.

CAPITAL RESOURCES

The Company has no operations that generate cash flow and its long-term financial success is dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company's primary capital assets as at July 31, 2020 consist of property and equipment. Other than the ongoing Facility expansion plans, the Company has no other commitments for capital expenditure, and there are no known trends or expected fluctuations in the Company's capital resources.

Shares issued

During the period from August 1, 2019 to December 2, 2020, the Company:

i) issued 10,000,000 common shares valued at $5,000,000 pursuant to a performance agreement for the receipt of the Health Canada's license for cultivation, processing and medical sales.

ii) issued 100,000 common shares valued at $50,000 pursuant to a performance agreement for the receipt of the Medical Purposes Regulations license application ("ACMPR") from Heath Canada.

iii) issued 3,287,500 units at a price of $0.40 per unit for proceeds of $1,315,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of $0.80 with a 12 months expiry. In connection with this private placement, the Company paid $59,950 in finders' fees and issued 153,125 finders warrants valued at $16,296. Each broker warrant entitles the holder to acquire one common share at an exercise price of $0.80 per share for the period of 12 months following closing. The Company also paid other share issuance costs of $1,300.

iv) issued 2,000,000 common shares valued at $1,060,000 pursuant to a performance agreement for the receipt of a license to sell under the ACMPR from Health Canada.

v) issued 100,000 common shares valued at $53,000 pursuant to a performance agreement for the receipt of the amending ACMPR license from Heath Canada.

vi) issued 75,000 common shares for proceeds of $24,000 pursuant to the exercise of options, and accordingly, the Company reallocated $25,152 of contribution surplus to share capital.

vii) issued 600,000 common shares in settlement of $180,000 worth of consulting services owed to an arm's length creditor.

viii) issued 250,000 common shares valued at $87,500 pursuant to business consulting services. In connection to the transaction, the Company also granted the following: 400,000 warrants exercisable into common shares at an exercise price of $0.50 expiring on March 10, 2021; 400,000 warrants exercisable into common shares at an exercise price of $0.75 expiring on March 10, 2021; and 400,000 warrants exercisable into common shares at an exercise price of $1.00 expiring on March 10, 2021. During the year ended July 31, 2020, the warrants were cancelled due to termination of the services agreement.

ix) issued 1,134,291 common shares valued of $567,146 in settlement of debts of $435,568, which resulted in a gain of $131,578. The debt settled is comprised of amounts in accounts payable and advances payable.

x) issued 50,000 common shares valued at $25,000 to the corporate secretary of the Company in satisfaction of the Company achieving certain milestones with respect to an agreement related to the BCSC order.

xi) issued 5,000,000 common shares valued at $2,200,000 pursuant to the acquisition of intangible assets.

xii) closed the non-brokered private placement of 3,530,000 units at a price of $0.37 for gross proceeds of $1,306,100. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of $0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finders fees of $78,366 and issued 211,800 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of $0.60 per share for a period of 24 months following closing.

xiii) closed the non-brokered private placement of 3,763,610 units at a price of $0.37 for gross proceeds of $1,392,536. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of $0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finders fees of $47,952 and issued 129,600 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of $0.60 per share for a period of 24 months following closing. The Company applied $100,000 in advances payable towards the financing.

xiv) issued 877,973 common shares in settlement of debts in the aggregate amount of $324,850.

Escrowed shares

At December 2, 2020, there were 1,200,000 shares held in escrow.

RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the year ended July 31, 2020, the Company:

i) incurred wages, labour and management fees of $240,000 (2019 - $342,012) to a former director and CEO of the Company, namely Marc Geen, of which $Nil (2019 - $102,012) was a performance bonus paid in common share. 10,000,000 bonus shares valued at $5,000,000 were issued during the year ended July 31, 2020 that had fully vested as at July 31, 2019.

ii) incurred consulting fees of $60,000 (2019 - $60,000) capitalized to biological assets to a company controlled by a former director of the Company, namely M&J Orchards, owned by Mervyn Geen.

iii) wrote off GST recoverable of $Nil (2019 - $200,127) reflected in consulting fees to a company controlled by a former director and CFO of the Company, namely Anthony Jackson, who resigned on September 6, 2018.

