



BLUMA WELLNESS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

August 28, 2020

Bluma Wellness Inc. (“**Bluma**”) derives a substantial portion of its consolidated revenues from the medical cannabis industry in the State of Florida, where local state laws permit such industry but is illegal under United States federal law. Bluma is directly engaged in the manufacture, possession, use, sale and distribution of medical cannabis in the State of Florida. Third party service providers could suspend or withdraw services and regulatory bodies could impose certain restrictions on Bluma as a result of Bluma’s operating in an industry that is illegal under U.S. federal law.

The United States federal government regulates drugs through the Controlled Substances Act (the “**CSA**”) (21 U.S.C. § 811), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. The CSA explicitly prohibits the manufacturing, distribution, selling and possession of cannabis and cannabis derived products as a consequence of its Schedule I classification. The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.

In the United States, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution and use of cannabis for medical or recreational purposes are in direct conflict with the federal CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or recreational production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Although Bluma’s activities are believed to be compliant with state and local laws, strict compliance with state and local laws with respect to cannabis may not absolve Bluma of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against it. See Sections “*Regulation of Cannabis in the United States and in the State of Florida*” and “*Risk Factors*” of this Management’s Discussion and Analysis (“**MD&A**”).

On January 4, 2018, then-U.S. Attorney General Jeff Sessions issued a one-page memorandum to U.S. attorneys with the Offices of the United States Attorneys (the “**Sessions Memorandum**”), which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined in Section “*Regulation of Cannabis in the United States and in the State of Florida*” of this MD&A). The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime”, and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their investigative and prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. The Sessions Memorandum provided no direction to federal prosecutors as to the priority they should ascribe to cannabis activities, and as a result, it is uncertain how active U.S. federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future.

Attorney General Sessions resigned on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. The impact of the appointment of Attorney General Barr on U.S. federal government enforcement policy is unclear, however at his confirmation hearing, Attorney General Barr suggested that the United States Department of Justice would not prosecute state compliant marijuana activity. However, Attorney General Barr has left the Sessions Memorandum in place as policy.

If the Department of Justice policy under Attorney General William Barr was to aggressively pursue financiers or equity owners of cannabis-related business, and the United States Attorneys followed such Department of Justice policies by pursuing prosecutions, then Bluma could face (i) seizure of its cash and other assets used to support or derived from its cannabis activities, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA, and/or

(iii) barring employees, directors, officers, managers and investors who are not U.S. citizens from entry into the United States for life.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to medical and/or recreational cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, Bluma's business, results of operations, financial condition and prospects would be materially adversely affected. See Section "Risk Factors" of this MD&A for additional information on this risk.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. marijuana-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), as amended, setting out the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with direct, indirect or ancillary involvement in activities including the cultivation, possession or distribution of marijuana in the United States ("**U.S. Marijuana-Related Activities**"). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. Marijuana-Related Activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. Marijuana-Related Activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

See Sections "*Regulation of Cannabis in the United States and in the State of Florida*" and "*Risk Factors*" of this MD&A for further information of the material facts, risks and uncertainties related to U.S. Marijuana-Related Activities.

**BLUMA WELLNESS INC. (formerly, Goldstream Minerals Inc.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019**  
August 28, 2020

**General**

The following Management's Discussion and Analysis (the "**MD&A**") of the interim condensed consolidated financial position and results of operations for Bluma Wellness Inc. ("**Bluma**" or the "**Company**") is for the three and six months ended June 30, 2020 and 2019. It is supplemental to, and should be read in conjunction with the Company's interim condensed consolidated financial statements and the accompanying notes for the three and six months ended June 30, 2020 and 2019 (the "**Financial Statements**"). The Financial Statements do not contain all the information and disclosures required for annual financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2019. This section may contain forward-looking information that involve numerous risks and uncertainties. The forward-looking information is not historical fact, but rather is based on the Company's current plans, objectives, goals, strategies, estimates, assumptions and projections about its industry, business and future financial results. Actual results could differ materially from those discussed in such forward-looking information. See "Forward-Looking Statements". All dollar figures included therein and in the following MD&A are expressed in United States dollars unless stated otherwise.

The Company's interim condensed consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

**Forward-looking statements**

Certain statements in this MD&A may constitute "**Forward-Looking Information**" which means disclosure regarding possible events, conditions, acquisitions, or results of operations that is based on assumptions about future conditions and courses of action and include future-oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection, and also includes, but is not limited to, statements with respect to the future financial and operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "is expected", "budget", "scheduled", "estimates", "potential", "strategies", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words or phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements included or incorporated by reference in this MD&A include, but are not limited to, statements with respect to: (i) continued development of Company's business; (ii) the Company's growth strategy; (iii) regulatory and related approvals; and (iv) liquidity, working capital, and capital expenditures.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. As a result, actual actions, events or results may differ materially from those described in forward-looking information, and there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended including, without limitation, those referred to in this MD&A under the heading "Risk Factors" and elsewhere. Although forward-looking information contained in this MD&A is based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with the forward-looking information.

Forward-looking information contained herein is as of the date of this MD&A, and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty therein. Material risk factors that could cause actual results to differ materially from the forward-looking information are contained under the heading “Risk Factors”.

### **Description of Business**

The Company currently operates as a vertically integrated, licensed medical cannabis operator in the State of Florida, where the cultivation, processing and dispensing of cannabis has been legalized for medical uses. The operations of the business of the Issuer currently include cultivating, processing, distributing and retailing high-quality and effective cannabis.

### **Reverse Acquisition**

In June 2020, the Company completed a three-cornered amalgamation among the Company, Cann cure Investments Inc. and a wholly-owned subsidiary of the Company, resulting in Cann cure becoming a direct, wholly-owned subsidiary of the Company. The amalgamation constituted a reverse acquisition of the Company by the shareholders of Cann cure, with the Company (being the legal parent) as the accounting acquiree and Cann cure (being the legal subsidiary) as the accounting acquirer.

In connection with the completion of the reverse acquisition, the Company consolidated all of its issued and outstanding common shares on a ratio of 16.07201 old common shares for 1 new common share, acquired all of the issued and outstanding shares of Cann cure in exchange for the issuance of one post-consolidation common share of the Company for each outstanding common share of Cann cure Investments Inc.

This transaction has been accounted for as a reverse acquisition that does not constitute a business combination. The purchase price allocation for the Bluma assets acquired and liabilities assumed was determined as follows:

<b>Consideration transferred</b>	
1,503,750 common shares at \$1.00 per share	\$ 1,503,750
	<b>\$ 1,503,750</b>
<b>Net assets acquired</b>	
Cash	\$ 5,704
Prepaid expenses	3,503
Accounts receivable	27,497
Accounts payable and accrued liabilities	(4,134)
	<b>32,570</b>
Excess attributed to cost of listing	1,471,180
	<b>\$ 1,503,750</b>

For accounting purposes, these financial statements reflect a continuation of the financial position, operating results, and cash flows of the Company’s legal subsidiary, Cann cure Investments Inc.

## **Operational Highlights**

During the second quarter of 2020, Bluma Wellness and the Company's wholly-owned operating subsidiary, 3 Boys Farm, LLC (doing business as "One Plant Florida") ("**One Plant Florida**") focused heavily on scaling up its operations, with a particular emphasis on executing its long-envisioned supply ramp-up plan. The centerpiece of the plan involved ensuring the Company's new cultivation facilities in Indiantown, Florida, became fully operational, with the resulting increase in supply from the Indiantown facility serving as a springboard for planned new retail dispensary openings and expansion of the Company's innovative delivery and curbside pickup network.

As a result of the Company's ramp-up plan, capital expenditures necessary to finance the completion of the new facilities, and the operational expenses necessary to expand the cultivation and processing teams at the new Indiantown facility, were higher in Q2 2020 than they otherwise would have been.

One Plant Florida, conducts licensed operations to cultivate, process and dispense medical cannabis in the State of Florida in accordance with Florida state law. One Plant Florida is one of the original 14 vertically-integrated and licensed MMTCs in Florida that operate from "seed to sale" pursuant to Florida Statutes section 381.986. One Plant Florida's MMTC license was originally granted on July 31, 2017.

One Plant Florida's operations began at the eight (8) acre farm at the Ruskin Facility, which received OMMU approval to begin cultivating medical cannabis on January 2, 2018. One Plant Florida has a fully operational, GMP and GAP-certified greenhouse cultivation facility at the Ruskin Facility that has a total canopy size of approximately 24,000 square feet, as well as harvest and post-harvesting cure facilities. Monthly output from the Ruskin Facility is approximately 300 pounds of cannabis flower per month. One Plant Florida began renovations at the Ruskin Facility on April 1, 2019 in order to: (i) install full air conditioning systems for the greenhouses; (ii) install clean walls to divide each 6,000 square foot greenhouse room into two separate 3,000 square foot greenhouse rooms; (iii) install new lighting and electrical upgrades; (iv) install a new well; and (v) construct a temperature and humidity-controlled cure and processing room. All such renovations and upgrades to the Ruskin Facility were subsequently completed.

The Company, through One Plant Florida, owns and operates the Indiantown Facility, another cultivation, processing and manufacturing facility located on a thirty-three (33) acre parcel of land in Indiantown, Florida. On March 29, 2019, One Plant Florida received OMMU approval to process medical cannabis at the Indiantown Facility and began operating a 2,500 square foot processing, extraction and distillation laboratory to create THC and low-THC distillates and oils, as well as cannabis flower (sold in varying sizes from one-eighth of an ounce to full ounce) and pre-rolled cannabis flower joints (0.5 gram and 1 gram units, respectively).

One Plant Florida also constructed and received all necessary approvals and authorizations for its 54,000 square foot Nexus Greenhouse facility at the Indiantown Facility, which commenced cultivation operations on April 8, 2020, following receipt of approval from the OMMU. One Plant Florida's Nexus hybrid greenhouse facility consists of ten (10) approximately 5,000 square-foot cultivation rooms, each of which features individual and customizable climate control systems that allow for the use of natural sunlight while still maintaining preset temperature and humidity levels of approximately 75 degrees Fahrenheit and relative humidity of under 55%. This allows the facility to create cultivation conditions that are normally only found in Florida within indoor cultivation facilities that rely solely on artificial lighting, while being able to harness natural sunlight and operate more efficiently. The facility also includes automated shade control and light deprivation systems, a CO2 infusion system, a Ridder hortimax automated irrigation and fertigation system, and a network of ten (10) sensors in each room that track and feed real time data into One Plant Florida's data analytics system. The Nexus greenhouse houses some of One Plant Florida's best-known and rare strains of premium cannabis flower, including Mac1, Runtz, SherbD, ChemD, Chem91, I75, Fish Whistle, Dirty Lemons, and Ebony and Ivory, among others. One Plant Florida expects that the Greenhouse will yield a harvest of 9,000 pounds of medical cannabis in 2020 and 14,400 pounds of medical cannabis in 2021.