iv) incurred wages, labour and management fees of $15,000 (2019 - $259,508) to a former director of the Company, namely Brian Peery, of which $Nil (2019 - $76,508) was a performance bonus paid in common shares, during his time as a director.

v) incurred wages, labour and management fees of $240,000 (2019 - $20,000) and consulting fees of $Nil (2019 - $5,200) to the former CEO, namely Bin Huang, of the Company.

vi) incurred wages, labour, and management fees of $184,000 (2019 - $50,011) capitalized to biological assets to a director of the Company, namely Frey Garabagi, of which $Nil (2019 - $8,011) was a performance bonus paid in common shares.

vii) incurred wages of $120,000 (2019 - $95,825) to the corporate secretary of the Company for corporate secretary services, namely Deborah Cotter.

viii) incurred consulting fees of $102,000 (2019 - $122,009) capitalized to biological assets to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins.

ix) incurred wages, labour and management fees of $144,000 (2019 - $Nil) capitalized to biological assets to a director of the Company, namely Patrick Geen.

x) incurred consulting fees of $80,000 (2019 - $Nil) capitalized to biological assets to a company owned by a former director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. An additional $63,000 was paid as severance, recorded through the statement of profit and loss.

xi) incurred professional fees of $96,000 (2019 - $103,000) to a partnership in which a former CFO, namely Dave Cross, has an interest.

xii) incurred wages, labour and management fees of $Nil (2019 - $32,500) to a former CFO, namely Dave Cross, of the Company.

xiii) incurred wages, labour and management fees of $22,333 (2019 - $Nil) to a former CFO, namely Paul Taggar, of the Company.

xiv) granted 1,145,000 (2019 - 2,438,333) stock options to related parties with a value of $267,735 (2019 - $1,259,540) based on options vested during the year.

xv) incurred share-based compensation of $25,000 (2019 - $3,407,394) to directors, officers and key management pursuant to reaching certain performance conditions.

As at July 31, 2020, the Company had balances due to related parties of:

i) $27,520 (2019 - $27,520), which is due to a former director and CFO of the Company, namely Anthony Jackson who resigned on September 6, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.

ii) $163,800 (2019 - $163,800), which is due to a company controlled by a former director and CFO of the Company who resigned on September 6, 2018, namely Bridgemark Capital Corp., controlled by Anthony Jackson. The amount has no set repayment term, is unsecured and is non-interest bearing.

iii) $1,875 (2019 - $1,875), which is due to companies controlled by a former director and CFO of the Company, namely Essos Corporate Services Inc. and $320,000 (2019 - $320,000) to Tryton Financial Corp, controlled by Von Torres who resigned on March 26, 2018. The amount has no set repayment term, is unsecured and is non-interest bearing.

iv) $8,858 (2019 – due to $494) which is due from the Corporate Secretary of the Company, namely Deborah Cotter.

v) $713 (2019 - $713) which is due to a former President of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.

vi) $68,668 (2019 - $4,574) which is due to a company owned by a former director of the Company, namely Mervyn Geen. The amount has no set repayment term, is unsecured and is non-interest bearing.

vii) $24,465 (2019 - $1,371) which is due to a former CFO of the Company, namely Dave Cross. The amount has no set repayment term, is unsecured and is non-interest bearing.

viii) $Nil (2019 - $67,725) which is due to a partnership in which the former CFO, namely Dave Cross, has an interest. The amount has no set repayment term, is unsecured and is non-interest bearing.

ix) $24,107 (2019 - $962) which is due to the former CEO, namely Bin Huang, of the Company.

x) $20,351 (2019 - $7,613) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.

xi) $33,712 (2019 - $18,000) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.

xii) $6,000 (2019 - $Nil) to a director of the Company, namely Patrick Geen.

As at July 31, 2020, the Company had balances due from a related party of $30,820 (2019 - $11,874), which is due from a former director and CEO of the Company, namely Marc Geen.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet transactions.

PROPOSED TRANSACTIONS

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

CURRENT AND FUTURE ACCOUNTING POLICIES

Please refer to the Consolidated Financial Statements for the year ended July 31, 2020 on www.sedar.com.

FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND CAPITAL MANAGEMENT AND POLICIES

Please refer to the Consolidated Financial Statements for the year ended July 31, 2020 on www.sedar.com.