One Plant Florida intends to expand the Indiantown Facility by constructing a new, state-of-the-art 88,327 square foot indoor facility that will be used for cultivation, processing and manufacturing, and for lab and kitchen

operations. The new indoor facility will be located on One Plant Florida’s existing Indiantown, Florida property, directly adjacent to the Greenhouse. The expansion of the Indiantown Facility will provide: (i) a tilt wall building for the indoor growing, trimming and curing of medical cannabis; (ii) a kitchen lab for manufacturing edible products; (iii) a lab for distillate manufacturing; (iv) production, trim and packaging areas; and (v) a shipping and receiving area for distribution to delivery hubs throughout the State of Florida. The total cost of the construction and development of the expansion of the Indiantown Facility is expected to be between \$10 million and \$15 million and will be funded, in part, with the proceeds of the Construction Loan Financing. The indoor facility will include individual flowering rooms, post-harvest processing rooms, advanced curing rooms, and storage and administrative space. One Plant Florida anticipates that the expansion of the Indiantown Facility will be in operation on or before April 1, 2021, subject to the receipt of all required regulatory approvals from the OMMU, as well as the completion of Good Manufacturing Practices certification. Once all facilities at the Indiantown Facility are fully operational, the facility is expected to produce approximately 15,000 pounds of cannabis per year.

In early July 2019, One Plant Florida commenced home deliveries throughout Florida with a fleet of 13 delivery vehicles. One Plant Florida plans to open a total of 15 retail dispensaries and/or dispensary hubs statewide by March 1, 2021, including its four current retail dispensaries located in Boynton Beach, Florida, Jacksonville Beach, Florida, St. Petersburg, Florida, and Port St. Lucie, Florida. One Plant Florida anticipates that the cost of opening such retail dispensaries or dispensary hubs will total approximately \$3,500,000. One Plant Florida opened its first retail/delivery hub location in Boynton Beach, Florida on November 6, 2019, followed by its retail/delivery hub location in Jacksonville Beach, Florida on March 6, 2020, followed by its retail/delivery hub location in St. Petersburg, Florida on April 17, 2020 and it’s latest retail/delivery hub location in Port St. Lucie, Florida on June 26, 2020, and intends to open four (4) additional retail dispensaries and/or dispensary hubs by December 31, 2020 (subject to the receipt of all required approvals from the OMMU) in the following locations and order: (1) Ocala, Florida, (2) Avon Park, Florida, (3) Fern Park (Orlando), and (4) Bonita Springs, Florida. In 2021, the One Plant Florida will open seven additional retail/delivery hub locations in Oakland Park, Florida, Pensacola, Florida, Tallahassee, Florida, Ft. Lauderdale, Florida, Clearwater, Florida, North Miami, Florida and Davie Florida. All retail dispensaries and dispensary hubs are expected to carry a diversified range of cannabis and cannabis-related products including cannabis flower, pre-rolled cannabis flower joints, distillate products, solventless hash and concentrates, balms, tinctures and other cannabis-related products. One Plant Florida will continue its strategic focus on delivery of medical cannabis through its dispensary hubs and by increasing the number of delivery vans assigned to each location. One Plant Florida expects to provide 24-hour delivery timing throughout the State of Florida by the first quarter of 2021.

### **Selected Financial Information**

Key financial statement items are summarized in the tables below:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
	(\$)	(\$)	(\$)	(\$)
Revenue	2,121,843	-	3,234,223	-
Net loss from continuing operations	(7,899,542)	(4,073,642)	(18,328,565)	(4,665,223)
Net loss per Share loss from continuing operations	\$ (0.13)	\$ (0.06)	\$ (0.22)	\$ (0.07)

	As at June 30, 2020	As at December 31, 2019
	(\$)	(\$)
Total assets	94,625,452	81,703,317
Working capital (deficit)	(9,771,162)	(13,354,455)
Total non-current financial liabilities	27,933,439	14,305,577

Cash dividends declared	Nil	Nil
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## **Results of Operations**

### *Revenue and cost of sales*

The following table presents selected financial results related to the Company's revenue and cost of sales:

	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
	(\$)	(\$)	(\$)	(\$)
Revenue	2,121,843	-	3,234,223	-
Cost of sales	(4,663,110)	-	(5,840,313)	-
Revenues less cost of sales before fair value adjustments	(2,541,267)	-	(2,606,090)	-

For the six months ended June 30, 2020, all revenues were earned in the State of Florida.

During the three and six months ended June 30, 2020, total revenues increased by \$2,121,843 and \$3,234,223 from the prior year's comparable periods. There was no revenue in the first two quarters of 2019. The increase of revenue from Q1 2020 to Q2 2020 was due to the opening of additional retail locations in Q2 2020, as discussed in the Operational Highlights Section above. Cost of sales (which include cost of inventory sold, inventory impairment, production salaries and wages, and production supplies and expense) were \$4,663,110 during the quarter and represents an increase of \$3,485,907 sequentially over the first quarter. The increase is attributable to a \$1,764,839 inventory impairment adjustment as a result in a change in estimate, higher initial costs due to the opening of the new Indiantown growing and processing facility and the cost to open and staff new retail locations

### *Biological assets*

Biological assets consist of cannabis plants. For the six months ended June 30, 2020, the changes in the carrying value of biological assets are shown below:

	For the six months ended June 30, 2020 \$
Biological assets, beginning balance	768,206
Changes in fair value less costs to sell due to biological transformation	5,002,888
Transferred to inventory upon harvest	(4,345,036)
Biological assets, ending balance	1,426,058

The Company values its biological assets at the end of each reporting period at fair value less costs to sell and complete. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle. Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is 20 weeks from propagation to harvest;
- The average harvest yield of whole flower is 120.71 grams per plant;
- The average selling price of whole flower is \$9.08 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be \$0.91 per gram; and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be \$3.04 per gram.

The estimates of selling price, growing cycle, harvest yield, and costs per gram are based on the Company's

historical results. Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by \$126,242 (December 31, 2019 - 50,925).
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by \$71,303 (December 31, 2019 - 38,911).
- Average days to grow – an increase in the average days to grow by 5% would result in the biological asset value decreasing by \$71,303 (December 31, 2019 - 37,857).
- Processing costs per gram – an increase in the cost per gram by 5% would result in the biological asset value decreasing by \$12,665 (December 31, 2019 - 4,312).

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. As of June 30, 2020, the biological assets were on average, 59% (December 31, 2019 - 50%) complete based on the number of days remaining to harvest, and the estimated fair value less costs to sell of dry cannabis was \$1,426,058 (December 31, 2019 - \$768,206). As of June 30, 2020, it is expected that the Company's biological assets will ultimately yield approximately 471,664 grams of cannabis (December 31, 2019: 561,588 grams).

### Expenses

The following table presents selected financial results related to the Company's expenses:

	For the three months ended June 30, 2020	For the three months ended March 31, 2020	Variance	Variance
	(\$)	(\$)	(\$)	(%)
Amortization and depreciation	1,132,908	1,108,734	24,174	2%
Professional fees	478,175	358,721	119,454	25%
General and administrative	2,179,649	2,321,316	(141,667)	-6%
Transaction costs	1,471,792	1,287,548	184,244	13%
Finance expense	1,898,271	1,387,238	511,033	27%

Expenses such as amortization and depreciation, professional fees, general and administrative expenses and finance expense, increased significantly during the three and six months ended June 30, 2020 over the prior year. The increase is attributable to the commencement of cannabis operations following the acquisition of 3 Boys Farm, LLC in late 2018. On a sequential basis, these expenses were generally consistent with the first quarter.

Transaction costs were \$1,287,548 during the period, compared to \$nil in the comparative period. These primarily include the recognition of the warrant derivative liability related to the Construction Loan of \$936,033.

Finance expenses were higher primarily due to accretion expense related to the convertible debenture and note payable.

### Summary of Quarterly Results

The following table sets forth a comparison of the Company's revenues and earnings for the past 8 quarters:

	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
	(\$)	(\$)	(\$)	(\$)
Revenue	2,121,843	1,112,380	650,847	151,027
Net loss from continuing operations	(10,844,231)	(7,483,686)	4,058,171	4,671,599
Net loss per Share from continuing operations, basic and diluted	(0.13)	(0.09)	(0.05)	(0.06)

	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
	(\$)	(\$)	(\$)	(\$)
Revenue	-	-	-	-
Net loss from continuing operations	2,926,703	591,581	8,030,799	3,677,529
Net loss per Share from continuing operations, basic and diluted	(0.04)	(0.01)	(0.13)	(0.16)

### **Liquidity and Capital Resources**

The Company's total cash balance as at June 30, 2020 was \$588,450. For the six months ended June 30, 2020, cash flows used in operating activities were \$8,618,820 due to the Company's efforts to deploy capital into production of inventory, lease deposits and other working capital items. The Company expects improvements to operating cash flow as sales increase with the number of new retail locations opened.

As at June 30, 2020, the Company's total working capital deficit was \$2,283,879. The construction loan consists of a five-year \$15,000,000 loan, with year one interest only on the amount outstanding, future advances not to exceed \$20,000,000 in total, and an interest rate of 13.5%. The construction loan is secured by a mortgage and other commercially-common security interests and instruments, in accordance with the general security agreement.

As of June 30, 2020, the company has drawn \$3,000,000 against this facility.

On April 17, 2020, the Company's construction loan was amended and restated to, among other things, provide for an additional advance of \$5,000,000 (the "Bridge Loan") that had not otherwise been contemplated under the original disbursement schedule of the Construction Loan. The Bridge Loan bears an interest rate of 19.0% per annum and matures on the earliest of: (i) December 31, 2020, (ii) the sale of the Company's Ruskin facility, and (iii) the occurrence of an event of default (as set out in the amended and restated construction loan agreement). The lender is not obligated to advance and disburse any further amounts under the construction loan until the Bridge Loan has been repaid in full.

In connection with the construction financing, the Company is required to comply with certain financial covenants. As June 30, 2020, the Company was in default with certain covenants. The Company subsequently obtained a waiver of default from the lender.

The Company's objective when managing capital are to safeguard the Company's ability to continue as a going concern and ensure sufficient liquidity in order to provide adequate returns for shareholders. The Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets.

The Company is subject to interest rate risk from its borrowings. At present, the Company does not intend to hedge its exposure to interest rate fluctuations. However, the Company will constantly review the economic situation and its interest rate risk profile.