RISKS AND UNCERTAINTIES

The following are certain factors relating to the business of the Company, which factors investors should carefully consider when making an investment decision concerning the shares of the Company. The Company will face a number of challenges in the development of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or which are currently deemed immaterial, may also impair the operations of the Company. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A.

Even though the Company. was successful in obtaining the Cultivation, Processing and Medical Sales Licence, the Licence will be subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

Furthermore, the Licence has an expiry date. Prior to the expiration of the Licence, the Company would be required to submit an application for renewal to Health Canada containing the information prescribed under the Cannabis Regulations, and renewal cannot be assured.

Regulatory Risks

The Company operates in a new industry which is highly regulated and is in a market that is very competitive and evolving rapidly. The Company's ability to grow, store and sell cannabis in Canada is dependent on the Licence from Health Canada and the need to maintain the Licence in good standing. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of cannabis and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company that it may invest in or acquire.

Limited operating history

The Company is subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Net Losses

The Company has incurred operating losses since incorporation and may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative Operating Cash Flow

The Company has not generated operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and

- limited the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Reliance on a Single Site

The Company's activities and resources are focused in its Facilities in Rock Creek, British Columbia and are expected to continue to be focused on these Facilities for the foreseeable future. Adverse changes or developments affecting the existing Facilities could have a material and adverse effect on the Company's ability, if and when it acquires the Licences from Health Canada, to produce cannabis, its business, financial condition and prospects.

Factors Related to the Facilities

As of the date of this MD&A, the certain facilities at the Rock Creek site have been completed, others are still under construction. Any adverse changes or developments affecting the Facilities and commencement of production could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;
(b) plant design errors;
(c) environmental pollution;
(d) non-performance by third party contractors;
(e) increases in materials or labour costs;
(f) construction performance falling below expected levels of output or efficiency;
(g) breakdown, aging or failure of equipment or processes;
(h) contractor or operator errors;
(i) labour disputes, disruptions or declines in productivity;
(j) inability to attract sufficient numbers of qualified workers;
(k) disruption in the supply of energy and utilities; or
(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

It is also possible that the costs of commencing production may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Company.

Expansion

Expansion and licensing of additional Facilities are subject to approvals by Health Canada. While management does not anticipate significant issues receiving any necessary approvals in the future, the delay or denial of such approvals may have a material adverse impact on the business and may result in the Company not meeting anticipated or future demand when it arises.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. The Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

Restrictions on Sales Activities

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasigovernmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Competition

The Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. To date, the Canadian government has only issued a limited number of licences under the Cannabis Regulations to cultivate, process and sell cannabis. The number of licences granted could have an impact on the business, financial condition and operating results of the Company. Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there are currently 279 Licence Holders as the date of this MD&A. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and operating results of the Company.

Client Acquisition and Retention

The Company's success will depend on its ability to attract and retain clients. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective product, the successful implementation of the Company's client-acquisition plan and the continued growth in the client base. The Company's failure to acquire and retain clients would have a material adverse effect on the business, financial condition and operating results of the Company.

Transportation Risks

Due to the perishable nature of some of the Company's proposed products, the Company will depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third-party transportation services which will be used by the Company to ship its proposed products may also adversely impact the business of the Company and its ability to operate profitably.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as environmental control, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Energy Costs

The Company's indoor growing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

Management believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis products produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be 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 for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's proposed products specifically, 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 appropriately or as directed.

Product Liability

The Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its proposed products, either inhaled or ingested, 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, among others, that the proposed products produced by the Company 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, could adversely affect the Company's reputation with consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company 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 proposed products.

Product Recalls

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

Additional Financing

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

Conflicts of Interest

Certain of the directors and officers of the Company may also serve as directors and officers of other companies and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

Dilution

The Company may issue additional equity securities to finance its activities, including acquisitions. If the Company were to issue common shares, existing holders of such shares may experience dilution in the Company. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be materially adversely affected.

MANAGEMENT'S RESPONSIBILITY FOR 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 audited financial statements.