Management believes that current available funds, the funds due from the Related Party Transactions discussed below, as well as the option to raise funds through the issuance of shares, will allow the Company to satisfy its requirements for investment, working capital management and the repayment of borrowings when they fall due.

The Company also believes it will have the liquidity to continue to complete any necessary improvements to the Indiantown cultivation and processing facility and to open new retail locations.

As is discussed in the Related Party Transactions Section of this MD&A, the Company has the right to receive proceeds from the repayment of the Note from a party that is arm’s length to SOL Global Investments Corp. (“SOL”). On the maturity date of the Note, November 29, 2020, the Company is entitled to receive \$7,909,246 USD. The Company shall use these funds to reduce debt and fund required capital expenditures, operational expenditures and/or allocate funds to reserves in managements and the board of directors discretion.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company’s senior management. Parties are also related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

Amounts due to related party consisted of:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Advances to (from) SOL Global Investments Corp.	(3,529,865)	(14,633,915)
Note receivable (i)	7,909,246	9,913,333
Other receivable (ii)	1,420,000	1,420,000
<b>Due from (to) SOL Global Investments Corp.</b>	<b>5,799,381</b>	<b>(3,300,582)</b>

These balances were unsecured, interest bearing at 8%, with no set terms of repayment. During the three and six months ended June 30, 2020, \$Nil and \$186,712 (June 30, 2020: \$Nil and \$Nil) in interest was charged SOL to the Company.

Included in this balance are the following:

*i. Note receivable*

During the year ended December 31, 2019, SOL assigned to the Company the right to receive proceeds from the repayment of an unsecured \$10,000,000 (“Note”) from a party that is arm’s length to SOL. Interest of 4% per annum accrued from November 29, 2019 (“Effective Date”) and have the following payment terms:

1. One Hundred Twenty Thousand Dollars (\$120,000) within seven (7) days of the effective date;
2. One Hundred Twenty Thousand Dollars (\$120,000) per month commencing on February 15, 2020 and continuing on the fifteenth day of each month thereafter until June 15, 2020;
3. One Hundred Sixty Thousand Dollars (\$160,000) per month commencing on July 15, 2020 and continuing on the fifteenth day of each month thereafter until this Note is fully paid; and

4. In addition, on June 15, 2020, One Million Six Hundred Thousand Dollar (\$1,600,000)

One year from the Effective Date of this Note (the "Maturity Date"), all amounts of unpaid principal and accrued but unpaid interest then outstanding hereunder shall be due and payable. As of June 30, 2020, \$7,909,246 (December 31, 2019: \$9,913,333) remains outstanding.

ii. *ECD advance*

During the year ended December 31, 2019, SOL assigned to the Company the right to receive \$1,420,000 pursuant to an unsecured advance to ECD, Inc ("Northern Emeralds") by SOL. On May 16, 2019, the Company entered into a binding letter of intent (the "Northern Emeralds LOI") to acquire either all the assets or all the issued and outstanding shares of Northern Emeralds. Subsequent to the year end, the Northern Emeralds LOI expired in accordance with its terms. The unsecured advance, which was assigned from SOL, is unsecured, non-interest bearing with no set terms of repayment.

The carrying value of other amounts owed to SOL included the following:

	June 30, 2020	December 31, 2019
	\$	\$
Note payable ( <i>note 14</i> )	(3,404,005)	(3,165,161)
Convertible debenture ( <i>note 15</i> )	(2,768,280)	-
	<u>(6,172,285)</u>	<u>(3,165,161)</u>

Key management includes the Company's directors and members of the executive management team. Total cash compensation of key management personnel and directors was approximately \$242,654 and \$559,232 for the three and six months ended June 30, 2020 (June 30, 2019: \$Nil and \$Nil). Total share based compensation in the form of restricted share units of key management personnel and directors for the three and six months ended June 30, 2020 was \$912,518.

**Contractual Obligations and Commitments**

The following table presents the contractual undiscounted cash flows of financial liabilities as at June 30, 2020:

	Less than 1 Year \$	1 to 3 years \$	3 to 5 years \$	Greater than 5 years \$	Total \$
Accounts payable and accrued liabilities	6,610,689	-	-	-	6,610,689
Note payable	168,381	7,760,000	-	-	7,928,381
Convertible debenture	729,362	8,951,263	-	-	9,680,625
Construction loan	6,264,589	1,410,000	2,913,534	-	10,588,123
<b>June 30, 2020</b>	<b>13,773,022</b>	<b>18,121,263</b>	<b>2,913,534</b>	<b>-</b>	<b>34,807,819</b>

**Outstanding Share Data**

The following table presents the fully diluted shares outstanding as at August 28, 2020:

	Shares outstanding
Common shares	114,555,911

Fixed price warrants	11,694,000
RSUs	7,250,000
Construction lender warrants	4,225,922
Convertible debenture warrants	31,774,948
<b>Fully diluted shares outstanding</b>	<b>169,500,781</b>

### **Significant Accounting Policies and Judgements**

See *note 3* of the Financial Statements for the three months ended March 31, 2020 and 2019 for more information.

### **Financial Instruments**

See *note 19* of the Financial Statements for the three months ended March 31, 2020 and 2019 for more information.

### **Regulation of Cannabis in the United States and in the State of Florida**

The commercial medical marijuana industry in the State of Florida is a relatively new industry and the Company anticipates that regulations applicable to it will be subject to change. As the Company carries on the operations of CannCure, the Company's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, distribution, storage and disposal of the product candidates but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Any changes to such laws and regulations including any applicable guidelines and policies may have an adverse material effect on the Company's operations and prospects.

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is involved, directly or indirectly, in the U.S. marijuana industry. The Company and the Subsidiaries carry on the business conducted by CannCure prior to the completion of the RTO Transaction, being the cultivation, processing and dispensing of medical cannabis in the State of Florida. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may impact the Issuer's license, business activities or operations will be promptly disclosed by the Company.

### **Regulation of Cannabis in the United States Federally**

The United States federal government regulates drugs through the CSA, which places controlled substances, including cannabis, in a schedule based on their approved medical use and potential for abuse. Cannabis is classified as a Schedule I controlled substance. The CSA explicitly prohibits the manufacturing, distribution, selling and possession of cannabis and cannabis derived products as a consequence of its Schedule I classification. Classification of substances under the CSA is determined jointly by the U.S. Drug Enforcement Agency and the U.S. Food and Drug Administration. The DOJ defines Schedule I drugs and substances as drugs with no currently accepted medical use, a high potential for abuse and a lack of accepted safety for use under medical supervision. The FDA has not approved marijuana as a safe and effective drug for any condition. Although the use of cannabis remains federally illegal, some of its derivative compounds have been approved by the FDA for prescription use.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational cannabis under the *Cannabis Act* (Canada) and the *Cannabis Regulations*, marijuana is largely regulated at the state level in the United States.

As of the date of this MD&A, 33 U.S. states, Washington D.C. and the territories of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands have legalized the cultivation and sale of full-strength cannabis for medical uses. In addition, Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, and Washington the sale and possession of cannabis has been legalized for both medical and recreational use of cannabis. Washington D.C has legalized recreational use of cannabis, but has not legalized commercial sales for recreational purposes. Fourteen states have also enacted low-THC/high-CBD only laws for medical cannabis patients.

State laws that permit and regulate the production, distribution, and use of cannabis for medical or recreational purposes are in direct conflict with the federal CSA, which makes the use and possession of cannabis federally illegal. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Although the Company's activities are believed to be compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The prior U.S. administration attempted to address the inconsistencies between federal and state regulation of cannabis in August 2013 in a memorandum which then-Deputy Attorney General James Cole sent to all U.S. attorneys with the Offices of United States Attorneys (the "**Cole Memorandum**") outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis.

On January 4, 2018, then-U.S. Attorney General Jeff Sessions formally issued a new memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their investigative and prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. The Sessions Memorandum provided no direction to federal prosecutors as to the priority they should ascribe to such cannabis activities, and as a result, it is uncertain how active U.S. federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future.

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to

cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "**2014 Cole Memorandum**") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes legislation against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place. Congress adopted a so-called "rider" provision to the fiscal years 2015, 2016, 2017, and 2018, 2019 and 2020 Consolidated Appropriations Acts (referred to as the "**Rohrabacher/Blumenauer Amendment**") to prevent the U.S. federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and will remain in effect until September 30, 2020. In signing the Act, President Trump issued a signing statement noting that the Act "provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution once the current continuing resolution expires.

The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave medical cannabis operators and investors in states with legal regimes greater certainty regarding enforcement of federal laws in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult-use markets across the U.S. On November 7, 2018, U.S. Attorney General Jeff Sessions resigned. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I

do not intend to go after parties who have complied with state law in reliance on the Cole Memo.” Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Additionally, the Strengthening the Tenth Amendment Through Entrusting States Act (the “**STATES Act**”) was introduced in the U.S. Senate on June 7, 2018 by Senators Cory Gardner (R-CO) and Elizabeth Warren (D-MA). A companion bill was introduced the same day in the U.S. House of Representatives, sponsored by Representatives Earl Blumenauer and David Joyce. The STATES Act, if passed and signed into law, would amend the CSA to exempt from federal enforcement individuals and corporations in states which are in compliance with U.S. state, U.S. territory and the District of Columbia, or tribal law on cannabis, with certain additional provisions such as minimum ages. The STATES Act was reintroduced on April 4, 2019 in both the U.S. House of Representatives and the U.S. Senate.

The Secure and Fair Enforcement Banking Act (the “**SAFE Act**”) was introduced in the U.S. House of Representatives on March 7, 2019 and is proposed legislation regarding the disposition of funds gained through the cannabis industry in the United States. The SAFE Act, if passed and signed into law, would operate to provide a safe harbor to banks who wish to serve the cannabis marketplace. The bill was passed by the House of Representatives on September 25, 2019. There are more than 1400 cannabis-related bills moving through state legislatures and Congress for the 2020 sessions.

The risk of federal enforcement and other risks associated with the Company’s business are described in Section “*Risk Factors*” of this MD&A.

## **Florida**

### *Florida Regulatory Landscape*

On June 16, 2014, the Florida state governor signed Senate Bill 1030, also known as the Compassionate Medical Cannabis Act of 2014 (the “**CMCA**”), which was the first legal medical cannabis program in the State’s history. The CMCA legalized low-THC for medical patients suffering from cancer or “a physical medical condition that chronically produces symptoms of seizures”, such as epilepsy, “or severe and persistent muscle spasms”. The CMCA required physician approval and determination that no other satisfactory alternative treatment options exist for that patient. The CMCA also authorized medical centers to conduct research on low THC cannabis.