CAUTIONARY FORWARD-LOOKING STATEMENTS

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future financial conditions, results of operations, plans, objectives, performance or business developments, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- the Company's lack of operating revenues;
- the ability to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the Company's business strategies, objectives and plans to pursue the commercialization of its products;
- expectations for expansion plans for the Facilities and their costs;
- the suitability of the Facilities;
- expectations regarding production costs, capacity and yields of the Company and growth thereof;

- the Company's intentions to develop its business and operations;
- the Company's anticipated cash needs, needs for additional financing and use of funds;
- statements relating to the business and future activities of, and developments related to the Company;
- risks related to the Company's dependence on key personnel;
- estimates used in the Company's financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at December 2, 2020 and are subject to change after this date. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

Consequently, all forward-looking statements made in this MD&A are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and, other than as required by applicable securities laws, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

NON-RELATED CONSULTING TRANSACTIONS

During the year ended July 31, 2019, the Company incurred consulting fees of $Nil and share issuance costs of $Nil to consultants on the BCSC Temporary Order dated November 26, 2018. Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company. As at July 31, 2020, accounts payable and accrued liabilities of $320,000 (2019 – $320,000) was owing to the above parties.

As at July 31, 2020 advances payable of $100,000 (2019 - $100,000) is owing to above noted parties.

OUTSTANDING SHARES, OPTIONS AND WARRANTS

Common Shares

The authorized capital of the issuer consists of an unlimited number of common shares without par value of which 117,685,012 are outstanding as of December 2, 2020. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate ratably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Stock Options

The following table sets out the details of the stock options granted and outstanding as at December 2, 2020:

Expiry date	Exercise price ($)	Number of options outstanding	Number of options exercisable
March 26, 2023	0.95	825,000	825,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 12, 2024	0.80	825,000	825,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.86	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
August 8, 2024	0.70	150,000	37,500
November 11, 2024	0.70	240,000	133,333
January 2, 2025	0.32	225,000	75,000
January 30, 2025	0.39	100,000	25,000
April 8, 2025	0.53	545,000	444,583
May 25, 2025	0.42	50,000	12,500
October 15, 2022	0.60	417,162	417,162
October 15, 2025	0.48	1,000,000	250,000
		8,940,495	**7,608,411**

Warrants

The following table sets out the details of the warrants issued and outstanding as at December 2, 2020:

Expiry date	Exercise price ($)	Number of warrants outstanding
December 6, 2021	0.80	3,287,500
December 6, 2020	0.80	153,125
March 8, 2021	1.00	8,250,000
March 8, 2021	1.00	245,000
April 24, 2021	1.00	9,778,463
April 24, 2021	1.00	14,500
April 25, 2021	1.00	1,745,385
April 25, 2021	1.00	86,500
September 27, 2021	1.00	1,931,902
August 25, 2022	0.60	3,530,000
August 25, 2022	0.60	211,800
October 15, 2022	0.60	3,763,610
October 15, 2022	0.60	129,600
		33,127,385

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

The MD&A contains certain forward-looking information relating to the Company's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "intend", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "budget", "forecast", "should", "believe", "plans", "intends", "confident" and similar expressions are used to identify forward-looking information. In particular, but without limiting the foregoing, the MD&A may contain forward-looking information pertaining to the following:

i. Product sales expectations.
ii. Gross margin expectations and corresponding cost control and measurement.
iii. Expectations regarding production capacity, costs, yields and cannabis prices.
iv. Expectations regarding general and administrative cost levels.
v. The completion of construction of production facilities, associated costs, and receipt of related licenses from associated regulatory authorities.
vi. The successful completion and integration of historical and in-process acquisitions into the Company's operations.
vii. Expectations regarding regulatory and legislative uncertainties and potential changes in tax laws.

The forward-looking information is based on information available as of the date of the MD&A and the Company is under no obligation, and specifically disclaims any intention or obligation to update or revise such forward-looking information because of new information, future events or otherwise, except as expressly required by applicable law. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking information throughout the MD&A. The forward-looking information included in the MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking information is based on current expectations, estimates and projections that involve numerous risks and uncertainties which could cause actual results to differ materially from those anticipated and described in the forward-looking information.

COMMITMENTS AND CONTINGENCIES

The Company has entered into the following commitments:

i) The Company entered into a performance agreement with the former CEO, namely Marc Geen in fiscal 2018. Per the agreement, the Company is to issue up to 6,000,000 common shares to the former CEO should the Company receive a license to cultivate under the Access to Cannabis for Medical Purposes Regulations license application ("ACMPR") from Health Canada. Furthermore, should the Company receive a license to sell under the ACMPR the Company will issue an additional 4,000,000 shares to the former CEO. During the year ended July 31, 2020, the Company received the ACMPR and issued 10,000,000 shares to the former CEO, namely Marc Geen.