On November 8, 2016, Amendment 2 was added to Florida’s state constitution. Amendment 2 protects qualifying patients, caregivers, physicians, and medical cannabis dispensaries and their staff from criminal prosecution or civil sanctions under Florida law. Pursuant to Amendment 2, qualified patients who have been diagnosed with debilitating medical conditions and have been evaluated by a qualified physician may be prescribed medical marijuana. Amendment 2 also expanded the definition of debilitating diseases to include 12 conditions including HIV/AIDS, Crohn’s disease, post-traumatic stress disorder and any medical condition that the physician believes will benefit from the use of medical marijuana. Amendment 2 became effective on January 3, 2017. Amendment 2 provides a regulatory framework that requires licensed producers, which are statutorily defined as Medical Marijuana Treatment Centers, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

On June 9, 2017, the Florida House of Representatives and Florida Senate each passed legislation to implement the expanded program by replacing large portions of the existing Compassionate Use Act, which officially became law on June 23, 2017.

The Florida Department of Health, Office of Medical Marijuana Use, is the organization responsible for the regulation of Florida's medical cannabis program. Specifically, the OMMU writes and implements the Department's rules for medical marijuana, oversees the statewide medical marijuana patient database, and licenses Florida businesses to cultivate, process and dispense medical marijuana to qualified patients.

#### *Issuer Licenses in Florida*

One Plant Florida is the holder of a vertically-integrated MMTC license issued by the Florida Department of Health, Office of Medical Marijuana Use, pursuant to Florida Statutes section 381.986. One Plant Florida was registered as an MMTC in the State of Florida on July 31, 2017. One Plant Florida's MMTC license grants it the right to cultivate, process and dispense medical cannabis and medical cannabis products throughout the state of Florida, to operate licensed dispensaries in the State of Florida and to effectuate statewide delivery of medical cannabis and medical cannabis products and related approved activities.

On January 2, 2018, One Plant Florida received approval from the OMMU to begin cultivating medical cannabis at its cultivation facility located at the Ruskin Facility. On March 29, 2019 and April 9, 2020 respectively, One Plant Florida received approval from the OMMU to process and cultivate medical cannabis at the Indiantown Facility.

#### *Florida Licenses and Regulations*

Cannabis is illegal in Florida for recreational use. However, medical use of cannabis in Florida was legalized in 2016 by way of a constitutional amendment appearing on the ballot as Amendment 2, which was approved with 71% of the vote. The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, statutorily defined as MMTCs, to cultivate, process and dispense medical cannabis in a vertically integrated marketplace. Only licensed MMTCs can sell and dispense medical marijuana; medical marijuana may not be purchased from any vendor other than a MMTC. MMTC licenses are issued by the OMMU. Applicants for licenses are required to provide comprehensive business plans with demonstrated knowledge and experience on execution, detailed facility plans, forecasted performance and robust financial resources. The applicant's technical ability on plant and medical cannabis cultivation, infrastructure, processing, dispensing and safety are also assessed. Each MMTC must receive authorization at three stages, (i) cultivation authorization, (ii) processing authorization and (iii) dispensing authorization, prior to dispensing medical marijuana.

License holders are only permitted to hold one MMTC license pursuant to the State of Florida Statutes. However, each license allows for the cultivation, processing and dispensing of medical cannabis products. Originally, each MMTC was permitted to open up to 25 dispensaries statewide. However, with each additional 100,000 patients that registered for the program, the dispensary cap for each MMTC increased by five dispensaries. On April 1, 2020, the cap on the number of dispensaries that could be opened and operated by a license holder expired. As of June 5, 2020, there were 345,273 qualified patients with an approved medical ID card, 22 approved MMTCs and 250 approved retail dispensing locations.

Each licensee is required to cultivate, process and dispense medical cannabis. The license permits the sale of derivative products produced from extracted cannabis plant oil as medical cannabis to qualified patients to treat certain medical conditions in the State of Florida, which conditions are delineated in Florida Statutes section 386.981.

On March 18, 2019, Florida Governor Ron DeSantis signed Florida Senate Bill 182 (2019) ("**SB 182**") into law, repealing the previous ban on smoking medical cannabis. SB 182 also allows patients to receive up to 2.5 ounces of whole flower cannabis every 35 days as recommended by their doctor and requires patients under the age of 18 to have a terminal condition and to get a second opinion from a pediatrician before smoking medical cannabis. On April 1, 2019, the State legalized the dispensing of whole flower cannabis products and pre-rolled cannabis joints.

Under its license, One Plant Florida is permitted to sell cannabis to those patients who are entered into Florida's electronic medical marijuana use registry by a qualified physician and possess a state-issued medical marijuana identification card. The physician determines patient eligibility as well as the routes of administration (e.g. topical,

oral, inhalation) and number of milligrams per day a patient is able to obtain under the program. The physician may order a certification for up to three 70-day supply limits of marijuana, following which the certification expires and a new certification must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical cannabis) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction.

Licenses issued by the OMMU may be renewed biennially so long as the licensee meets requirements of Florida Statute 381.986 and pays a renewal fee. One Plant Florida timely submitted its biennial renewal on February 28, 2020, which was approved by the OMMU on June 2, 2020. Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture & Consumer Services, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the OMMU, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, and must provide certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the OMMU, the applicant must post a performance bond of up to \$5 million, which may be reduced by meeting certain criteria such as a minimum patient count.