   The Company entered into a performance agreement with the former CFO, namely Anthony Jackson, of the Company in fiscal 2018. Per the agreement, the Company is to issue up to 500,000 to the former CFO, Anthony Jackson (cancelled during the year ended July 31, 2019) should the Company receive an ACMPR license from Health Canada. Furthermore, should the Company receive a license to sell under the ACMPR the Company will issue an additional 500,000 to the former CFO, Anthony Jackson, (cancelled during the year ended July 31, 2019) to the former CEO. As at July 31, 2020, as these agreements were cancelled, the Company has no further commitment to issue these performance-based shares.

   The Company entered into a performance agreement with a consultant in fiscal 2018. Per the agreement, the Company is to issue up to 100,000 common shares should the Company receive an ACMPR license from Health Canada. Furthermore, should the Company receive an amended ACMPR adding the Company's outdoor field to its license, the Company will issue an additional 100,000 shares to the consultant. During the year ended July 31, 2020, the Company received the ACMPR and issued 100,000 shares to the consultant.

   During the year ended July 31, 2019, the Company recorded share-based compensation of $3,407,394 on the commitment to issue 10,200,000 common shares and realized a recovery of $152,711 recorded against salaries and wages as a result of the cancellation of 1,000,000 common shares, in relation to the above performance conditions.

ii) The Company entered into performance agreements whereby certain individuals will receive bonus shares, in equal tranches, upon the Company reaching $45,000,000, $55,000,000 and $65,000,000 market capitalizations, in fiscal 2018. At the date of the agreement, the Company estimated a 40% probability of reaching a $45,000,000 market capitalization, a 20% probability of reaching a $55million market capitalization and a 10% probability of reaching a $65million market capitalization.

During the year ended July 31, 2019, the Company met all the market capitalization targets and recorded the following share-based compensation in relation to the issuance of the following common shares:

a) 999,999 shares were issued to a former CEO of the Company, namely Marc Geen. The Company recorded $102,012 of share-based compensation.

b) 375,000 shares were issued to a consultant of the Company. The Company recorded $38,254 of share-based compensation.

c) 37,500 shares were issued to the corporate secretary of the Company, namely Deborah Cotter. The Company recorded $3,825 of share-based compensation.

d) 750,000 shares were issued to a former president of the Company, namely Brian Peery. The Company recorded $76,508 of share-based compensation.

iii) During the year ended July 31, 2017, and amended during the year ended July 31, 2018, the Company entered into a performance agreement with a consultant. Per the agreement, the Company was to issue up to 1,000,000 common shares to the consultant should the Company receive the ACMPR license from Health Canada within 12 months after signing the agreement. Furthermore, should the Company receive a license to sell under the ACMPR the Company will issue an additional 1,000,000 shares to the consultant within 15 months after signing the agreement. During the year ended July 31, 2020, the Company received the ACMPR, but the terms of the agreement had already expired. During the year ended July 31, 2020, the Company decided to issue the 2,000,000 common shares valued at $1,060,000.

iv) A legal claim was brought against the Company during the year by a consultant. Management considers this claim to be unjustified and the probability that it will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.

v) There is a petition proceeding in which the petitioners seek leave to commence claims under s. 140.3 of the Securities Act, R.S.B.C. 1996, c. 418 for alleged misrepresentations made by the Company and 10 other issuers. The petitioners wish to have those claims heard as part of the class action. The Petition to the Court was filed on February 24, 2020. The Company filed a Response to Petition on February 27, 2020.

vi) On July 11, 2019, a Notice of Civil Claim was filed against the Company along with 10 other issuers. The notice of claim alleges that the Company and the other defendants made certain misrepresentations and conspired with each other and certain consultants to injure the plaintiffs. Most defendants, including the Company, have yet to file a Response to Civil Claim. The plaintiffs have not yet delivered their materials for the certification application. Without these materials it is difficult for the Company to assess the likelihood of the case being certified or the likelihood of the plaintiffs ultimately succeeding on their claims. The Company intends to vigorously oppose the certification application if and when it is brought against the Company.

The Company may become party to litigation, from time to time, in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources.

Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's name.