#### *Florida Reporting Requirements*

The OMMU requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access to data by the OMMU. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when marijuana seeds are planted, when marijuana plants are harvested and destroyed, and when cannabis is transported, sold, stolen, diverted, or lost. Each MMTC is required to use the seed-to-sale tracking system established by the OMMU or integrate its own seed-to-sale tracking system with the seed-to-sale tracking system established by the OMMU. The OMMU also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to providing required data or proof of key events to said system. The State of Florida requires all MMTCs to abide by representations made in their original application to the State of Florida. Any changes or expansions must be requested pursuant to and in accordance with a variance process.

#### *Florida Security and Transportation*

With respect to security requirements for cultivation, processing and dispensing facilities, a MMTC must maintain a fully operational security alarm system that secures all entry points and perimeter windows, and is equipped with motion detectors, pressure switches, duress, panic and hold-up alarms. The MMTC must also have a 24-hour video surveillance system with the following features: (a) cameras positioned for the clear identification of persons and activities in controlled areas including growing, processing, storage, disposal and point-of-sale rooms, (b) cameras fixed on entrances and exits to the premises, which shall record from both indoor and outdoor, or ingress and egress, vantage points, and (c) ability to record images clearly and accurately together with the time and date. Facilities may not display products or dispense cannabis or cannabis delivery devices in the waiting area and may not dispense cannabis from its premises between the hours of 9:00 p.m. and 7:00 a.m. However, it may perform all other operations and deliver cannabis to qualified patients 24 hours a day.

Cannabis must be stored in a secured, locked room or a vault. A MMTC must have at least two employees, or two employees of a security agency, on the premises at all times where cultivation, processing, or storing of cannabis

occurs. A cannabis transportation manifest must be maintained in any vehicle transporting cannabis or a cannabis delivery device. The manifest must be generated from the MMTC's seed-to-sale tracking system. The manifest must include the following information: (i) departure date and time; (ii) name, address and license number of the originating MMTC; (iii) name and address of the receiving entity; (iv) the quantity, form and delivery device of the cannabis; (v) arrival date and time; (vi) the make, model and license plate of the delivery vehicle; and (vii) the name and signatures of the MMTC delivery employees. Further, a copy of the transportation manifest must be provided to the MMTC when receiving a delivery. Each MMTC must retain copies of all cannabis transportation manifests for at least three years. Cannabis and cannabis delivery devices must be locked in a separate compartment or container within the vehicle and employees transporting cannabis or cannabis delivery devices must always have their employee identification on their person. Lastly, at least two people must be in a vehicle transporting cannabis, and at least one person must remain in the vehicle while the cannabis is physically delivered.

#### *Florida Inspections*

The OMMU may conduct announced or unannounced inspections of MMTCs to assess compliance with applicable laws and regulations. The OMMU is required to inspect a MMTC upon receiving a complaint or notice that the MMTC has dispensed cannabis containing mold, bacteria, or other contaminants that have caused or which may cause an adverse effect to humans or the environment. The OMMU is required to conduct at least a biennial inspection of each MMTC to evaluate the MMTC's records, personnel, equipment, security, sanitation practices, and quality assurance practices.

#### **Issuers with U.S. Marijuana-Related Activities – Reporting Obligations**

On February 8, 2018, the Canadian Securities Administrators issued Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities* which provides specific disclosure expectations for issuers with U.S. Marijuana-Related Activities. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents, such as this MD&A. In accordance with the Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this MD&A that address the disclosure expectations outlined in Staff Notice 51-352.

<b>Industry Involvement</b>	<b>Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties</b>	<b>MD&amp;A Section Cross Reference</b>
<b>All Issuers with U.S. Marijuana-Related Activities</b>	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>Description of Business</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>Cover page disclosure</i> <i>Regulation of Cannabis in the United States and in the State of Florida</i> <i>Risk Factors</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<i>Cover page disclosure</i> <i>Regulation of Cannabis in the United States and in the State of Florida</i> <i>Risk Factors</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	MD&A Section Cross Reference
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	<i>Cover page disclosure</i>  <i>Risk Factors</i>
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	<i>Risk Factors</i>
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	The Company operates exclusively in the United States and all of the Company's business and revenues are derived directly from U.S. Marijuana-Related Activities. As such, the Company's balance sheet and operating statement are fully exposed to U.S. Marijuana-Related Activities.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	One Plant Florida has received and continues to receive legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.
<b>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</b>	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<i>Regulation of Cannabis in the United States and in the State of Florida</i>
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's license, business activities or operations.	<i>Regulation of Cannabis in the United States and in the State of Florida</i>  <i>Risk Factors</i>  One Plant Florida is in compliance with Florida state law and the related licensing framework. One Plant Florida will promptly disclose any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities or operations.

### **Risk Factors**

There are various risk factors that could cause the Company's future results to differ materially from those described in this MD&A. The risks and uncertainties described below are those the Company currently believes to be material, but they are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Company's business, financial condition, results of operations and cash flows, and consequently the price of the Shares, could be materially and adversely affected. The risks discussed below also include forward-looking statements and the Company's actual results may differ substantially from those discussed in the forward-looking statements. See Section 17 – Risk Factors in the Company's Listing Statement dated June 11, 2020 and posted on the Company's SEDAR profile on [www.sedar.com](http://www.sedar.com).